

JUL 22 2009

**ARTICLES OF INCORPORATION
OF
VILLAGE AT GRAY'S CROSSING MASTER ASSOCIATION**

I

The name of this corporation is VILLAGE AT GRAY'S CROSSING MASTER ASSOCIATION.

II

This corporation is a nonprofit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Law. The purpose of this corporation is to engage in any lawful act or activity, other than credit union business, for which a corporation may be organized under such law. More specifically, the corporation will own, repair, maintain and manage common areas, enforce the rules and regulations as adopted from time to time by the Board of Directors, and discharge such other lawful duties and responsibilities as may be required pursuant to the corporation's Bylaws and the Declaration of Covenants, Conditions and Restrictions for the Village at Gray's Crossing (the "Declaration") recorded in the Office of the Recorder of Nevada County, State of California, with respect to the Village at Gray's Crossing development (the "Development").

III

The name and address in this state of the corporation's initial agent for service of process is Jeff Butterworth, 12011 Old Truckee Airport Road, Truckee, California, 96161.

IV

This corporation is an association formed to manage a common interest development under the Davis-Stirling Common Interest Development Act. The business office of the corporation is 10164 Donner Pass Road, Suite 3, Truckee, California, 96161. The nine-digit ZIP code for the Development is 96161-0000; and the front street and the nearest cross street of the Development are State Highway 89 and Prosser Dam Road, respectively. There is no managing agent for the corporation at the time these Articles of Incorporation are being filed.

V

No part of the net earnings of this corporation shall inure to the benefit of any private individual, except as expressly provided in those sections with respect to the acquisition, construction, or provision for management, maintenance, and care of the corporation's property, and other than by a rebate of excess membership dues, fees, or assessments. In the event of the dissolution, liquidation, or winding up of the corporation, upon or after termination of the aforementioned real estate development in accordance with provisions of the Declaration, the

corporation's assets remaining after payment, or provision for payment, of all known debts and liabilities of the corporation shall be divided among and be distributed to the members thereof in accordance with their respective rights therein.

VI

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

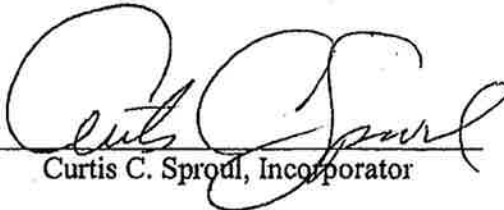
VII

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

VIII

Any amendment of the articles hereunder shall require the vote or consent by written ballot of (i) at least a bare majority of the Board of Directors; (ii) so long as the corporation has Class A and Class B memberships, upon the vote or written assent of at least a bare majority of each class; or (iii) after conversion of the Class B memberships to Class A memberships, upon the vote or written assent of total voting power of the corporation, including fifty one percent (51%) of the voting power of members other than the declarant.

DATED: 07-12-, 2009.


Curtis C. Sproul, Incorporator



BYLAWS
OF
VILLAGE AT GRAY'S CROSSING MASTER ASSOCIATION

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**BYLAWS
OF
VILLAGE AT GRAY'S CROSSING MASTER ASSOCIATION**

**ARTICLE I
RECITALS AND DEFINITIONS**

Section 1.01. Name of Master Association. The name of this corporation shall be the Village at Gray's Crossing Master Association and shall be referred to herein as the "Master Association."

Section 1.02. Master Association Is Nonprofit. The Master Association is formed pursuant to the California Nonprofit Mutual Benefit Corporation Law (Cal. Corp. Code, §7110 et seq.) as a nonprofit mutual benefit corporation, and is an "association" as defined by California Civil Code section 1351(a).

Section 1.03. Specific Purpose. The specific and primary purpose of the Master Association shall be to own, repair, maintain and manage the Common Areas and Common Facilities within that portion of the Gray's Crossing community in the Town of Truckee that is commonly referred to as the "Village at Gray's Crossing", to enforce the Master Association Rules adopted by the Board of Directors, from time to time, and the terms and conditions of the Master Declaration, and to otherwise enhance and promote the use and enjoyment of the Common Areas and Common Facilities of the Village at Gray's Crossing by the Owners in common.

Section 1.04. Definitions.

- (a) County. "County" means the County of Nevada, State of California.
- (b) Lot. "Lot" means and refers to any parcel of real property designated by a number on the Subdivision Map for any portion of the Village at Gray's Crossing that is improved with, or intended to be improved with, a residence of townhouse design. When appropriate within the context of these Bylaws, the term "Lot" shall also include the residence and other Improvements constructed or to be constructed on a Lot.
- (c) Majority of a Quorum. "Majority of a Quorum" means the vote of a majority of the votes cast at a meeting or by written ballot when the number of Members attending the membership meeting or the number of ballots cast equals or exceeds the quorum requirement specified in Section 5.05, below. Any Member may be represented at a membership meeting by proxy (see Section 4.05, below).
- (d) Separate Interests. "Separate Interest" means an individual Unit in a Condominium Project, a separately owned Lot in a Planned Development, or any other type of Separate Interest that is defined as such in Civil Code section 1351(l).
- (e) Site. "Site" is a term that is used in this Master Declaration to reference those facilities and improvements within the Village at Gray's Crossing that are not Separate Interests, as defined in subparagraph (d), above, and yet are subject to Assessment and to other covenants

and restrictions as stated in this Master Declaration (and as may be stated in a Supplemental Declaration that pertains to a Site). As so defined, the term "Site" includes, without limitation, any Lodge or any apartment project that may be constructed in any portion of the Village at Gray's Crossing.

(f) Unit. "Unit" means and refers to a Separate Interest in a Condominium Project, all as more particularly defined in Civil Code section 1351(f).

(g) Voting Power. "Voting Power" means those Members who are eligible to vote for the election of directors or with respect to any other matter, issue or proposal properly presented to the members for approval at the time any determination of Voting Power is made.

(h) Other Definitions Incorporated by Reference. Any other capitalized term used in these Bylaws that are not defined in this Article I shall have the same meaning when used herein as the meaning that is given to the term in Article I of the Master Declaration, unless the context clearly indicates a contrary intention.

ARTICLE II LOCATION OF PRINCIPAL OFFICE

The principal office of the Master Association will be located at such place within the Town of Truckee or the Village at Gray's Crossing as the Board may from time to time designate by resolution.

ARTICLE III MEMBERSHIP

Section 3.01. Members of the Master Association. Every Owner of a Separate Interest or Site within the Village at Gray's Crossing shall be a Member of the Master Association. Membership in the Master Association is appurtenant to, and may not be separated from, ownership of Separate Interest or Site.

Section 3.02. Term of Membership. Each Owner shall remain a Member until he or she no longer qualifies as such under Section 3.01, above. Upon the sale, conveyance or other transfer of an Owner's interest in a Separate Interest or Site, the Owner's membership interest appurtenant to the Separate Interest or Site shall automatically transfer to the new Owner(s) thereof.

Section 3.03. Multiple Ownership of Lots. Ownership of a Separate Interest or Site in the Development shall give rise to a single membership in the Master Association and each membership held by an Owner shall entitle the Member to one (1) vote on matters requiring the consent or approval of the Members, whereas the Declarant shall have three (3) votes for each membership it holds. Accordingly, if more than one (1) person owns a Separate Interest or Site, all of said persons shall be deemed to be one Member for voting purposes, although all such

Owners shall have equal rights as Members to use and enjoy the Common Areas and Common Facilities. Any one of the multiple Owners shall be entitled to vote the membership, unless the secretary of the Master Association is notified in writing of the Owner designated by his or her co-Owners as having the sole right to vote the membership on their behalf. If such notification does not occur and more than one (1) of the multiple Owners of a Separate Interest or Site attempts to vote the membership that is appurtenant to that Separate Interest or Site, the inspector of elections that has been appointed pursuant to Section 7.05(e), below, shall be empowered to disqualify the vote of that membership. If a Separate Interest or Site is owned by more than one person, the co-Owners of that Separate Interest or Site will nevertheless have only one membership in the Master Association that is appurtenant to the Separate Interest or Site they jointly own.

Section 3.04. Furnishing Evidence of Membership. A person shall not be entitled to exercise the rights of a Member until such person has advised the secretary of the Master Association in writing that he or she is qualified to be a Member under Section 3.01, above, and, if requested by the secretary, has provided the secretary with evidence of such qualification in the form of a duly recorded grant deed to the Separate Interest or Site that give rise to the membership or a currently effective policy of title insurance for that Separate Interest or Site. Exercise of membership rights shall be further subject to the rules regarding record dates for notice, voting and actions by written ballot and eligibility for voting set forth in Section 5.08, below.

ARTICLE IV MEMBERSHIP VOTING

Section 4.01. Classes of Membership. The Master Association shall have two (2) classes of voting membership, namely:

(a) Class A Members. Each Owner of a Separate Interest or Site, with the exception of Declarant, shall be a Class A Member of the Master Association. If a Separate Interest or Site is owned by more than one (1) person, there shall be only one (1) vote with respect to such Separate Interest or Site. The Declarant shall become a Class A Member as to every Separate Interest or Site then owned by the Declarant upon the occurrence of the events specified in Section 4.02(c), below.

(b) Class B Members. The Class B Member shall be the Declarant until the first to occur of the events specified in Section 4.02(c), below.

Section 4.02. Voting Rights of Classes.

(a) Members Entitled to Vote. Only Members of the Master Association who are in good standing, as defined in Section 4.03, below, shall be entitled to vote. The voting rights and privileges of the classes of Members in the Master Association shall be as provided herein. The tenants or lessees of a Separate Interest or Site within the Development shall have no voting or membership rights in the Master Association.

(b) Class A Members. Class A Members shall have one (1) vote for each Separate Interest or Site that the Member owns. A Class A Member who has sold his or her Separate Interest or Site to a contract purchaser under an agreement to purchase shall delegate to such contract purchaser, by proxy, his or her membership rights in the Master Association. However, the contract seller shall remain liable for any default in the payment of Assessments by the contract purchaser until title to the property sold shall be transferred to the purchaser.

(c) Class B Members. The Class B Member shall be entitled to three (3) votes for each Separate Interest or Site that is owned by the Declarant. The Class B membership shall cease and be converted to Class A membership on the first to occur of the following events:

(i) The second anniversary of the first conveyance of a Separate Interest or Site within the most recent Phase of the Development; or

(ii) The fourth anniversary of the first conveyance of a Separate Interest or Site in the first Phase of the Development.

(d) Approval by Class A and Class B Members. As long as there are two (2) classes of voting membership in the Master Association, no action by the Master Association that must have the prior approval of the Members shall be deemed approved by the Members unless approved by the appropriate percentage of both classes of Members. With the exception of an action by the Owners to enforce bonded obligations pursuant to Section 3.11 of the Master Declaration, whenever any provision of these Bylaws or any other Governing Documents of the Master Association require the approval of a prescribed majority of the Voting Power of the Members "other than the Declarant", the intent of the quoted phrase is that the action be approved by the vote or written assent of a bare majority of the Class B Voting Power as well as the vote or written assent of the prescribed majority of the total Voting Power of Members other than the Declarant. After all the Class B membership has been converted into Class A memberships, any such provisions shall be deemed to require the vote or written assent of a bare majority of the total Voting Power of the Master Association as well as the vote or written assent of the prescribed majority of the total Voting Power of Members other than Declarant.

Section 4.03. Eligibility to Vote; Definition of Good Standing. Only Members in good standing shall be entitled to vote at any membership meeting. In order to be in good standing, a Member must be current in the payment of all assessments levied against the Member's Separate Interest or Site and not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with Section 13.06 of the Master Declaration. A Member's good standing shall be determined as of the record date established in accordance with Section 5.08, below. In accordance with Civil Code section 1363(h), the Master Association shall be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of the nonpayment of assessments, as set forth in Section 13.06 of the Master Declaration.

Section 4.04. Manner of Casting Votes.

(a) Voting at Membership Meetings. Voting at any membership meeting may be by voice or by ballot; provided, however, that the voting in any election of directors or any other matter identified in subparagraph (e), below, shall be conducted by secret ballot. The vote on

any other issue properly before a meeting of the Members shall be conducted by secret ballot when determined by the chairman of the meeting, in his or her discretion, or when requested by ten percent (10%) of the Members present at the meeting.

(b) Voting by Written Ballot. In addition to voting in person or by proxy at a meeting, Members' votes may be solicited by written ballot with respect to any issue, including the election of directors, that requires action or approval by the Members under the Governing Documents or applicable State laws. Written ballot voting shall be conducted in accordance with Section 4.06, below.

(c) Proxy Voting. Members otherwise eligible to vote at a meeting may do so in person or by proxy issued as provided in Section 4.05, below.

(d) Cumulative Voting. Each Member entitled to vote at any election of directors where more than two (2) positions are to be filled shall have the right to cumulate his or her votes by giving one (1) candidate a number of votes equal to the number of directors to be elected, multiplied by the number of votes to which the Member is entitled, or by distributing his or her votes on the same principle among as many candidates as he or she desires. No Member shall be entitled to cumulate votes unless (a) the candidate's or candidates' name(s) have been placed in nomination before the voting, and (b) a Member has given notice at the meeting, and before the voting, of the Member's intention to cumulate his or her votes. If any one Member has given such notice, all Members may cumulate their votes for candidates in nomination. Those candidates receiving the highest number of votes, up to the number of directors to be elected, shall be elected.

(e) Secret Ballot Voting Requirements (Civil Code section 1363.03). California Civil Code section 1363.03 requires that the following actions requiring the vote or approval of the Members of the Master Association must be conducted by use of a secret ballot that meets the requirements of Section 7.05(c), (e), (g), (h) and (i), below: (i) any vote of the Members to approve an increase in the Regular Assessment or imposition of a Special Assessment where membership approval is required under Civil Code section 1366(b); (ii) any vote for the election or removal of directors; (iii) amendments to the Governing Documents; or (iv) the grant of exclusive use of Common Area property pursuant to Civil Code section 1363.07. Except for the meeting conducted pursuant to Section 7.05(g), below, to count the votes cast in any election or vote that is subject to these secret ballot voting rules, a vote or election may be conducted entirely by mail.

Section 4.05. Proxies.

(a) Proxies Generally. Any Member entitled to vote may do so either in person or by one (1) or more agents authorized by a written proxy signed by the Member and filed with the secretary of the Master Association. Any proxy shall be for a term not to exceed eleven (11) months from the date of issuance, unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three (3) years from the date of execution. Proxy forms shall be dated to assist in verifying their validity.

(b) Effectiveness of Proxies. Every proxy continues in full force and effect until revoked by the issuing Member prior to the vote pursuant thereto subject to the maximum term of a proxy set forth in subparagraph (a), above. Any proxy issued hereunder shall be revocable by the person executing such proxy at any time prior to the vote pursuant thereto, by (i) delivery to the secretary of a written notice of revocation, (ii) a subsequent proxy executed by the Member executing the prior proxy and presented to the meeting, or (iii) as to any meeting, by attendance at such meeting and voting in person by the Member executing the proxy. The dates contained on the forms of proxy presumptively determine the order of execution, regardless of the postmarks contained on the envelopes in which they are mailed. A proxy shall be deemed revoked when the secretary shall receive actual notice of the death or judicially declared incompetence of the Member issuing the proxy, or upon termination of such Member's status as an Owner of a Separate Interest or Site as provided in Section 3.01, above.

(c) Validity of Proxies With Respect to Certain Material Transactions. Any proxy given with respect to any of the matters described in this subparagraph (c) shall be valid only if the proxy form sets forth a general description of the nature of the matter to be voted on. The matters subject to this requirement are:

- (i) Removal of directors without cause;
- (ii) Filling of vacancies on the Board;
- (iii) Approval of contracts or transactions between the Master Association and one (1) or more of its directors, or between the Master Association and a corporation, firm or association in which one (1) or more of its directors has a material financial interest;
- (iv) Amendment of the Articles of Incorporation, these Bylaws or the Declaration;
- (v) Action to change any Master Association Assessments in a manner requiring membership approval under the Master Declaration;
- (vi) Sale, lease, exchange, transfer or other disposition of all or substantially all of the Master Association's assets otherwise than in the regular course of the Master Association's activities;
- (vii) Merger of the Master Association or an amendment to an agreement of merger; and
- (viii) Voluntary dissolution of the Master Association.

(d) Limited Proxies and Proxies Issued In Director and Other Secret Ballot Elections.

(i) Limited Proxies. Any form of proxy distributed to ten (10) or more Members must afford an opportunity on the proxy to specify a choice between approval or disapproval of any matter or group of related matters intended, at the time the proxy is distributed, to be acted upon at the meeting for which the proxy is solicited. If the form of proxy

lists one (1) or more matters to be acted upon and the issuer of the proxy has specified a choice with respect to any such matter (including a preference in voting for candidates for election to the Board), the proxy holder shall be obligated to cast the vote represented by the proxy in accordance with the issuer's designated preference.

(ii) Special Proxy Form Requirements Applicable to Certain Member Votes.

As stated in Section 4.04(a), above, and in Civil Code section 1363.03(b), in any Member vote on the election or removal of directors and with respect to Member votes concerning certain other significant actions, Member approvals and the ballots used to register Member votes, must conform to a secret ballot, double envelope process of voting that is more particularly described in Section 7.05, subparagraphs (c) through (i), below. Subparagraph (d)(3) of Civil Code section 1363.03 requires that any instruction given in a proxy issued for an election that directs the manner in which the proxy holder is to cast the vote shall be set forth on a separate page of the proxy that can be detached and given to the proxy holder to retain. The proxy holder must cast the Member's vote by secret ballot and if the ballot issued in connection with the election of directors is marked so as to direct the proxy holder to vote the proxy ballot for a specified candidate or candidates, the proxy holder shall vote in accordance with the direction of the proxy issuer. If the proxy ballot is marked by a Member "withhold" or otherwise marked in a manner indicating that the authority to vote for the election of directors is withheld, the proxy holder shall not vote the proxy either for or against the election of a director. Any proxy may be revoked by the Member prior to the receipt of the ballot by the inspector of elections as described in Section 7.05(e), below.

In accordance with subsection (d)(i), above, the ballot form that accompanies proxies distributed in connection with the election of directors shall set forth the names of all individuals who are candidates for election to the Board of Directors at the time the proxy is issued. The accompanying ballot form shall contain boxes or lines opposite each candidate's name where the issuing Member can express his or her voting preference.

(e) Restriction or Elimination of Proxy Rights; Limitation on Authority. No amendment of the Articles or Bylaws repealing, restricting, or expanding proxy rights may be adopted without approval by the affirmative vote of a majority of the Voting Power of the Members represented and voting in accordance with the secret ballot voting procedures set forth in Section 7.05, below.

(f) Proxy Rules for Memberships Held by More Than One Person. Where two (2) or more persons constitute a Member, any proxy with respect to the vote of such Member may be signed by one (1) or more of such persons so long as no more than one (1) proxy is issued with respect to any single membership.

Section 4.06. Action by Written Ballot Without a Meeting.

(a) Definition of Written Ballot. A "written ballot" is a ballot which is mailed or otherwise distributed to every Member entitled to vote on the matter and which complies with the requirements of this Section. The term "written ballot" does not include a ballot distributed to Members at a meeting for purposes of conducting a vote of the Member at such meeting.

(b) Written Ballots, Generally. Any matter or issue requiring the vote of the Members, including the election of directors, may be submitted for vote by written ballot without the necessity of calling a meeting of the Members, so long as the requirements for action by written ballot set forth in this Section are met. The determination to seek Member approval for Master Association actions in this fashion shall be made by a majority vote of the Board of Directors.

Once the determination is made to seek Member approval by written ballot, the Board shall establish a record date (see Section 5.08(a)(iii), below) and distribute a written ballot to every Member entitled to vote on the matter by first-class mail or delivered by the Master Association to every Member not less than thirty (30) days prior to the deadline for voting.

(c) Content of Written Ballots. Any written ballot distributed to the Members to vote on any issue other than the election of directors shall set forth the proposed action and provide an opportunity to specify approval or disapproval of the proposal. Written ballots distributed for the election of directors shall list all candidates who are candidates for election to the Board as of the date when the written ballots are mailed or delivered to the Members and the written ballots shall comply with the secret ballot voting requirements of California Civil Code section 1363.03 by being prepared in a form that requires that the ballot, itself, not be signed by the voter or otherwise present any identification of the voter by name, Residence or Separate Interest or Site number or address.

The mailed ballots shall be accompanied by two (2) preaddressed envelopes with instructions on how to return the ballots by a stated deadline in order to be counted. Those instructions shall state, at a minimum, that the ballot itself is not to be signed by the voter, but rather is to be inserted into an envelope that is sealed. That sealed envelope shall then be inserted into a second envelope that is also sealed. In the upper left hand corner of the second envelope, the voter shall be instructed to print and sign his or her name, address, and Residence or Separate Interest or Site number that entitles him or her to vote in the election. This second (outside) envelope shall be addressed to the inspector or inspectors of election and the envelope may be mailed or delivered by hand to a location specified by the inspector or inspectors of election.

(d) Balloting Time Requirements. Written ballots shall be distributed to all eligible Members at least thirty (30) days prior to the final date the written ballots must be received by the Master Association in order to be counted. All written ballots shall provide a reasonable time within which to return the written ballot to the Master Association and shall state on the face of the ballot or in an accompanying notice the date by which the written ballot must be returned in order to be counted. The deadline for the return of written ballots distributed to conduct an election of directors shall be established to coincide with the date of the annual meeting of the Members (although the actual final deadline for the return of election ballots can be stated as being the close of business on the last business day preceding the date of the annual meeting in order to facilitate the tabulation of ballots).

Except in the case of written ballots distributed in the election of directors in accordance with this Section 4.06 and California Civil Code section 1363.03, the time fixed for the return of written ballots may only be extended if the Board so notifies the Members on the

face of the ballot or in the balloting solicitation materials accompanying the ballot and then for no more than two (2) successive periods of thirty (30) days each.

(e) Requirements for Valid Member Action by Written Ballot. Membership approval by written ballot shall only be valid if: (i) the number of votes cast by ballot within the time established by the Board for then return of ballots equals or exceeds the quorum (as specified in Section 5.05, below), that would have been required to be present at a membership meeting if such a meeting had been convened to vote on the proposal; and (ii) the number of affirmative votes equals or exceeds the number of affirmative votes that would have been required to approve the action at such a meeting. In the case of the election of directors, those candidates who receive the highest number of votes, up to the total number of positions on the Board to be filled, shall be the successful, elected candidates.

(f) Solicitation Rules. Written ballots shall be solicited in a manner consistent with the requirements of Section 5.04, below, pertaining to issuance of notice of Members' meetings. All solicitations of written ballots shall indicate: (i) the number of responses needed to meet the quorum requirement for valid action; (ii) the time by which the written ballot must be received by the Master Association in order to be counted; and (iii) the percentage of affirmative votes necessary to approve the measure. Written ballots that are distributed in connection with elections and votes that are subject to Civil Code section 1363.03 (see Section 4.04(d), above) must also conform with the secret ballot voting requirements set forth in Civil Code section 1363.03 (i.e., ballots issued to vote on the election of directors, or to approve Assessments requiring the consent or approval of the Members, or votes to amend the Governing Documents or to grant exclusive use of Common Area property rights pursuant to section 1363.07 of the California Civil Code).

(g) Additional Balloting Procedures. If deemed necessary by the Board of Directors, any written ballot conducted pursuant to this Section 4.06 may be subjected to additional procedures, not inconsistent with the provisions of this Section or applicable State law, as may be prescribed by a firm of public accountants of the Master Association's legal counsel, who may also be retained to supervise the secrecy and conduct of the balloting process.

(h) Notification of Results of Balloting Process. Upon tabulation of the written ballots, the Board shall notify the Members of the outcome of the vote within thirty (30) days following the close of the balloting process and tabulation of the ballots. If the number of written ballots cast with respect to any matter is insufficient to satisfy the minimum quorum requirements, the Board shall so notify the Members.

(i) Prohibition of Revocation of Written Ballots. Once exercised, a written ballot may not be revoked.

(j) Conduct of Informational Meetings. Use of the written ballot procedures set forth in this Section 4.06 shall not preclude the Master Association from also conducting informational meetings of the Members to provide information or a forum during the prescribed voting period or from scheduling a Board or membership meeting to coincide with the culmination of the prescribed balloting period.

Section 4.07. Majority Vote of Members Represented at Meeting Required for Valid Action. At a meeting, the affirmative vote of a Majority of a Quorum of the Members who are entitled to vote and voting on any matter (other than the election of directors) shall be the act of the Members, unless the vote of a greater number is required by the California Nonprofit Mutual Benefit Corporation Law or by the Governing Documents of the Master Association. In the case of director elections, the candidates receiving the greatest number of votes, up to the number of directors to be elected, shall be elected to fill the vacancies.

ARTICLE V MEMBERSHIP MEETINGS

Section 5.01. Place of Meetings. Meetings of the Members shall be held at the offices of the Master Association within the Development or at such other reasonable place (within the County) and at such time as may be designated by notice of the Board of the meeting. Unless unusual conditions exist, meetings of the Members shall not be held outside of the County or the Martis Valley area of Placer County.

Section 5.02. Annual Meeting. The first annual meeting of the Members shall be held not more than forty-five (45) days after the closing of the sale of the Separate Interest or Site that represents the fifty-first (51st) percentile subdivided interest authorized for sale under the first Public Report for the Development, but in no event shall the first meeting be held later than six (6) months after the close of escrow for the sale of the first Separate Interest or Site. Thereafter, there shall be an annual meeting of the Members in the month of October of each year at a date, time and location set forth in the notice of the annual meeting.

Section 5.03. Special Meetings.

(a) Persons Entitled to Call Special Meetings. A majority of the Board, the president or five percent (5%) or more of the Members may call special meetings of the Members at any time to consider any lawful business of the Master Association.

(b) Procedures for Calling Special Meetings Requested by Members. If a special meeting is called by reason of a petition from five percent (5%) or more of the Members, rather than being called by the Board of Directors or the president the following procedures and notice requirements apply:

(i) The Members who are requesting the special meeting shall submit that request in writing (by personal delivery, first-class mail or facsimile transmission), to the president, the vice president, or the secretary of the Master Association.

(ii) As provided in Section 5.04(c), below, the Members' demand must state the purpose for which a special meeting is being called.

(iii) Upon receipt of the Members' demand for a special meeting, the Board shall cause notice of the special meeting to be promptly given to the Members entitled to vote, in accordance with the provisions of Section 5.04, below, that a meeting will be held, and the date,

time and purpose for such meeting. The date selected by the Board must be not less than thirty-five (35) nor more than ninety (90) days following the receipt of the request.

If the Master Association fails to send the Members notice of the special meeting within twenty (20) days after receipt of the petitioning Members' request, the Members requesting the meeting may give the notice of the meeting to all Members. Nothing contained in this subparagraph (b) shall be construed as limiting, fixing, or affecting the time when a meeting of Members may be held when the meeting is called by action of the Board of Directors or the president.

Section 5.04. Notice of Members' Meetings.

(a) Requirement That Notice Be Given. Notice of all regular and special meetings of the Members shall be sent or otherwise given in writing to each Member who is eligible to vote at the meeting as of the record date for notice established in accordance with Section 5.08, below.

(b) Time Requirements for Notice. The notice of membership meetings shall be given in the manner specified in subparagraph (e) of this section, not less than ten (10) nor more than ninety (90) days before the date of the meeting. If notice is given by mail and the notice is not given by first-class, registered or certified mail, the notice shall be given not less than twenty (20) days (nor more than ninety (90) days) before the meeting.

(c) Minimum Requirements Regarding Content of Notice. Notices of meetings of the Members shall specify the place, date, and hour of the meeting and (i) in the case of a special meeting, the general nature of the business to be transacted, and no other business may in that case be transacted, or (ii) in the case of a regular meeting, those matters which the Board of Directors, at the time of giving the notice, intends to present for action by the Members; but any proper matter may be presented at the meeting for such action so long as a quorum is present. The notice of any meeting at which directors are to be elected shall include the names of all those individuals who are nominees for election to the Board at the time the notice is given to the Members. As stated in the following subparagraph (d), certain significant actions that require the consent or approval of the Members may only be acted upon by the Members when the notice of the meeting has informed the Members that the matter or action is on the agenda for action.

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

- (i) Removing a director without cause;
- (ii) Filling vacancies on the Board of Directors under those circumstances where a vote of the Members is required pursuant to Section 7.06(d), below;

- (iii) Amending the Articles of Incorporation of the Master Association, these Bylaws or the Master Declaration in any manner requiring approval of the Members;
- (iv) Approving a contract or transaction between the Master Association and one (1) or more of its directors, or between the Master Association and any corporation, firm or association in which one (1) or more of its directors has a material financial interest;
- (v) Approving any change in the Master Association's Assessments in a manner requiring membership approval under the Master Declaration; or
- (vi) Voting upon any election to voluntarily terminate and dissolve the Master Association.

(e) Manner of Service. Notice of any meeting of Members shall be given either personally or by first-class mail, or other means of written communication (including facsimile transmission), charges prepaid, addressed to each Member either at the address of that Member appearing on the books of the Master Association or the address given by the Member to the Master Association for the purpose of notice. If no address appears on the Master Association's books and no other has been given, notice shall be deemed to have been given if either (i) notice is sent to that Member by first-class mail or telegraphic or other written communication to the Master Association's principal office, or (ii) notice is published at least once in a newspaper of general circulation in the County. Notice shall be deemed to have been given at the time when the notice is delivered personally or deposited in the mail (postage prepaid) or sent by telegram or other means of written or electronic communication to the recipient.

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

Section 5.05. Quorum Requirements.

(a) Quorum Requirements Generally. The following quorum requirements must be satisfied in order to take valid action at any meeting of the Members or by written ballot in accordance with Section 4.06, above:

(i) Quorum for Votes on Assessment Increases; Special Assessments; Certain Significant Board Actions. In the case of any membership meeting or written ballot called or conducted for the purpose of voting on Assessment increases requiring membership approval (see Article IV of the Master Declaration), or to vote on those matters requiring Member consent pursuant to Section 9.02(b), below, the quorum requirement for valid action on the proposal shall be a majority of the Members; and

(ii) Quorum for Valid Action on Other Matters. In the case of a membership meeting or written ballot called or conducted for any other purpose, the quorum shall be thirty-three and one third percent (33 1/3%) of the Voting Power of Members eligible to vote and represented in person or by proxy at the meeting. In the case of Member action that is taken by written ballot pursuant to Section 4.06, above, the quorum shall be established when written ballots have been received from thirty-three and one third percent (33 1/3%) of the Voting Power of the Members within the time prescribed for the return of written ballots.

(b) Members Represented By Proxy. Members present at any membership meeting in person or by proxy shall be counted towards satisfaction of the quorum requirements specified herein.

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

(d) Application of Quorum Requirements to Votes Conducted by Secret Ballot. In any vote or election that is required to be conducted by use of a secret ballot meeting the requirements of Civil Code section 1363.03 (see Section 4.04(d), above), each ballot received by the inspector of elections shall be treated as a Member present at a meeting for purposes of establishing a quorum.

Section 5.06. Adjourned Meeting.

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

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

Section 5.07. Waiver of Notice or Consent by Absent Members.

(a) Waivers and Consents, Generally. If decisions are made or action is otherwise taken by the Members at a meeting where a quorum is present, but for which proper notice was not given to all Members for whatever reason, the decisions or actions made at that meeting will be valid if, either before or after the meeting, each person entitled to vote who was not present at

the meeting (in person or by proxy) consents to the meeting by signing (i) a written waiver of notice, (ii) a consent to holding the meeting, or (iii) an approval of the minutes. The waiver of notice or consent need not specify the purpose or general nature of business to be transacted at such meeting unless action was taken or is proposed to be taken with respect to any matters specified in Section 5.04(d), above, in which case, the waiver of notice or consent must state the general nature of the matter. All such waivers, consents or approvals shall be filed with the Master Association records or be made part of the minutes of the meeting.

(b) Effect of a Member's Attendance at a Meeting. Attendance by a Member or his or her proxy holder at a meeting shall also constitute a waiver of any objections such person may have with respect to notice of that meeting, except when the Member or proxy holder attends the meeting for the sole purpose of objecting at the beginning of the meeting to the transaction of any business due to the inadequacy or illegality of the notice. Attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting which are required to be described therein pursuant to Section 5.04(d), above, if that objection is expressly made at the meeting.

Section 5.08. Record Dates for Member Notice, Voting and Giving Consents.

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

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

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

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

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

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

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

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

(iii) Record Date for Action by Written Ballot Without Meeting. The record date for determining those Members entitled to vote by written ballot on proposed Master Association actions without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written ballot is mailed or solicited. When prior action of the Board has been taken, it shall be the day on which the Board adopts the resolution relating to that action.

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

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

ARTICLE VI MEMBERSHIP RIGHTS

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

Section 6.01. Use and Enjoyment of Common Areas by Members and Family. Each Member shall be entitled to the use and enjoyment of all roads, Common Areas and Common Facilities within the Development. Family members, renters and tenants of Owners of Residential Separate Interests and tenants, customers and other invitees of Owners of Commercial Separate Interests and Sites shall also enjoy such rights of use and enjoyment, subject to such uniform and reasonable rules and regulations as may be adopted by the Master Association from time to time.

Section 6.02. Tenants and Lessees.

(a) Assignment of Rights, Generally. Each Member shall have the right to assign his or her rights as a Member (other than voting rights) to a tenant residing within the Member's Separate Interest. Such assignment shall only be effective so long as said tenant is residing in said Separate Interest and is in compliance with the Master Declaration and the Master Association Rules as the same may exist from time to time. At all times the Owner shall remain

responsible for compliance by Owner's lessee or tenant with the provisions of the Governing Documents.

(b) Restriction on Lessor's Use of Certain Common Areas and Facilities. Unless the Owner-lessor is contemporaneously residing on another Separate Interest or Site within the Development, during the term of any lease or rental of a Separate Interest or Site, any Owner not residing within the Development shall not be entitled to use the recreational Common Areas or Common Facilities of the Development. However the Owner-lessor shall have the right to access his or her Separate Interest or Site to the extent reasonably necessary to perform the usual responsibilities of a landlord or to ensure or gain compliance by the tenant with the requirements of the Master Declaration and the other Governing Documents of the Master Association.

Section 6.03. Invitees and Guests. The invitees and guests of a Member shall have the right to use and enjoy the roads, Common Areas and Common Facilities within the Development, subject to the same obligations imposed on the Owner to observe the rules, restrictions and regulations of the Master Association as set forth in the Governing Documents.

Section 6.04. Master Association Rules and Regulations. The right of any person to use and enjoy the Common Areas and Common Facilities within the Development shall at all times be subject to the rules, limitations, and restrictions set forth in these Bylaws, in the Master Declaration and in the Master Association Rules, as promulgated by the Board from time to time in accordance with Section 3.08 of the Master Declaration and Civil Code sections 1357.100 through 1357.140 and 1378(a)(1). With the exception of the right of use of any roads within the Development, the Board shall have the right to impose monetary penalties or to temporarily suspend the use and enjoyment of any recreational Common Facilities for the failure of a Member to pay any Assessments when due under the Master Declaration, or to comply with any other rule or regulation imposed upon such Member, his or her tenants or guests, pursuant to the Governing Documents; provided, however, that any such suspension shall only be imposed after such person has been afforded the notice and hearing rights more particularly described in Section 13.06 of the Master Declaration. The adoption of certain Operating Rules, as defined in Section 13.09, below, are subject to statutory obligations to first publish the proposed rules or rule changes to the Members, all as more particularly provided in Section 3.08 of the Master Declaration.

ARTICLE VII BOARD OF DIRECTORS

Section 7.01. General Master Association Powers. Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, the Davis Stirling Common Interest Development Act (Civil Code, §1350, et seq.) and any limitations contained in any of the Governing Documents relating to action required to be approved by the Members, the business and affairs of the Master Association shall be vested in and exercised by, the Master Association's Board of Directors. Subject to the limitations expressed in Section 10.01, below, the Board may delegate the management of the activities of the Master Association to any person or persons, management company or committee, provided that notwithstanding any such delegation the activities and affairs of the Master Association shall continue to be managed and

all Master Association powers shall continue to be exercised under the ultimate direction of the Board.

Section 7.02. Number and Qualification of Directors. The initial Board of Directors shall consist of three (3) persons appointed by the Declarant. At the first annual meeting of the Members, all three (3) positions on the Board shall be filled by persons who, with the exception of those directors nominated or designated by the Declarant, shall be Owners of Separate Interests or Sites within the Development whose memberships are in good standing (as defined in Section 4.03, above). Those persons who are elected or designated to office by action or vote of the Declarant need not be Owners of Lots in the Development. Once the Class B Memberships have expired the Board shall be expanded to five (5) directors in accordance with Section 7.03, below.

Section 7.03. Term of Office; Creation of Staggered Terms. At the first annual membership meeting all seats on the Board shall be filled by a vote of the Members of the Master Association. For so long as there are both Class A and Class B Memberships, the directors shall serve for a one (1) year term of office. At the first annual membership meeting that occurs after expiration of the Declarant's Class B Membership, the Board shall be expanded to five (5) directors who shall serve for two (2) year terms of office. Two of the five director positions shall be filled solely by the votes of Members who are Owners of Commercial Separate Interests or Sites and three of the five director positions shall be filled solely by the votes of Members who are the Owners of Residential Separate Interests. Each director, including a director elected to fill a vacancy or elected at a special meeting of Members, shall hold office for the term for which the director has been elected and until a successor director has been elected and qualified. There shall be no limitation on the number of consecutive terms to which a director can be re elected.

Section 7.04. Nomination of Directors. Individuals can become candidates for election to the Board of Directors in any of the following ways:

(a) Candidates Selected by Nominating Committee. At least ninety (90) days prior to the date of any election of directors, the president shall appoint a Nominating Committee to select qualified candidates for election to those positions on the Board of Directors held by directors whose terms of office are then expiring. The Nominating Committee shall consist of a chairman, who shall be a member of the Board of Directors, and two (2) or more Members, one of whom shall be the Owner of a Commercial Separate Interest or Site and the other who shall be the Owner of a Residential Separate Interest. The Nominating Committee shall make its report to the Board of Directors at least sixty (60) days before the date of the election. The report shall also inform the Board of any Members who have nominated themselves as candidates, pursuant to subparagraph (b), below. The Nominating Committee shall make as many nominations for election to the Board as it shall, in its discretion, determine, but not less than the number of vacancies on the Board to be filled and the secret ballot form that is sent to each Member shall identify those candidates who have been nominated by the Nominating Committee.

(b) Self-Nomination. In accordance with Civil Code section 1363.03(a)(3), any individual who is a Member in good standing shall have the right to place his or her name in nomination for election to the Board of Directors so long as the Member tenders written notice of

the nomination to the Board of Directors at least sixty (60) days before the date of the election. Candidates who have nominated themselves may be identified as such on the secret ballot that is distributed to each Member in accordance with Section 7.05(c), below.

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

Section 7.05. Conduct of the Election of Directors; Ballot Tabulation and Retention Requirements.

(a) Coordination of Director Elections to Coincide with Date of the Annual Meeting. In accordance with Civil Code section 1363.03(e), the annual election of directors must be conducted using a double envelope balloting process that is described in subparagraph (c), below, however the results of the balloting and thus the deadline for voting shall be scheduled to coincide with the annual meeting of the Members. In order to be in compliance with the Civil Code secret balloting procedures, the secret ballots shall be mailed to every Member at least thirty (30) days prior to the date of the annual Membership meeting. It shall be permissible for the ballot to be organized so as to identify candidates nominated by the Nominating Committee and candidates who have self-nominated themselves.

The persons thus elected shall be selected from among those persons nominated in accordance with Section 7.04, above; provided, however, that if for any reason an annual meeting is not held or the directors are not elected in a secret balloting process that is scheduled to coincide with the date of the annual membership meeting, the directors may be elected at any special meeting held for that purpose and the same balloting procedures shall be followed in that special election.

In voting for directors, the Members may cumulate their votes in accordance with Section 4.04(d), above, and the candidates receiving the highest number of votes shall be elected as directors. The directors thus elected shall take office immediately following announcement by the inspector of elections of the results of the balloting. Each director, including a director elected to fill a vacancy or elected at a special Members' meeting, shall hold office until the expiration of the term for which the director has been elected and until a successor has been elected and qualified.

(b) Special Rule for Election of Director by Class A Members. Notwithstanding the provisions of Section 7.05(a), above, from the first election of the Board of Directors and thereafter for so long as the majority of the Voting Power of the Master Association resides in the Declarant, or so long as there are two (2) outstanding classes of membership in the Master Association, not less than twenty percent (20%) of the incumbents on the Board (i.e., one (1) director in a three (3) or five (5) person Board) have been elected solely by the votes of Owners other than the Declarant. In order to satisfy this requirement, in the nomination process certain candidates having no affiliation with the Declarant shall be identified (or may declare themselves to be) the "property owner candidate" and if so designated or declared, the Declarant shall refrain from casting any votes for any property owner candidate for so long as this subparagraph (b) remains in effect.

(c) Use of Secret Ballots and Ballot Completion Requirements. In accordance with Civil Code section 1363.03, ballots used in the election of directors shall be secret ballots and the ballots, together with two (2) preaddressed envelopes with instructions on how to return ballots shall be mailed by first-class mail or delivered by the Master Association to every Member not less than thirty (30) days prior to the deadline for voting. In order to preserve the confidentiality of the voter, the voter may not be identified by name, address, or Residence or Separate Interest or Site number on the ballot. The unsigned ballot shall be inserted into an envelope that is sealed and this sealed envelope is, itself, inserted into a second envelope that is sealed. In the upper left hand corner of the second envelope, a space or lines shall be presented where the voter can print and sign his or her name, address and Residence or Separate Interest or Site number. The second envelope shall be addressed to the inspector or inspectors of election who shall tally the votes. The envelope containing the ballot may be mailed or delivered by hand to the location specified by the inspector inspectors of election (that location shall be stated in the balloting materials that are mailed to the Members). Any Member may request a receipt from the inspector of elections to confirm delivery of his or her ballot. Once a secret ballot is received by the inspector of elections, it shall be irrevocable.

(d) Determination of Election Results/Succession to Office. The candidates receiving the highest number of votes, up to the number of vacancies to be filled in the election, shall be elected as directors and shall take office immediately following their election. In the event there is a tie vote between those candidates who receive the lowest number of votes necessary to qualify the candidate for election, the tie shall be broken by random drawing.

(e) Supervision of Election Process; Appointment of Inspector(s) of Election. In order to insure secrecy of ballots and fairness in the conduct of director elections, the Board of Directors shall select an independent third party or parties to serve as the inspector(s) of election. The number of inspectors of election shall be one (1) or three (3). The designated inspector of elections shall have the authority to appoint and oversee additional persons to verify signatures and to count and tabulate votes so long as such persons are independent third parties. For purposes of this subparagraph, an independent third party includes, but is not limited to, a volunteer poll worker with the County registrar of voters, a licensee of the California Board of Accountancy, or a notary public. An independent third party may be a Member of the Master Association but cannot be a member of the Board of Directors or a candidate for election to the Board or related to a member of the Board of Directors or a candidate for election to the Board of Directors. An independent third party may not be a person, business entity, or subdivision of a business entity who is currently employed or under contract to the Master Association for any compensable services unless expressly authorized by Master Association Rules relating to the conduct of elections which have been adopted by the Master Association in accordance with Section 3.08(c) of the Declaration and Civil Code section 1357.130. The person or persons appointed to serve as inspectors of election shall have the full powers of an inspector of elections appointed by the Board pursuant to Corporations Code section 7614. Without limiting the foregoing, the inspector or inspectors of election shall do all of the following:

- (i) Determine the number of memberships entitled to vote and the Voting Power of each.
- (ii) Determine the authenticity, validity, and effect of proxies, if any.

- (iii) Determine the existence of a quorum for conduct of the election (each ballot received by the inspector of elections shall be treated as a Member present at a meeting for purposes of establishing a quorum).
- (iv) Receive ballots. Sealed ballots shall at all times be in the custody of the inspector or inspectors of election or at a location designated by the inspector or inspectors until after the tabulation of the vote, at which time custody of the ballots shall be transferred to the Master Association.
- (v) Hear and determine all challenges and questions in any way arising out of or in connection with the right to vote.
- (vi) Count and tabulate all votes.
- (vii) Determine when the polls close.
- (viii) Determine the result of the election.
- (ix) Perform any acts as may be proper to the conduct of the election with fairness to all Members and in accordance with the Master Association Rules pertaining to the conduct of elections and section 1363.03 of the Civil Code.

An inspector of election shall perform his or her duties impartially, in good faith, to the best of his or her ability, and as expeditiously as is practical. If there are three (3) inspectors of election, the decision or act of a majority shall be effective in all respects as the decision or act of all. Any report made by the inspector or inspectors of election is prima facie evidence of the facts stated in the report.

(f) Limitations on Master Association Election Activities. In accordance with Section 9.02(a)(v), below, the Master Association shall be prohibited from using Master Association funds for campaign purposes, as defined in this Section, although this prohibition shall not apply to communications disseminated pursuant to an Master Association Rule that is intended to comply with the requirement imposed by Civil Code section 1363.03(a)(1) that all candidates have equal access to Master Association media to communicate points of view that are reasonably related to the election.

(g) Requirements for the Counting and Tabulation of Ballots. The designated inspector or inspectors of election or his or her designee must count and tabulate the votes in public at a properly noticed open meeting of the Board of Directors or the Members. Any candidate or other Member of the Master Association may witness the counting and tabulation of the votes. No person, including a Member of the Master Association or an employee of the Master Association's management company, if any, shall open or otherwise review any ballot prior to the time and place at which the ballots are counted and tabulated. The inspector of election, or his or her designee, may verify the Member's information and signature on the outer envelope of the secret ballot prior to the meeting at which ballots are tabulated. Once a secret ballot is received by the inspector of elections it shall be irrevocable.

(h) Announcement of the Results of the Election. The tabulated results of the election shall be promptly reported to the Board of Directors of the Master Association and shall be recorded in the minutes of the next meeting of the Board and shall be available for review by Members of the Master Association. Within fifteen (15) days of the election, the Board shall publicize the tabulated results of the election in a communication directed to all Members.

(i) Retention of Ballots. After tabulation, election ballots shall be stored by the Master Association in a secure place for no less than one (1) year after the date of the election. In the event of a recount or other challenge to the election process, the Master Association shall, upon written request, make the ballots available for inspection and review by Master Association Members or their authorized representatives. In order to ensure that ballots are not tampered with or removed, entirely, the inspector of elections shall be entitled to be in attendance at any such inspection. In the event that a recount of the ballots is required, the recount shall be conducted in a manner that shall preserve the confidentiality of each Member's vote.

Section 7.06. Vacancies on Board of Directors.

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

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

(c) Authority of Board to Remove Directors. The Board of Directors shall have the power and authority to remove a director and declare his or her office vacant if he or she: (i) has been declared of unsound mind by a final order of court; (ii) has been convicted of a felony; or (iii) fails to attend three (3) consecutive regular meetings of the Board of Directors which have been duly noticed in accordance with California Law and these Bylaws. In exercising its discretion to remove a director for his or her failure to attend duly noticed meetings, the Board may consider in mitigation medical hardship, business travel or other factors.

(d) Authority of Members to Remove Directors. Except as otherwise provided in subparagraphs (c), (e), (f), and (g) hereof, a director may only be removed from office prior to expiration of his or her term by the affirmative vote of a Majority of a Quorum of the Members.

(e) Protection of Cumulative Voting Rights. Unless the entire Board of Directors is removed from office, no director may be removed when the votes cast against removal, or not consenting in writing to such removal, would be sufficient to elect such director if voted cumulatively at an election at which the same total number of votes were cast (or, if such action

is taken by written ballot, all memberships entitled to vote were voted) and the entire number of directors authorized at the time of the director's most recent election were then being elected.

(f) Removal by Court Action. The Superior Court may, in response to a suit filed by any director or the lesser of twenty (20) Members or five (5%) percent of the Members, remove any director determined to be guilty of fraudulent or dishonest acts or gross abuse of authority or discretion with reference to the Master Association. The Master Association shall be made a party to any such action.

(g) Special Rule for Removal of Class A Director. Any director elected to office solely by the votes of Class A Members may only be removed from office by the votes of at least fifty-one percent (51%) of the Class A Members.

(h) Special Rule for Removal of Directors Elected by Commercial or Residential Members. Once the Board has been expanded to five (5) directors with two positions being filled solely by the vote of Members who own Commercial Separate Interests or Sites and three positions being filled solely by the vote of Members who own Residential Separate Interests, the directors who are thus elected may only be removed from office by action of the Members if the vote to remove a particular director or directors is supported by both the affirmative vote of fifty-one percent (51%) of the Members and fifty-one percent of the Members who elected the targeted director(s) to office.

(i) Filling of Vacancies. Vacancies on the Board of Directors shall be filled by a majority vote of the remaining directors though less than a quorum, or by a sole remaining director unless the vacancy is created through removal of a director by action of the Members in which case the vacancy shall be filled by a vote of the Members conducted in accordance with Section 7.05, subparagraphs (b) through (h), above. Furthermore, the Members may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors by an election conducted in accordance with Section 7.05(b) through (h), above.

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

ARTICLE VIII MEETINGS OF THE BOARD OF DIRECTORS

Section 8.01. Place of Meetings; Meetings by Conference Telephone.

(a) Permitted Locations for Board Meetings. Except as otherwise provided in subparagraph (b), below, regular and special meetings of the Board of Directors may be held at any place within the Development, the Town of Truckee, or the County that has been designated from time to time by resolution of the Board and stated in the notice of the meeting. In the absence of such designation, regular meetings shall be held at the principal office of the Master Association. The location of Board meetings shall ordinarily be within the Development unless in the judgment of the Board a larger meeting room is required than exists within the

Development in which case the meeting room selected shall be as close as possible to the Development.

(b) Circumstances When Meetings Can be Conducted by Conference Telephone or Other Electronic Means. Under those circumstances that qualify as grounds for conducting an emergency meeting (see Section 8.05(d), below) or conducting a meeting in executive session (see Section 8.06(e), below), but not otherwise, a regular or special meeting of the Board may be held by conference telephone, electronic video screen communications, or other communications equipment. Participation in a meeting through the use of conference telephone pursuant to this Section constitutes presence in person at the meeting as long as all members participating in the meeting are able to hear one another. Participation in a meeting through the use of electronic video screen communication or other communications equipment (other than a conference telephone) constitutes presence in person at the meeting so long as each director participating in the meeting can communicate with all of the other directors concurrently and each director is given the means of participating in all matters coming before the board. Actions taken by the Board by means of a telephone conference or other permitted electronic means shall be posted in a prominent place within the Common Area in the same manner as actions taken by written consent pursuant to Section 8.10, below.

Section 8.02. Annual Meeting of Directors. Immediately following each annual meeting of Members, the Board of Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business. Notice of this meeting shall not be required.

Section 8.03. Other Regular Meetings. Ordinarily, regular meetings shall be conducted at least monthly; provided, however, that regular meetings can be held as infrequently as every quarter if the Board's business does not justify more frequent meetings. If the Board adopts an annual schedule for the conduct of regular meetings (such as a schedule that calls for regular meetings to be held at a specific time and location on the third Thursday of each month) and that schedule is communicated to all directors at the inception of the year, no further notice of a regular meeting shall be required unless the date, time or location for a particular regular meeting is changed for any reason, in which case, notice shall be provided to all directors in accordance with Section 8.05, below.

Section 8.04. Special Meetings of the Board. Special meetings of the Board of Directors for any purpose may be called at any time by the president or any two (2) directors.

Section 8.05. Notice of Board Meetings.

(a) Minimum Time Requirements for Giving Notice to Directors. In the case of any special meeting of the Board, and if the Board has not fixed the time and location for regular meetings and provided each director with the schedule for the conduct of regular meetings, notice shall be communicated to each Board member not less than four (4) days prior to the date of the meeting; provided, however, that if the meeting qualifies as an emergency meeting (Section 8.05(d), below) or is a special meeting that can be called in executive session (Section 8.06(c), below) the time for providing notice is forty-eight (48) hours prior to the meeting, unless notice is given by first-class mail in which case the four (4) day notice requirement remains in

effect. Notice of a meeting of the Board need not be given to any director who has signed a waiver of notice or a written consent to the conduct of the meeting or an approval of the minutes of the meeting (whether before or after the meeting) or who attends the meeting without protesting, prior thereto or at the commencement of the meeting, the lack of notice to that director. All such notices shall be given or sent to the director's address, telephone number or email address as shown on the records of the Master Association. Notwithstanding the foregoing, notice of a meeting need not be given to any director who has signed a written waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof as more particularly provided in Section 8.08, below.

(b) Manner of Giving Notice to Directors. Each director shall be entitled to receive notice of meetings by any one of the following means: by first-class mail, by personal delivery, by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, by facsimile, electronic mail, or other electronic means.

(c) Notice Contents. The notice of any meeting of the Board shall state the time, place, and purpose of the meeting.

(d) Members' Right to Receive Notice of Board Meetings. All Members of the Master Association shall be given notice of the time and place of all Board meetings (as defined in Section 8.06(a), below), except for "emergency meetings", at least four (4) days prior to the date of the meeting. This notice to the Members shall be given by posting the notice in a prominent place or places within the Common Area and by mail to any Member who has requested notification of Board meetings by mail (with the notice sent to the address requested by the Member). Notice may also be given by mail or delivery of the notice to each Separate Interest or Site within the Development, or by newsletter or similar means of communication. For purposes of this subparagraph (d), an "emergency meeting" of the Board means a meeting called by the president or by any two (2) members of the Board under circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board and which of necessity make it impracticable to provide prior notice to the Members as required by the Open Meeting Act (see Section 8.06, below).

In addition to the foregoing general notice requirements for Members, if a particular Member or Members are scheduled for possible disciplinary action on the agenda for a Board meeting, the Board must notify the subject Member(s) in writing, by either personal delivery or first-class mail, at least ten (10) days prior to the date of the meeting. Any such special notice of possible disciplinary action must contain, at a minimum, the date, time and location of the meeting, the nature of the alleged violation for which the Member(s) is/are being considered for disciplinary action, and a statement that the Member(s) has/ have a right to attend the meeting and address the Board concerning the disciplinary matter.

Section 8.06. Attendance by Members; Common Interest Development Open Meeting Act Provisions. The following provisions reflect the California Common Interest Development Open Meeting Act (Cal. Civ. Code, §1363.05):

(a) Meetings Generally Open to Members; Definition of What Constitutes a "Meeting". With the exception of executive sessions of the Board (see subparagraph (c), below) and any meetings conducted by conference telephone (under the circumstances stated in Section 8.01(b), above), any Member of the Master Association may attend meetings of the Board of Directors; provided, however, that non-director Members may only participate in deliberations or discussions of the Board when expressly authorized by a vote of a majority of the directors present at the meeting at which a quorum has been established or by the Board member chairing the meeting. For purposes of the Open Meeting Act, the term "meeting" includes any congregation of a majority of the members of the Board at the same time and place to hear, discuss, or deliberate upon any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session.

(b) Right of Members to Speak at Meetings. The Board of Directors shall permit any Member to speak at any meeting of the Members or of the Board of Directors, except for Board meetings that are held in executive session pursuant to subparagraph (e), below. Reasonable time limitations can be imposed by the Board or the chairman of the meeting on presentations or statements by Members and, in the case of Board meetings, the agenda for the meeting can designate a specific time for Member statements and comments.

(c) Meeting Agendas; General Restriction of Action to Items on the Agenda. As required by Civil Code section 1363.05(f) any notice of Board meetings that is required by law to be distributed or made available to the Members must include an agenda for the meeting. Except as provided in subparagraphs (i) through (v) of this subparagraph (c) or subparagraph (d), below, the Board of Directors may not discuss or take action on any item at a non-emergency meeting of the Board unless the item was placed on the agenda that was included in the notice given to the Members. Members who are not on the Board may, however, speak on issues that are not on the agenda. Notwithstanding the general rule that Board actions must be restricted to items shown on the meeting agenda, a member of the Board of Directors, a managing agent or other agent of the Board, or a member of the staff of the Board of Directors may do any of the following:

(i) Directors, managing agents and other agents or staff members of the Board may briefly respond to statements made or question posed by a person speaking at an open Board meeting;

(ii) Directors, managing agents and other agents or staff members of the Board may ask a question for clarification, make a brief announcement, or make a brief report on the director's own activities, whether in response to a question posed by a Member or passed on the director's own initiative;

(iii) The Board or any director may provide reference to, or provide other resources for factual information to, the Board's managing agent or other agents or staff;

(iv) The Board or any director may request the managing agent of the Master Association or other agents or staff to report back to the Board at a subsequent meeting concerning any matter, or take action to direct the managing agent, other agents or staff to place a matter of business on a future agenda;

(v) The Board or any director may direct the Master Association's managing agent or other agents or staff to perform administrative tasks that are necessary to carry out the requirements of Civil Code section 1363.05.

(d) Authority to Take Action On Certain Items Not on the Published Agenda. Notwithstanding the general rule that Board actions must be restricted to items shown on the Board meeting agenda, the Board of Directors may take action on any item of business not appearing on the posted meeting agenda under any of the following conditions:

(i) Upon a determination made by a majority of the Board of Directors present at the meeting that an emergency situation exists. An emergency situation exists if there are circumstances that could not have been reasonably foreseen by the Board, that require immediate attention and possible action by the Board, and that, of necessity, make it impracticable to provide notice.

(ii) Upon a determination made by the Board by a vote of two-thirds of the members of the Board who are present at the meeting, or, if less than two-thirds of total membership of the Board is present at the meeting, by a unanimous vote of the Board members present, that there is a need to take immediate action and that the need for action came to the attention of the Board after the agenda for the meeting was posted and distributed to the Members; or

(iii) The item appeared on an agenda that was posted and distributed pursuant to the Members for a prior meeting of the Board of Directors that occurred not more than thirty (30) calendar days before the date that action is taken on the item and, at the prior meeting, action on the item was continued to the meeting at which the action is taken.

Before discussing any item pursuant to this subparagraph (d), the Board of Directors shall openly identify the item to the Members in attendance at the meeting.

(e) Executive Sessions. The Board, on the affirmative vote of a majority of the directors present at a meeting at which a quorum has been established, shall be entitled to adjourn at any time for purposes of reconvening in executive session to discuss: (i) litigation in which the Master Association is or may become a party; (ii) matters relating to the formation of contracts with third parties; (iii) Member discipline; (iv) personnel matters, or (v) to meet with a Member, upon the Member's request, regarding the Member's obligation to make timely payment of Assessments, as specified in Section 1367.1 of the Civil Code. The Board must meet in executive session if requested by a Member who may be subject to a fine, penalty, or other form of discipline and the Member who is the subject of the disciplinary proceeding shall be entitled to attend the executive session. Any matter discussed in executive session shall be generally noted in the minutes of the immediately following Board meeting that is open to the entire membership.

(f) Board Meeting Minutes. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board of Directors, other than minutes of an executive session, shall be available to the Members within thirty (30) days of the meeting. The minutes, proposed minutes, or summary minutes shall be

distributed to any Member upon request and upon reimbursement of the Master Association's costs in making that distribution.

Section 8.07. Quorum Requirements. A majority of the authorized number of directors shall constitute a quorum of the Board for the transaction of business, except to adjourn as provided in Section 8.09, below. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, especially those provisions relating to (i) approval of contracts or transactions in which a director has a direct or indirect material financial interest, (ii) appointment of committees, and (iii) indemnification of directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors below a quorum, if any action taken is approved by at least a majority of the required quorum for that meeting, or such greater number as is required by these Bylaws, the Articles or by law.

Section 8.08. Waiver of Notice. The transaction of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting, each of the directors not present, individually or collectively, signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All waivers, consents, and approvals shall be filed with the Master Association records or made a part of the minutes of the meeting and shall have the same force and effect as a unanimous vote of the Board. The requirement of notice of a meeting shall also be deemed to have been waived by any director who attends the meeting without protesting the lack of proper notice either before or at the inception of the meeting.

Section 8.09. Adjournment. A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of adjournment to any other time or place shall be given prior to the time of the adjourned meeting to the directors who are not present at the time of the adjournment. Except as provided above, notice of adjournment need not be given.

Section 8.10. Action By Unanimous Written Consent. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if (i) all members of the Board, individually or collectively, consent in writing to that action; and (ii) the action is one that qualifies as one that is appropriate for action as an emergency meeting matter in accordance with Section 8.05(d), above. Such action by written consent shall have the same force and effect as an unanimous vote of the Board of Directors.

If the Board of Directors resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places within the Common Area within three days after the written consents of all Board members have been obtained. If the Common Area is unsuitable for posting the explanation of the action taken, the Board shall communicate the explanation by any means it deems appropriate. Any written consent or consents of the Board shall be filed with the minutes of the proceedings of the Board.

Section 8.11. Compensation. Directors, officers and members of committees shall not be entitled to compensation for their services as such, although they may be reimbursed for such actual expenses as may be determined by resolution of the Board of Directors to be just and reasonable. Expenses for which reimbursement is sought shall be supported by a proper receipt or invoice.

ARTICLE IX DUTIES AND POWERS OF THE BOARD

Section 9.01. Specific Powers. Without prejudice to the general powers of the Board of Directors set forth in Section 7.01, above, the directors shall have the power to:

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

(b) Appoint and remove all officers of the Master Association, the Master Association's General Manager or property management company, (subject to any contractual obligations that may exist) and other Master Association employees; prescribe the powers and duties for such persons that are consistent with law, the Articles of Incorporation and these Bylaws; and fix their compensation.

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

(d) Adopt and establish rules and regulations subject to the provisions of Section 3.08 of the Master Declaration and Section 13.09 of these Bylaws, governing the use of the Common Areas and Common Facilities within the Development, and the personal conduct of the Members and their guests thereon, and take such steps as it deems necessary for the enforcement of such rules and regulations, including the imposition of monetary penalties and/or the suspension of voting rights and the right to use any Common Areas or Common Facilities; provided notice and a hearing are provided as more particularly set forth in Section 13.06 of the Master Declaration. Rules and regulations adopted by the Board may contain reasonable variations and distinctions as between Owners, tenants customers and other guests and invitees of Separate Interests or Sites.

(e) Enforce all applicable provisions of the Governing Documents relating to the control, management, and use of the Separate Interests or Sites, Common Areas and Common Facilities and the roads within the Development.

(f) Contract for and pay premiums for fire, casualty, liability and other insurance and bonds (including indemnity bonds) which may be required from time to time to be maintained by the Master Association pursuant to Article X of the Master Declaration

(g) Contract for and pay for maintenance, landscaping, utilities, materials, supplies, labor and services that may be required from time to time in relation to the Common Areas,

Common Facilities, or other portions of the Development, if any, that the Master Association is obligated to maintain, repair or replace.

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

(i) Contract for and pay for construction or reconstruction of any portion or portions of the Development that the Master Association is obligated to maintain, repair and replace pursuant to Article XI of the Master Declaration and which have been damaged or destroyed and which are to be rebuilt.

(j) Delegate its duties and powers hereunder to the officers of the Master Association or to committees established by the Board, subject to the limitations expressed in Section 10.01, below.

(k) Levy and collect Assessments from the Members of the Master Association in accordance with Article IV of the Master Declaration.

(l) Perform all acts required of the Board of Directors under the Master Declaration, these Bylaws and the other Governing Documents of the Master Association.

(m) Prepare budgets and maintain a full set of books and records showing the financial condition of the affairs of the Master Association in a manner consistent with generally accepted accounting principles, and at no greater than annual intervals prepare an annual financial report, a copy of which shall be delivered to each Member as provided in Section 12.05, below.

(n) Appoint a nominating committee for the nomination of persons to be elected to the Board, and prescribe rules under which said nominating committee is to act, all as more particularly described in Section 7.04(a), above.

(o) Appoint such other committees as it deems necessary from time to time in connection with the affairs of the Master Association in accordance with Article X, below.

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

(q) Open bank accounts and borrow money on behalf of the Master Association and designate the signatories to such bank accounts.

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

(s) Enter Separate Interests or Sites as necessary, subject to the notice requirements of the Master Declaration, in connection with construction, maintenance or emergency repairs

for the benefit of the Common Areas, Common Facilities or the Owners in common. (See Section 3.07(b) of the Master Declaration).

Section 9.02. Limitations on Powers of the Board.

(a) Prohibited Actions. The Master Association is prohibited from taking any of the following actions:

(i) Denial of Access to Separate Interests or Sites. Except as otherwise provided in law, or order of the court, or an order pursuant to a final and binding arbitration decision, the Master Association shall not deny an Owner or occupant physical access to his or her Separate Interest or Site, either by restricting access through the Common Areas to the Owner's Separate Interests or Sites or by restricting access solely to the Owner's Separate Interest or Site;

(ii) Assignments or Pledges of Future Assessment Obligations. The Master Association may not voluntarily assign or pledge the Master Association's right to collect payments or assessments or to enforce or foreclose a lien to a third party except when the assignment or pledge is made to a financial institution or lender chartered or licensed under federal or State law when acting within the scope of that charter or license as security for a loan obtained by the Master Association; however, the foregoing provision may not restrict the right or ability of the Master Association to assign any unpaid obligations of a former Member to a third party for purposes of collection;

(iii) Rules Unreasonably Restricting Sales. The Master Association shall not adopt a Rule or regulation that arbitrarily or unreasonably restricts an Owner's ability to market the Owner's Separate Interest or Site; or

(iv) Exclusive Broker Relationships. The Master Association shall not establish an exclusive relationship with a real estate broker through which the sale or marketing of Separate Interests or Sites is required to occur.

(v) Use of Master Association Funds for Campaign Purposes. The Master Association shall be prohibited from using any Master Association funds for campaign purposes in connection with the election of directors. Funds of the Master Association may be used for campaign purposes in connection with any other Master Association election to the extent necessary to comply with duties of the Master Association that are imposed by law. For purposes of these limitations, "campaign purposes" include, but are not limited to: (A) expressly advocating the election or defeat of any candidate that is on the election ballot; and (B) inclusion of the photograph or prominently featuring the name of any candidate on a communication from the Master Association or its Board of Directors, excepting the ballot and ballot materials, within thirty (30) days of an election. This restriction shall not apply to any communication that is made in as part of the Master Association's efforts to ensure that all candidates are provided with access to Master Association media, newsletter, or Internet Web sites during a campaign, for purposes that are reasonably related to that election.

(b) Board Actions Requiring Member Approval. The Board shall not take any of the following actions except with the consent, by vote at a meeting of the Master Association or by written ballot without a meeting pursuant to Corporations Code Section 7513 or any successive statute thereto, of a simple majority of the Members other than Declarant constituting a quorum of more than fifty percent (50%) of the Voting Power of the Master Association residing in Members other than the Declarant:

(i) Enter into a contract with a third party for the furnishing of goods or services to the Common Area or the Master Association for a term longer than one (1) year. This restriction shall not apply to (i) FHA or VA approved management contracts; (ii) public utility contracts where the rates charged for materials or services are regulated by the Public Utilities Commission; provided, however that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate; and (iii) prepaid casualty or liability insurance policies not to exceed three (3) years, provided the policies provide for short rate cancellation by the insured.

(ii) Incur aggregate expenditures for capital improvements to the Common Areas in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Master Association for that year.

(iii) Sell during any fiscal year property of the Master Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Master Association for that fiscal year.

(iv) Pay compensation to members of the Board of Directors or the officers of the Master Association; provided, however, that directors and officers can be reimbursed for reasonable out of pocket expenses, verified in writing, incurred in carrying on the business of the Master Association.

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

(vi) Enter into a Separate Interest or Site in a non-emergency situation unless the Owner is furnished with at least twenty-four (24) hours' written notice, except in the case of an emergency as more particularly described in Section 3.07(b) of the Master Declaration.

(vii) Enter into agreements for the sale or lease of health club and/or similar exercise or recreational equipment, not to exceed five (5) years' duration, provided Declarant does not have a direct or indirect ownership interest of ten percent (10%) or more in any seller or lessor under such agreements.

(c) Notice of Significant Legal Proceedings. Notwithstanding anything herein to the contrary, the Board shall not institute any significant legal proceeding, including any arbitration or judicial reference proceeding, against any person without providing the Members of the Master Association with at least thirty (30) days' prior written notice of the Master Association's intention to institute legal proceedings. The notice shall describe the purpose of the proceeding, the parties to the proceeding, the anticipated cost to the Master Association (including attorneys' fees) in processing the proceeding, the source of funds to process the proceeding (reserve or

special or regular assessments), and suggested information that should be disclosed to third parties, such as prospective purchasers and lenders, while the proceeding is being prosecuted. For purposes herein, "significant legal proceeding" shall mean any legal proceeding in which it reasonably could be anticipated that any of the following event could occur:

- (i) the levy of a special assessment to fund all or any portion of the proceedings;
- (ii) the expenditure of funds from the Master Association's reserves in connection with the proceeding in an amount in excess of 5% of the then current reserves;
- (iii) the amount of the claim is in excess of \$25,000; or
- (iv) the action could have a material adverse effect on the ability to sell and/or refinance the Separate Interests or Sites within the Development during the period the proceeding is being prosecuted.

If the proposed legal proceeding is against the Declarant or other developer for alleged damage of the Common Areas of the Master Association, alleged damage to the separate interests that the Master Association is obligated to maintain or repair, or alleged damage to the separate interests that arises out of, or is integrally related to, damage to the Common Areas Separate Interests or Sites that the Master Association is obligated to maintain or repair, the notice also shall specify each of the following:

- (v) that a meeting will take place to discuss problems that may lead to the filing of a civil action and the time and place of the meeting; and
- (vi) the options, including civil actions that are available to address the problems.

Notwithstanding the foregoing, the notice shall not be required to commence and pursue any action to collect delinquent assessment as described in Section 4.10 of the Master Declaration or to enforce any Common Area completion bond as described in Section 3.11 of the Master Declaration. Furthermore, if the Board in good faith determines that there is insufficient time to provide prior notice to the Members are required herein prior to the expiration of any applicable statute of limitations or prior to the loss of any other significant right of the Master Association, the Board may take the necessary steps to commence the proceeding to preserve the rights of the Master Association, provided that as soon as is reasonably practical thereafter, and not later than thirty (30) days following the commencement of the proceeding, the Board shall provide the Members with notice as required herein.

ARTICLE X COMMITTEES

Section 10.01. Standing Committees of the Board. The Master Association shall have the following Standing Committees which shall be appointed annually by the Board of Directors:

(a) Design Review Committee. The Design Review Committee will have the responsibility of reviewing all lot landscape plans, requests for new construction or alterations of existing structures and proposed amendments to the Design Guidelines for review and approval by the Board. This Committee shall also prepare amendments to the Design Guidelines for review and approval by the Board or the Declarant (depending on which entity has authority under the Master Declaration to appoint a majority of the members of the Committee). This Committee shall perform other duties as may be set forth in these Bylaws or in the Master Declaration. This Committee shall not become a standing committee of the Master Association until such time as control of the Committee passes from the Declarant to the Master Association pursuant to Section 5.02 of the Master Declaration.

(b) Nominating Committee. The Nominating Committee shall function in accordance with Section 7.04(a), above, and the committee shall be comprised of Members in Good Standing who are selected in the manner provided in said Section 7.04(a).

(c) Covenants Committee. The Board has the authority to appoint a Covenants Committee in accordance with Section 13.06(d)(vi) of the Master Declaration.

(d) Claims Committee. For so long as the Declarant has the right to appoint or elect a majority of the members of the Board of Directors, the Master Association shall have a Claims Committee in accordance with Section 3.07(c) of the Master Declaration to consider and act upon claims alleging that residential Improvements constructed by the Declarant violate the functionality standards set forth in California Civil Code section 896.

Section 10.02. Other Committees. In addition to the Design Review Committee and the Nominating Committee, the Board of Directors shall be authorized and empowered to appoint additional committees to assist the Board and management in the effective pursuit of the Master Association's business and affairs. Such committees, if appointed, shall be advisory to the Board and the scope of their authority shall be as stated in the resolution creating the committee. Only members in good standing may serve on Master Association committees.

Section 10.03. Organization of Committees. With the exception of the Design Review Committee, it shall be mandatory, at the next regular Board meeting after election of the President, that the Chairperson of the Standing Committees described in Section 10.01, above, be appointed by the President, with the advice and consent of the Board. The members of the Design Review Committee shall be appointed to office in the manner prescribed in Section 5.03 of the Master Declaration.

(a) Appointment of Committee Members. The Chairperson of each committee shall select and appoint the other members of the committee from the membership at large, or in the Chairperson's discretion, from among employees of Declarant, and the Chairperson shall be

empowered to appoint chairmen of the respective subcommittees which have been established by the Board.

(b) Composition of Committees; Terms of Service. Unless described differently herein or in the charter forming the committee, all Standing Committees shall have not less than three (3) members. The terms for service of each member of a committee (other than the person designated by the President of the Master Association as Chairperson) shall be two (2) years. The committee Chairperson shall have the discretion to allow members to serve up to two (2) successive additional terms on the same committee. The limitation on the number of terms of service shall not apply to the committee Chairperson. The above requirements shall apply to all committees with the following exceptions: those committees appointed by the President from time to time to serve a single and limited purpose, and the Nominating Committee which shall be constituted as stated in Section 7.04(a), above.

Section 10.04. Powers of Committees. Committees shall have all the authority of the Board with respect to matters within their area of assigned responsibility, except that no committee, regardless of Board resolution, may:

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

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

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

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

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

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

Section 10.05. Meetings and Actions of Committees. Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article VIII, above, concerning meetings of directors, with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board of Directors and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee. Special meetings of committees may also be called by resolution of the Board of Directors. Notice of special meetings of committees shall also be given to any and all alternate members, who shall have the right to attend all meetings of the committee. Unless otherwise provided in the Board resolution establishing the committee, minutes shall be kept of each meeting of any committee and shall be filed with the Master Association records. The Board of Directors may adopt

additional rules, not inconsistent with the provisions of these Bylaws, for the governance of any committee.

ARTICLE XI OFFICERS

Section 11.01. Officers. The officers of the Master Association shall be a president, a vice president, a secretary and a chief financial officer. The Master Association may also have, at the discretion of the Board, one (1) or more assistant secretaries, one (1) or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 11.03, below. Any person may hold two (2) or more offices, except that neither the secretary nor the chief financial officer may serve concurrently as president.

Section 11.02. Election of Officers. The officers of the Master Association, except such officers as may be appointed in accordance with the provisions of Sections 11.03 and 11.06, below, shall be chosen annually by majority vote of the Board at its first regular meeting following the annual meeting of the Members or the election of directors, and each shall hold his or her office until he or she shall resign or shall be removed or otherwise disqualified to serve, or his or her successor shall be elected and qualified.

Section 11.03. Subordinate Officers. The Board may appoint, and may empower the president to appoint, such other officers as the affairs of the Master Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws and as the Board may from time to time determine.

Section 11.04. Removal of Officers. Any officer may be removed, either with or without cause, by the Board at any regular or special meeting.

Section 11.05. Resignation of Officers. Any officer may resign at any time by giving written notice to the Board or to the president or to the secretary. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Master Association under any contract to which the officer is a party.

Section 11.06. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in the Bylaws for regular appointments to such office.

Section 11.07. President. The president shall be elected by the Board from among the directors. He or she shall be the chief executive officer of the Master Association and shall, subject to the control of the Board, have general supervision, direction and control of the affairs and officers of the Master Association. He or she shall preside at all meetings of the Board, and shall have the general power and duties of management usually vested in the office of president of a corporation, together with such other powers and duties as may be prescribed by the Board or the Bylaws.

Section 11.08. Vice President. The vice president shall be elected by the Board from among the directors. In the absence or disability of the president, the vice president shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. He or she shall have such other powers and perform such other duties as from time to time may be prescribed by the Board or the Bylaws.

Section 11.09. Secretary. The secretary shall be elected by the Board from among the directors. The secretary shall keep or cause to be kept at the principal office or such other place as the Board may order, a book of minutes of all meetings of directors and Members, with the time and place of holding same, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at directors' meetings, the number of Members present in person or by proxy at Members' meetings, and the proceedings thereof. The secretary shall keep, or cause to be kept, appropriate current records showing the Members of the Master Association, together with their addresses. He or she shall give, or cause to be given, notice of all meetings of the Board required by the Bylaws or by law to be given, and he or she shall keep the seal of the Master Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or by the Bylaws.

Section 11.10. Chief Financial Officer. The chief financial officer shall be elected by the Board from among the directors. The chief financial officer, who shall be known as the treasurer, shall: (a) keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Master Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and other matters customarily included in financial statements; (b) deposit all monies and other valuables in the name and to the credit of the Master Association with such depositories as may be designated by the Board; (c) disburse the funds of the Master Association as may be ordered by the Board; (d) render to the president and directors whenever they request it, an account of all of his or her transactions as treasurer and of the financial condition of the Master Association; and (e) have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws. The books and records shall at all reasonable times be open to inspection by any director or Member. If required by the Board, the treasurer shall give the Master Association a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of his or her office and for restoration to the Master Association of all its books, papers, vouchers, money, and other property of every kind in his or her possession or under his or her control on his or her death, resignation, retirement, or removal from office.

ARTICLE XII

MEMBER ASSESSMENT OBLIGATIONS AND MASTER ASSOCIATION FINANCES

Section 12.01. Description of Assessments to Which Owners Are Subject. Owners of Separate Interests or Sites within the Development are subject to Annual, Special, Special Individual and Emergency Assessments as more particularly described in Article IV of the Master Declaration.

Section 12.02. Checks. All checks or demands for money and notes of the Master Association shall be signed by the president and treasurer, or by such other officer or officers or

such other person or persons as the Board of Directors may from time to time designate. Notwithstanding the foregoing, any withdrawal of funds from Master Association reserve accounts shall require the signature of two (2) directors or an officer (who is not also a director) and a director.

Section 12.03. Operating Account. There shall be established and maintained a cash deposit account to be known as the "Operating Account" into which shall be deposited the operating portion of all Regular and Special Assessments as fixed and determined for all Members. Disbursements from such account shall be for the general need of the operation including, but not limited to, wages, repairs, betterments, maintenance, and other operating expenses of the Development.

Section 12.04. Other Accounts. The Board shall maintain any other accounts it shall deem necessary to carry out its purposes, including reserve accounts for replacement of capital improvements as more particularly set forth in Article IV of the Master Declaration. All Master Association books of account shall be maintained in accordance with generally accepted accounting principles.

Section 12.05. Budgets and Financial Statements. The following financial statements and related information for the Master Association shall be regularly prepared and copies thereof shall be distributed to each Member of the Master Association:

(a) Budget. A pro forma operating budget meeting the requirements of this subparagraph (a) shall be distributed to Members not less than thirty (30) days nor more than ninety (90) days prior to the beginning of the fiscal year. The budget shall include at least the following information:

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

(ii) a summary of the Master Association's reserves based upon the most recent review or study conducted pursuant to Section 12.06, below, and Civil Code section 1365.5, based only on assets held in cash or cash equivalents, which shall be printed in boldface type and include all of the following:

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

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

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

(D) If applicable, the amount of funds received from either a compensatory damage award or settlement to the Master Association from any person or entity for injuries to property, real or personal arising out of any construction or design defects, and the expenditure or disposition of funds, including the amounts expended for the direct and indirect costs of repair of construction or design defects. These amounts must be reported at the end of the fiscal year for which the study is prepared as separate line items under cash reserves pursuant to subparagraph (B), above; and

(E) The current deficiency, if any, in reserve funding expressed on a per Separate Interest or Site basis. The figure shall be calculated by subtracting the amount determined as the current amount of accumulated cash reserves actually set aside for the repair, replacement, restoration or maintenance of Association Capital Projects from the amount determined as the current estimate of the amount of cash reserves necessary for Association Capital Projects and then dividing the result by the number of Separate Interests or Sites in the Development. If Assessments vary by the size or type of the Separate Interests or Sites, this calculation of the current deficiency shall be conducted in a manner that reflects the variation.

(iii) a statement as to all of the following:

(A) whether the Board of Directors of the Master Association has determined to defer or not to undertake repairs or replacement of any major component of the Development (for which the Master Association is responsible) with a remaining life of thirty (30) years or less, including a justification for the deferral or decision not to undertake the repairs or replacement;

(B) whether the Board of Directors, consistent with the reserve funding plan adopted pursuant to Civil Code section 1365.5(e), has determined or anticipates that the levy of one (1) or more Special Assessments will be required to repair, replace or restore any major component or to provide adequate reserves therefore. If so, the statement shall also disclose the estimated amount, commencement date and duration of the Assessment;

(C) the mechanism or mechanisms by which the Board of Directors will fund reserves to repair or replace major components of the Development for which the Master Association is responsible, including Assessments, borrowing, use of other assets, deferral of selected replacement or repairs, or alternative mechanisms; and

(D) whether the Master Association has any outstanding loans with an original term of more than one (1) year, including information as to the payee, the interest rate, the amount outstanding, the amount of the annual payment, and when the loan is scheduled to be retired.

(iv) a general statement setting forth the procedures used by the Board of Directors in calculating and establishing reserves to defray the future costs of repair, replacement or additions to major components of the Development which the Master Association is obligated to maintain. This report shall include, but need not be limited to, reserve calculations made using the formula described in Civil Code section 1365.2.5(b)(4), and may not assume a rate of

return on cash reserves in excess of two percent (2%) above the rediscount rate published by the Federal Reserve Bank of San Francisco at the time the calculation is made.

In lieu of distributing the complete pro forma operating budget as specified above, the Board of Directors may elect to distribute a summary of the budget to the Members (within the time limits provided above), together with a notice that the complete budget is available at the Master Association's principal office and that copies will be furnished, upon request, to any Member at the Master Association's expense. This notice shall be presented on the front page of the budget summary in at least 10-point bold type. If a Member requests a copy of the complete budget, the Master Association shall mail the material, via first-class mail and at the Master Association's expense, within five (5) days.

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

- (i) A balance sheet as of the end of the fiscal year;
- (ii) An operating (income) statement for the fiscal year;
- (iii) A statement of cash flows for the fiscal year;
- (iv) A statement advising Members of the place where the names and addresses of the current Members are located; and
- (v) Any information required to be reported under Corporations Code section 8322 requiring the disclosure of certain transactions in excess of Fifty Thousand Dollars (\$50,000) per year between the Master Association and any director or officer of the Master Association and indemnifications and advances to officers or directors in excess of Ten Thousand Dollars (\$10,000) per year.

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

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

- (i) Review a current reconciliation of the Master Association's operating accounts;
- (ii) Review a current reconciliation of the Master Association's reserve accounts;

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

Section 12.06. Required Reserve Studies. At least once every three (3) 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 of the Development that the Master Association is obligated to repair, replace, restore, or maintain as part of a study of the reserve account requirements of the Development, if the current replacement value of the major components is equal to or greater than one-half (1/2) of the gross budget of the Master Association, excluding the Master Association's reserve account for that period. The Board shall review this study, or cause it to be reviewed, annually and shall consider and implement necessary adjustment to the Board's analysis of the reserve account requirements as a result of that review. The reserve study required hereunder shall include the minimum requirements specified in Civil Code section 1365.5 or comparable successor statute. Among other requirements, Civil Code section 1365.5 requires the Board to prepare a reserve funding plan that indicates how the Master Association plans to fund the annual contributions that are necessary to defray the cost to repair, replace, restore, or maintain the major components of the Development that are the obligation of the Master Association that have a remaining useful life of thirty (30) years or less, not including those components that the Board has determined will not be replaced or repaired. The plan shall include a schedule of the date and amount of any change in the Regular or Special Assessments that would be needed to sufficiently fund the reserve funding plan. This reserve funding plan must be adopted by the Board of Directors at an open meeting before the membership of the Master Association. If the Board determines that an Assessment increase is necessary to fund the reserve funding plan, any increase shall be approved in a separate action of the Board that is consistent with the procedure described in Civil Code section 1366. The Master Association shall provide a copy of the reserve funding plan to any Member upon request.

ARTICLE XIII OTHER REQUIRED REPORTS AND DISCLOSURES TO MEMBERS

In addition to the documents that the Master Association is required to distribute to the Members pursuant to Article XII, above, various statutes applicable to common interest developments and owner associations require that the following disclosures and information be provided to the Members of the Master Association on an annual or other periodic basis or in response for a request for the information by a Member:

Section 13.01. Notification to Members Regarding Insurance Coverage Maintained by the Master Association (Civil Code section 1365(e)).

(a) Scope of Required Summary Disclosures. Not less than thirty (30) days nor more than ninety (90) days preceding the beginning of the Master Association's fiscal year, the Master Association shall distribute to its Members a summary of the Master Association's property, general liability and earthquake and flood insurance (if any) containing the information described in subparagraph (b), below.

(b) Content of Annual Insurance Summary. The insurance summary required by subparagraph (a), above, shall include the following information, as required by law: (i) the name of the insurer; (ii) the type of insurance; (iii) the policy limits of the insurance; and (iv) the amount of the deductibles, if any. In addition, the summary shall include the following statement in at least ten (10) point boldface type: "This summary of the Master Association's policies of insurance provides only certain information, as required by section 1365(e) of the California Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Master Association Member may, upon request and provision of reasonable notice to the Master Association, review the Master Association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Master Association maintains the policies of insurance specified in this summary, the Master Association's policies of insurance may not cover your property, including personal property or, real property improvements to or around your Separate Interest or Site, or personal injuries or other losses that occur within or around your Separate Interest or Site. Even if a loss is covered by the Master Association's insurance, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Master Association Members should consult with their individual insurance broker or agent for appropriate additional coverage."

To the extent that any of the information that is required to be included in an annual insurance summary is specified in the insurance policy declaration page, the Master Association may meet its obligation to disclose that information by providing its Members with a copy of the declaration page.

Section 13.02. Notification of Cancellation or Material Change in Policies. In addition to distributing the insurance summaries described in subparagraph (a) of this section, if any of the policies described in the summary lapse or are canceled and are not immediately renewed, restored or replaced, or if there is a significant change in the policies, such as a reduction in coverage or limits or an increase in the deductible, then the Master Association shall, as soon as reasonably practical, notify its Members of the lapse, cancellation or significant change. This notice shall be sent by first-class mail. If the Master Association receives any notice of non-renewal of a policy described in subparagraph (a) the Master Association shall immediately notify its Members if replacement coverage will not be in effect by the date the existing coverage will lapse.

Section 13.03. Required Statutory Assessment and Reserve Funding Disclosure Summary. The financial disclosures required by the Master Association pursuant to Article XII, above, shall also be presented to the Members, at the time the annual budget is presented, in

summary form using the form that is set forth in Civil Code section 1365.2.5 entitled "Assessment and Reserve Funding Disclosure Summary". The form required by the Civil Code may be supplemented so long as the minimum information set out in the statute is provided. For the purpose of the report and summary of the Master Association's assessment and reserve disclosure, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of yards the component has been in service divided by the useful life of the component. Nevertheless, this disclosure, which is mandated by law, shall not be construed to require the Board of Directors to fund reserves in accordance with the calculation that is required to be disclosed pursuant to Civil Code section 1365.2.5(b) (4).

Section 13.04. Annual Notice Regarding Assessments and Foreclosure. As required by Civil Code section 1365.1, the Master Association shall distribute to all Members during the sixty (60) day period immediately preceding the beginning of the Master Association's fiscal year, the notice regarding Master Association assessment authority, foreclosure and other collection remedies that is set forth in subparagraph (b) of that Civil Code section (entitled "Notice Assessments and Foreclosure"). This notice must be printed in at least 12-point type.

Section 13.05. Annual Disclosure of Master Association Collection Policies. As required by Civil Code section 1365(d) not less than thirty (30) or more than ninety (90) days immediately preceding the beginning of the Master Association's fiscal year, the Master Association must provide its Members with a statement describing the Master Association's policies and practices in enforcing lien rights or other legal remedies for default in the payment of assessments.

Section 13.06. Alternative Dispute Resolution (ADR). As required by Civil Code section 1369.590, on an annual basis, the Board of Directors shall provide each Member with a summary of the provisions of California Civil Code sections 1369.510-1369.580 which require common interest owners' associations and their members to attempt to resolve most disputes involving the enforcement or interpretation of the development's Governing Documents through the use of alternative dispute resolution, rather than formal civil litigation. The annual summary must be provided either at the time the Master Association distributes its budget to the Members or in the manner prescribed in section 5016 of the Corporations Code (inclusion in a newsletter or other organ regularly sent to the Members) and shall include the following statement:

"Failure by any Member of the Master Association to comply with the pre-filing requirements of Civil Code section 1369.520 may result in the loss of your rights to sue the Master Association or another Member of the Master Association regarding enforcement of the Governing Documents or the applicable law."

The annual summary shall also include a description of the Master Association's internal dispute resolution process, as required by Civil Code section 1363.850.

Section 13.07. Statement of Outstanding Charges. In accordance with Civil Code section 1368(a), within ten (10) days following receipt of a written request by an Owner, an authorized representative of the Master Association shall provide the Owner with a written statement setting forth the following information as of the date of the statement: (a) the amount

of the Master Association's current Regular Assessment and Special Assessments (if any), and fees, (b) the amount and nature of any assessments levied upon the Owner's Separate Interest or Site which are unpaid on the date of the statement; (c) any monetary fines or penalties levied upon the Owner's Separate Interest or Site and unpaid on the date of the statement; (d) true and correct information regarding late charges, interest, and costs of collection which, as of the date of the statement are or may be made a lien on the Owner's Separate Interest or Site which may be made a lien upon that Separate Interest or Site in accordance with Civil Code section 1367.1; (e) any change in the Master Association's current Common and/or Special Assessments and fees which have been approved by the Master Association's Board of Directors, but have not become due and payable as of the date of the statement; and (f) a copy or summary of any notice previously sent to the Owner pursuant to Civil Code section 1363(h) regarding unresolved alleged violations of the Governing Documents. The Master Association may impose a reasonable fee for providing this information based upon the Master Association's actual cost to procure, prepare, and reproduce the requested items. The items required to be made available pursuant to this Section 13.06 may be maintained in electronic form and requesting parties shall have the option of receiving the requested items by electronic transmission or machine readable storage media if the Master Association maintains those items in electronic form.

Section 13.08. Disclosure of Schedule of Fines or Other Monetary Penalties. In accordance with Civil Code section 1363(g), if the Master Association adopts a schedule of fines for commonly recurring infractions of the Governing Documents, or any other policy imposing a monetary penalty or a fee on any Member for violation of any Governing Document or the Master Association Rules, including any monetary penalty relating to the activities of a guest or invitee of a Member, the Board shall distribute the schedule or policy to the Members by either personal delivery or by first-class mail. This distribution obligation shall arise whenever such a schedule or policy is adopted or subsequently amended.

Section 13.09. Annual Notification of Members' Right to Receive Board Meeting Minutes. In accordance with Civil Code section 1363.05(e), Members shall be notified in writing at the time that the pro forma budget required by Section 12.05, above, is distributed or at the time of any general mailing to the entire membership of the Members' right to have copies of the minutes of any Board meeting and how and where those minutes may be obtained.

Section 13.10. Notification to the Members of Rule Changes (Civil Code section 1357.130).

(a) Rule Changes Requiring Notification to Members. For purposes of this Section 13.09, a "rule change" is defined as any proposed action by the Board of Directors to adopt, amend, or repeal an operating rule (i.e., any rule of general application) that pertains to any of the following subjects: (i) use of the Common Areas and/or Exclusive Use Common Areas; (ii) use of a Separate Interest or Site (including, without limitation, the adoption or amendment of any Design Guideline governing the construction or alteration of any Residence, permitted outbuilding or other Improvement); (iii) rule changes relating to Member discipline, including any action to adopt or amend a fine schedule or procedures for the imposition of penalties; (iv) any standards for delinquent assessment payment plans; (v) any procedures adopted by the Master Association for resolution of disputes; (vi) any procedures for reviewing and approving

or disapproving a proposed physical change to an Owners Separate Interest or Site or Residence; and (vii) any procedures for the conduct of elections.

Specifically excluded from the definition of a rule change are the following: (i) a decision regarding maintenance of the Common Area; (ii) decisions on specific matters that are not intended to apply generally; (iii) decisions setting the amount of the regular assessment or special assessment; (iv) rule changes that are required by law if the Board has no discretion with respect to the substantive effect of the rule change; and (v) issuance of a document that merely repeats existing law or the governing documents.

(b) Required Notice to Members. The Board of Directors must provide written notice of a proposed rule change, as defined in subparagraph (a), above, to the Members at least thirty (30) days prior to making any rule change. The notice must include the text of the proposed rule change and a description of the purpose and effect of the proposed rule change. Notice is not required under this subparagraph (b) if the Board determines that an immediate rule change is necessary to address an imminent threat to public health, or safety or imminent risk of substantial economic loss to the Master Association. The decision on any rule change that is subject to these notice requirements shall be made by the Board at a duly noticed meeting that is open to the Members, after consideration of any comments made by the Members. As soon as possible after making a rule change (but in no event later than fifteen (15) days thereafter), the Board shall deliver notice of the rule change to every Member. If the rule change was an emergency rule change, the notice shall include the text of the rule change, a description of the purpose and effect of the rule change and the date that the rule change expires (emergency rules cannot remain in effect for more than one hundred and twenty (120) days). The notices required by this Section 13.09 may be given to the Members by any means permitted by Civil Code section 1350.9. The Member notification requirements for the preceding five categories of operating rules are intended to afford Members the right to demand that the Board conduct a special meeting or a written ballot vote to rescind the proposed rule change in accordance with Civil Code section 1357.140 (which section sets forth procedures for a Member-initiated plebiscite to challenge the proposed rule change).

Section 13.11. Annual Notice of Architectural Review and Approval Procedures. As required by Civil Code section 1378(c), the Master Association shall annually provide its Members with notice of any requirements for Master Association approval of physical changes to the Member's Lots or Residences pursuant to Article V, of the Master Declaration. The notice shall describe the types of changes that require Master Association approval and shall include a copy of the procedures used to review and approve or disapprove proposed Improvement projects. Furnishing the Members with a copy of Article V of the Master Declaration and a copy of any Design Guideline adopted pursuant to Section 5.05, of the Master Declaration, shall constitute compliance with this disclosure requirement.

Section 13.12. Avoidance of Duplication in Reporting Requirements. To the extent one document distributed to the Members pursuant to Article XII, above, or pursuant to this Article XIII provides the information required in more than one (1) of the foregoing Sections of either Article, any such requirements listed above may be satisfied by sending the Members the same document.

**ARTICLE XIV
MISCELLANEOUS**

Section 14.01. Inspection of Books and Records.

(a) Member Inspection Rights.

(i) Scope of Inspection Rights of Members. All accounting books and records, minutes of proceedings of the Members, the Board and committees of the Board, the membership list of the Master Association, and other documents that are defined as "association records" or "enhanced association records" shall at all times, during reasonable business hours, be subject to the inspection of any Member in accordance with the requirements and restrictions set forth in Civil Code section 1365.2. The Member who desires to inspect those documents must submit a written request for inspection to the Master Association and that request must state a reason for the requested inspection that reasonably related to the Member's interests in the Master Association. The accounting books and records and the minutes of proceedings of an Master Association, and any information contained in those records may not be used or sold for a commercial purposes or used for any other purpose that is not reasonably related to a Member's interests as a Member. Prohibited uses of the Master Association's membership list are set forth in Corporations Code section 8338 and the Master Association shall have the right, pursuant to Corporations Code section 8330 to offer a Member who is seeking access to the membership list an alternative method of achieving the Member's stated purpose without providing access to or a copy of the list, itself, so long as the Master Association presents its alternative method within ten (10) days following receipt of the Member's request.

(ii) Master Association's Right to Withhold Information. The Master Association has the right to withhold or redact information from the accounting books and records and the minutes of proceedings for any of the following reasons: (A) the release of the information is reasonably likely to lead to identity theft (i.e., the unauthorized use of another person's personal indemnifying information to obtain credit, goods, services, money or property); (B) the release of the information is reasonably likely to lead to fraud in connection with the Master Association; or (C) the information is privileged by law. However, except as provided by the attorney-client privilege, the Master Association may not withhold or redact information concerning the compensation paid to employees, vendors or contractors. Compensation information for individual employees shall be presented only by job classification or title, and not by use of the employee's name, social security number or other personal information.

(iii) Designation of Agent for Purposes of Inspection. A Member may inspect and copy those records that are open to Member inspection either in person or his or her duly appointed representative. If a Members designates another person to inspect and/or copy Master Association records that are open to Member inspect, that designation must be in writing.

(iv) Where Inspection Rights May be Exercised. The Master Association shall make the accounting books and records and the minutes of proceedings available for inspection and copying in the Master Association's business office within the Development or if there is no such office at a mutually agreeable location as established by the Master Association and the

Member who requests the inspection; provided, however, that the Master Association has the right to satisfy the requirement to make the accounting books and records and the minutes of proceeding available for inspection and copying by mailing copies of the requested records to the Member by first-class mail within ten (10) days of receiving the Member's request.

(v) Cost of Copies. The Master Association may bill the requesting Member for the Master Association's actual, reasonable costs for copying and mailing requested documents so long as the Master Association informs the Member of the amount of the copying and mailing costs before sending the requested documents. Except as otherwise provided in subparagraph (iii), above and in section 1368 of the Civil Code (which obligates associations to provide certain information to requesting members), nothing in this subparagraph (iv) shall be construed to obligate the Master Association to make copies of requested documents or to organize or compile specific information or categories of information sought by a requesting Member under circumstances where the Master Association has made the information available for inspection and copying by the Member or his or her agent.

(vi) Electronic Delivery of Information. Requesting parties shall have the option of receiving specifically identified records by electronic transmission or machine-readable storage media as long as those records can be transmitted in a redacted format that does not allow the records to be altered. Under such circumstances, the cost of duplication for purposes of subsection (v), above, shall be limited to the direct cost of producing the copy of a record in that electronic format. The Master Association may deliver specifically identified records by electronic transmission or machine-readable storage media as long as those records can be transmitted in a redacted format that prevents the records from being altered.

(b) Director Inspection Rights. Every director of the Master Association shall have an absolute right at any reasonable time to inspect all books, records, documents and minutes of the Master Association and the physical properties owned by the Master Association. The right of inspection by a director includes the right to make extracts and copies of documents. All Directors should consider their fiduciary obligations to act in good faith and in a manner the director believes to be in the best interests of the Master Association in determining what use and/or dissemination is to be made of information obtained in the director's exercise of his or her inspection rights.

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

Section 14.02. Master Association Management. The Board of Directors of the Master Association may, from time to time, employ the services of a manager or property management company to manage the affairs of the Master Association and, to the extent not inconsistent with the laws of the State of California, and upon such conditions as are otherwise deemed advisable by the Board, the Board may delegate to the manager any of its day-to-day management and maintenance duties and powers under these Bylaws and the Master Declaration, provided that the manager shall at all times remain subject to the general control of the Board.

Section 14.03. Corporate Seal. The Master Association shall have a seal in circular form having within its circumference the words "Village at Gray's Crossing Master Association, Incorporated _____, 2008, State of California."

Section 14.04. Roberts Rules of Order. In the event of a question or dispute concerning the procedural aspects of any meetings which cannot be resolved by reference to these Bylaws or applicable law, the matter shall be resolved by reference to Robert's Rules of Order.

Section 14.05. Amendment or Repeal of Bylaws.

(a) Amendment Before Close of First Sale. Before the close of the first sale of a Separate Interest or Site in the Development to a purchaser other than the Declarant, these Bylaws and any amendments to them may be amended in any respect or revoked by the execution by the Declarant and any Mortgagee of record of an instrument amending or revoking the Bylaws together with any consents or approvals that may be required by the Department of Real Estate. The amending or revoking instrument shall make appropriate reference to these Bylaws and their amendments.

(b) Amendment After Close of First Sale. After the close of the first sale of a Separate Interest or Site in the Development to a purchaser other than Declarant, these Bylaws may be amended or revoked in any respect by the vote or assent by written ballot of the holders of not less than fifty-one (51%) percent of the voting rights of each class of Members. If a two-class voting structure is no longer in effect in the Master Association because of the conversion of Class B membership to Class A membership, as provided in the Master Declaration, any amendment hereof will require the vote or assent by written ballot of both (i) fifty-one (51%) percent of the total Voting Power of the Master Association; and (ii) the vote of fifty-one (51%) percent of the total Voting Power of Members other than the Declarant. Notwithstanding the foregoing, the percentage of the Voting Power necessary to amend a specific clause or provision of these Bylaws shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause. Any vote to amend the Bylaws shall be conducted in accordance with the procedures pertaining to the use of secret ballots that are set forth in Section 7.05, subparagraphs (c) through (i), above.

(c) Approval of Certain Amendments by Holders of First Mortgages. As provided in Section 14.12 of the Master Declaration, there are certain material amendments to the Bylaws (which are enumerated in that Section of the Master Declaration) which must also be presented to, and approved by, at least fifty-one percent (51%) of the Eligible Mortgagees who hold mortgages on Separate Interests or Sites in the Development.

Section 14.06. Notice Requirements. Any notice or other document permitted or required to be delivered as provided herein may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered seventy-two (72) hours after a copy of same has been deposited in the United States mail, postage prepaid, addressed as follows: if to the Master Association or the Board of Directors at the principal office of the Master Association as designated from time to time by written notice to the Members; if to a director, at the address from time to time given by such director to the secretary for the purpose of service of such notice; if to a Member, at the address from time to time given by such Member to the secretary

for the purpose of service of such notice, or, if no such address has been so given, to the address of any Separate Interest or Site within the Development owned by such Member.

Section 14.07. Indemnification of Agents.

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

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

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

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

Section 14.08. Construction and Definitions. Unless the context requires otherwise or a term is specifically defined herein, the general provisions, rules of construction, and definitions in the California Nonprofit Mutual Benefit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, the masculine gender includes the feminine and neuter, and singular number includes the plural and the plural number includes the singular. All captions and titles used in these Bylaws are intended solely for the reader's

convenience of reference and shall not affect the interpretation or application of any of the terms or provisions contained herein.

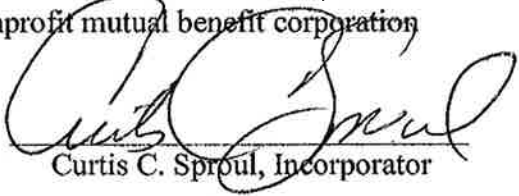
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CERTIFICATE OF THE INCORPORATOR

The undersigned Incorporator of Village at Gray's Crossing Master Association hereby certifies that the above and foregoing Bylaws, consisting of 49 pages, were duly adopted by action of the Incorporator on July 22, 2009, and that they now constitute the Bylaws of the Master Association.

**VILLAGE AT GRAY'S CROSSING
MASTER ASSOCIATION**, a California
nonprofit mutual benefit corporation

By:



Curtis C. Sproul, Incorporator

123



Nevada County Recorder
Gregory J. Diaz
DOC- 2008-0029832-00

**RECORDING REQUESTED BY, AND
WHEN RECORDED, MAIL TO:**

**SPROUL TROST LLP
Attn: Curtis C. Sproul, Esq.
3721 Douglas Blvd., Suite 300
Roseville, California 95661**

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MIC \$1.00:AUT \$123.00:
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**MASTER DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
THE VILLAGE AT GRAY'S CROSSING**

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**MASTER DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
THE VILLAGE AT GRAY'S CROSSING**

This Master Declaration of Covenants, Conditions and Restrictions for The Village at Gray's Crossing is made by The Village at Gray's Crossing, LP, a Delaware limited partnership (the "Declarant").

RECITALS

A. The Declarant is the owner of that certain real property located in the Town of Truckee, County of Nevada, State of California, that is more particularly described in Exhibit "A" (the "Initial Covered Property"). The Declarant is also the owner of other parcels of real property that are either contiguous to or in the immediate vicinity of the Initial Covered Property that is more particularly described in Exhibit "B" (the "Annexable Property"). Together, the Initial Covered Property and the Annexable Property are referred to herein collectively as the "Overall Development". The Initial Covered Property and any property that is later annexed pursuant to Article XV of this Master Declaration are commonly known as "Village at Gray's Crossing" and are sometimes referred to in this Master Declaration as the "Overall Development".

B. The Overall Development, if developed in accordance with present planning, will include 40,000 square feet of commercial space, 24 townhouse residences, 8 row house (planned development) residences, 23 loft condominium units varying in size from 1000 square feet to 1200 square feet and a hotel, a convenience market with gas pumps, a restaurant, a church and a community center. It is the intention of the Declarant that the Initial Covered Property be comprised of townhouse residences that are to be known as the Fairway Townhomes. Other portions or Phases of the Annexable Property may be subjected to this Master Declaration by annexation in accordance with the terms of Article XV, below. Article XV also includes provisions which authorize the deannexation of real property from this Master Declaration under certain terms and conditions. It is likely that large lot Parcels within the Overall Development (as shown on the Subdivision Map for the Initial Covered Property) will be sold to other Merchant Builders who will then improve those Parcels as condominium projects, mixed-use projects, or other commercial or civic uses, as stated in this Recital "B".

C. Accordingly, the Declarant hereby declares that all of the real property comprising the Initial Covered Property and any additional property that is later annexed hereto shall be held, sold and conveyed subject to the following easements, restrictions, associations, reservations, covenants and conditions, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the Separate Interests, Sites and Common Areas of the Overall Development. These covenants, easements, restrictions, conditions, associations and reservations: (i) create a general plan and scheme for the subdivision development, sale and use of the real property comprising the Overall Development as a "planned development" as that term is defined in California Civil Code section 1351(k); (ii) are for the benefit and protection of the Overall Development and its Owners and for the protection

and enhancement of the desirability, value and attractiveness of all Lots, Separate Interests, Sites, and other Parcels of property located therein; (iii) run with the real property comprising the Overall Development and bind all parties having or acquiring any right, title or interest in the Overall Development or any part thereof; and (iv) inure to the benefit of the successors and assigns of each Owner of any Separate Interest or Site within the Overall Development.

D. Finally, it is the intention of the Declarant to convey to the Master Association the "Common Areas" and "Common Facilities" located within the Overall Development to be owned and maintained by the Master Association and reserved exclusively for the use and enjoyment of the Members of the Master Association, their tenants, lessees, guests and invitees, subject to the terms and conditions of this Master Declaration and the other Governing Documents. In future Phases of the Overall Development it is also anticipated that there may be common area parcels that will be conveyed to a Project Association, rather than to the Master Association.

E. Notwithstanding the anticipated development of The Village at Gray's Crossing in accordance with the plan of phased development contemplated by this Master Declaration, nothing in this Master Declaration shall be construed or interpreted to commit Declarant to the development of any portion of the Initial Covered Property or the Annexable Property in accordance with any present planning, or to the annexation of all or any part of the Annexable Property to this Master Declaration, whether or not it is so developed. Accordingly, nothing contained herein shall obligate the Declarant to refrain from the further subdivision or resubdivision of the lands comprising the Overall Development, and the Declarant shall be free to so further subdivide or resubdivide. Nothing contained herein shall obligate the Declarant to refrain from the further subdivision, resubdivision or reversion to acreage of portions of the Overall Development not theretofore annexed, and the Declarant shall be free to so further subdivide or resubdivide, or revert those portions of the Overall Development.

ARTICLE I DEFINITIONS

Section 1.01. "Act" means the Davis-Stirling Common Interest Development Act, California Civil Code, Title 6, sections 1350 through 1378, as the same may be amended from time to time.

Section 1.02. "Annexable Property" means the real property more particularly described in Exhibit "B", attached hereto.

Section 1.03. "Articles" means the Articles of Incorporation of the Master Association, which are filed in the Office of the California Secretary of State, as such Articles may be amended from time to time.

Section 1.04. "Assessment" means any Regular, Special, Special Individual or Emergency Assessment made or assessed by the Master Association against an Owner and his or her Separate Interest or Site in accordance with the provisions of Article IV, below.

Section 1.05. “Assessment Units” means the assessment units allocated to Separate Interests and Sites, within The Village at Gray’s Crossing for purposes of determining the fair and equitable allocation of all categories of Master Association Assessments in accordance with Sections 4.02(a) through (d), below.

Section 1.06. “Board of Directors” or “Board” means the Board of Directors of the Master Association.

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

Section 1.08. “Commercial Space” means a Separate Interest or Site or any portion of a Separate Interest or Site that is designed for, or in which is operated or conducted:

- (a) a wholesale, retail or service business;
- (b) an office or administrative function;
- (c) a maintenance or service facility; or
- (d) such other non-residential use or service that is specifically identified as a Commercial Space in any Declaration of Annexation.

Notwithstanding the foregoing, Commercial Space shall not include any Parcel that is designated in a Declaration of Annexation as a Community Facility, unless otherwise provided in the Declaration of Annexation.

Section 1.09. “Common Area” means all real property owned, controlled or maintained by the Master Association for the common use and enjoyment of the Owners. The Common Area to be owned by the Master Association at the time of the conveyance of the first Separate Interest or Site in the Initial Covered Property is described as Lots “S”, “T”, and “W”, as shown on the Subdivision Map for the Initial Covered Property. Unless the context clearly indicates a contrary intent, any reference herein to the “Common Areas” shall also include any Common Facilities located thereon. As future Phases of the Overall Development are annexed in accordance with Article XV, below, the Common Areas that are to be owned, managed and maintained by the Master Association within the annexed Phase shall be identified in the Declaration of Annexation or Supplemental Declaration that pertains to the annexed Phase.

Section 1.10. “Common Expenses” means the actual and estimated costs of: (i) maintenance, management, operation, repair and replacement of the Common Areas and the Common Facilities of the Master Association, including those costs not paid by an Owner who is responsible for such payment; (ii) costs of management and administration of the Master Association including, but not limited to, compensation paid by the Master Association to the Manager, accountants, attorneys and other consultants and employees; (iii) the costs of all utilities, landscape maintenance expenses, and other services benefiting the Common Area and the Common Facilities; (iv) the costs of security services; (v) the costs of fire, casualty and liability insurance, worker’s compensation insurance, and other insurance covering the Common Area and the Common Facilities; (vi) the costs of bonding the Master Association directors,

officers, agents, employees and the Manager; (vii) taxes paid by the Master Association; (viii) amounts paid by the Master Association for the discharge of any lien or encumbrance levied against the Common Area or the Common Facilities of the Master Association or any portions thereof, including, without limitation, real property taxes or assessments, if any, levied against the Common Area or the Common Facilities; (ix) all Reserves; and (x) the costs of any other item or items incurred by the Master Association in carrying out its obligations and authorized functions pursuant to this Master Declaration, any Supplemental Declaration, and the Master Association Bylaws, as determined in the reasonable exercise of discretion by the Board of Directors and its managers and agents, pursuant to this Master Declaration.

Section 1.11. “Common Facilities” means all personal property, equipment and Improvements on real property owned, leased, controlled or maintained by the Master Association, and shall include personal property, equipment and improvements financed by, or secured by the assets of the Master Association (which assets include, without limitation, the Master Association’s right to levy and/or collect Assessments, charges, fines and penalties pursuant to this Master Declaration, and all amounts so collected). Common Facilities may include personal property, equipment and Improvements on real property not owned by the Master Association, but which the Declarant or the Master Association has agreed to operate and/or maintain on behalf of any governmental agency. Common Facilities shall not include any common areas or common facilities of any Project Association.

Section 1.12. “Community Facility” means any facility that is operated by a nonprofit, governmental or quasi-governmental entity and that provides athletic, cultural, recreational, entertainment or other services to Owners, guests or the general public. In order to constitute a Community Facility, the facility must be designated as such in a Declaration of Annexation or Supplemental Declaration recorded by or with the consent of the Declarant. Owners of Community Facilities shall have no membership rights in the Master Association.

Section 1.13. “Condominium” means a condominium as defined in sections 783 and 1351(f) of the California Civil Code, or any similar California statute hereinafter enacted.

Section 1.14. “Condominium Project” means a condominium project as defined in section 1351(f) of the Act, or any similar California statute hereinafter enacted, including all property annexed to a Condominium Project, if such Project is developed in phased increments. A Condominium Project is created by (i) Recordation of a Project Declaration; (ii) Recordation of a Condominium Plan (as defined in section 1351(e) of the Act); (iii) Recordation of a final subdivision map or parcel map (in accordance with section 1352(e) of the Act); and (iv) conveyance of at least one Unit in the Condominium Project so as to create an undivided interest in common in some portion of the Project.

Section 1.15. “Cost Center” is a designation assigned by the Master Association to a discrete portion of The Village at Gray’s Crossing (and to the Owners of Separate Interests located therein) for the purpose of expense accounting and Assessment, all as more particularly provided in Sections 4.01(e) and 4.02(d)(ii), below. A Cost Center is likely to be created when the Master Association is maintaining property or Common Facilities located within the designated Cost Center area which are fully or partially restricted to Owners of the Separate Interests within the Cost Center.

Section 1.16. “Cost Center Assessment” means the Assessment imposed by the Master Association on Owners of Separate Interests and/or Sites within a Cost Center in order to recover Cost Center Expenses incurred by the Master Association.

Section 1.17. “Cost Center Budget” means an itemized written estimate of the Cost Center Assessments and the Cost Center Expenses for a particular Cost Center prepared from time to time by the Board of Directors of the Master Association pursuant to the provisions of the Master Association’s Bylaws.

Section 1.18. “Cost Center Expenses” means and refers to the actual and estimated costs or expenses incurred by the Master Association for the exclusive benefit of Owners of Separate Interests within a particular Cost Center and may include, without limitation, any of the kinds of expenses that are described as Common Expenses hereunder, but which pertain only to the Separate Interests, Sites or the Owners within the Cost Center.

Section 1.19. “County” means the County of Nevada, State of California, and its various departments, divisions, employees and representatives.

Section 1.20. “Declarant” means The Village at Gray’s Crossing, LP, a Delaware limited partnership. The term “Declarant” shall also mean any successor or assign of the Declarant, if (i) a certificate, signed by the Declarant and Declarant’s successor or assign (if any), has been recorded in the County in which the successor or assign assumes the rights and duties of the Declarant to some portion of The Village at Gray’s Crossing or (ii) such successor or assign acquires all of The Village at Gray’s Crossing and the remainder of any Annexable Property then owned by a Declarant (so long as the acquired property includes more than five Lots). There may be more than one Declarant at any given time; provided, however, that in the case of multiple Declarants, each Declarant shall be a Declarant only with respect to those portions of The Village at Gray’s Crossing owned by that the Declarant and the rights and obligations of the Declarant with respect to the Master Association and its Members shall be exercised as agreed among the co-Declarants with the consent of the Department of Real Estate. A Declarant shall cease being a Declarant when both of the following conditions exist: the Declarant no longer owns any portion of The Village at Gray’s Crossing and no Annexable Property exists which is still the subject to a unilateral right of annexation in favor of the Declarant pursuant to Section 15.02, below.

Section 1.21. “Declaration of Annexation” means an instrument executed and Recorded pursuant to Section 15.05, below, that brings a portion or portions of the Annexable Property into The Village at Gray’s Crossing and which subjects such Annexable Property identified in the Declaration of Annexation to the covenants, conditions, restrictions and equitable servitudes of this Master Declaration, subject to any modifications effected by Recordation of a Supplemental Declaration applicable to such Annexed Property.

Section 1.22. “Delinquency Notice” has the meaning given to that term in Section 4.10 (b)(i), below.

Section 1.23. “Design Guidelines” means the guidelines for Improvement projects and procedural rules of the Design Review Committee adopted in accordance with Section 5.05, below.

Section 1.24. “Design Review Committee” means the committee by that name formed pursuant to Article V, below.

Section 1.25. “Development” means the common interest development that is being implemented pursuant to the plan of development set forth in this Master Declaration, the Subdivision Map, and the other Governing Documents for Village at Gray’s Crossing. At times herein, the terms “Development” and “Village at Gray’s Crossing” are used interchangeably. On the date that this Master Declaration is Recorded, the “Development” consists of the Initial Covered Property. However, additional property that forms all or part of the Annexable Property may become part of The Village at Gray’s Crossing in accordance with Article XV, below.

Section 1.26. “Emergency Assessment” means an Assessment that the Master Association is authorized and empowered to impose under the limited circumstances defined in California Civil Code section 1366(b) and Section 4.05, below.

Section 1.27. “Entitlement Documents” is a collective term that means and refers to: the Conditions of Approval – Planning Commission Resolution No. 2007-08, the draft Martis Valley Community Plan, and the 1994 Placer County General Plan and as those documents may be amended, supplemented or modified from time to time.

Section 1.28. “Governing Documents” means the Articles of Incorporation and Bylaws of the Master Association, the Design Guidelines, this Master Declaration, and any Project Declaration (to the extent those Declarations are applicable to a particular Project), the Master Association Rules and Regulations, and any amendments to any of the foregoing documents.

Section 1.29. “Guest” means any family member, customer, agent, employee, guest or invitee of an Owner, Lessee, or the Declarant and any person or persons, entity or entities who have any right, title or interest in a Separate Interest or Site which is not the fee simple title to the Separate Interest or Site (including a Lessee), and any family member, customer, agent, employee, guest or invitee of such person or persons, entity or entities.

Section 1.30. “Improvement” is a term that is used herein to further define the jurisdiction of the Design Review Committee and means any change from natural grade, or the construction or exterior alteration of any structures, buildings, landscaping and appurtenances thereto of every type and kind, including, but not limited to, buildings, outbuildings, walkways, the paint on all exterior surfaces, waterways, sprinkler pipes, irrigation systems, storm drainage systems, garages, hot tubs, spas, roads, driveways, parking areas, fences, screening walls, retaining walls, stairs, decks, hedges, windbreaks, plantings, planted trees and shrubs, fire breaks, poles, signs, exterior air conditioning and water softener fixtures or equipment, and solar equipment. “Improvement” shall also include any proposed change to the exterior (but not the interior) of any Commercial Unit or Lodge in The Village at Gray’s Crossing. Commercial Units may also be subject to further design review and approval by the Project Design Review

Committee of the Project that includes the Commercial Unit if an Improvement Project involving the Commercial Unit may impact the Project's Building Common Areas.

The term "Improvement" shall not include, however: (a) any improvement or construction activity undertaken by or on behalf of the Declarant; or (b) any improvement or construction activity confined exclusively to the interior of a Separate Interest, or the interior of any building structure that is constructed on a Site, unless such activity involves the roof or bearing walls of the building containing the Separate Interest.

Section 1.31. "Lodge" means:

- (a) any Site that is used as a hotel, motel, inn or lodge; or
- (b) any Project Lot, other than a Residential Separate Interest, in which short-term overnight accommodations are provided.

Section 1.32. "Lodge Room" means a room or suite in a Lodge designed for separate overnight occupancy by one or more Guests.

Section 1.33. "Lot" means any parcel of real property designated by a number on the Subdivision Map for any portion of the Overall Development that is being developed as a Planned Development, excluding the Common Area. When appropriate within the context of this Master Declaration, the term "Lot" shall also include the Residence and other Improvements constructed or to be constructed on a Lot.

Section 1.34. "Maintenance Manual" refers to the manual or manuals that may be prepared by the Declarant or its agents, or by a Merchant Builder and its agents, and provided to the Master Association and to each Owner of a Separate Interest specifying obligations for maintenance of the Common Area and Common Facilities by the Master Association and maintenance of Separate Interests by the Owners, as updated and amended from time to time. The Declarant may, in its discretion, create a Maintenance Manual for the Master Association ("Master Association Maintenance Manual") relating to its maintenance obligations with respect to the Common Areas and Common Facilities and a Maintenance Manual for the Owners of Separate Interests ("Owner Maintenance Manual") relating to their maintenance obligations with respect to Residential Separate Interests within The Village at Gray's Crossing. "Maintenance Manual" shall also refer to any amendments or supplements to any Maintenance Manual that the Declarant may adopt and provide to the Master Association and/or the Owners of Residential Separate Interests from time to time.

Section 1.35. "Maintenance Obligations" means the obligations imposed by Civil Code section 907 on the Master Association and each Owner of a Residential Separate Interest to perform: (i) all reasonable maintenance obligations and schedules identified in the Maintenance Manual that pertain to the Master Association's/ Separate Interest Owner's property at the times and in a manner consistent with the terms, recommendations and requirements of the applicable Maintenance Manual; (ii) any maintenance obligations and schedules contained in any warranty offered by the Declarant or any manufacturer of any products or components originally installed in a Residential Separate Interest or Common Facility; and (iii) any maintenance obligations and/or schedules otherwise provided, in writing, by the Declarant or a manufacturer to the

Master Association or the Owners of Residential Separate Interests. The term “Maintenance Obligations” shall also include and refer to any commonly accepted maintenance practices to prolong the useful life of the materials and construction of the Master Association’s Common Areas and Common Facilities and Residential Separate Interests within The Village at Gray’s Crossing.

Section 1.36. “Majority of a Quorum” means the vote of a majority of the votes cast at a meeting or by written ballot when the number of Members attending the meeting in person or by proxy or the number of members casting written ballots equals or exceeds the quorum requirement for Member action, as specified by the Bylaws or otherwise by statute.

Section 1.37. “Master Association” means The Village at Gray’s Crossing Master Association, a California nonprofit mutual benefit corporation, its successors and assigns. The Master Association is an “association” as defined in California Civil Code section 1351(a).

Section 1.38. “Master Association Rules” means the rules, regulations and policies adopted by the Board of Directors of the Master Association, pursuant to Section 3.08, below, as the same may be in effect from time to time. Once the Design Review Committee is a committee whose members are appointed solely by the Master Association’s Board of Directors (see Section 5.03, below) the Master Association Rules shall also include the Design Guidelines adopted pursuant to Section 5.05, below.

Section 1.39. “Master Declaration” means this instrument, as it may be amended from time to time.

Section 1.40. “Member” means every person or entity who holds a membership in the Master Association and whose rights as a Member are not suspended pursuant to Section 13.06, below.

Section 1.41. “Merchant Builder” means a person or entity designated in writing as such by the Declarant that acquires any portion of the Overall Development for the purpose of (i) development, improvement, and resale of the acquired property to the general public; or (ii) in the case of portions of the Overall Development other than residential Lots or residential Condominium Units, developing such property for sale, lease, short or long-term investment, an/or other permitted commercial or Lodge uses. The instrument designating a person or entity as a “Merchant Builder” shall ordinarily be the Declaration of Annexation, so as to make the designation a matter of Record.

Section 1.42. “Mortgage” means any security device encumbering all or any portion of the Overall Development, including any deed of trust. “Mortgagee” shall refer to a beneficiary under a deed of trust as well as to a mortgagee in the conventional sense.

Section 1.43. “Overall Development” means the Initial Covered Property together with any portion of the Annexable Property that is later subjected to this Master Declaration in accordance with Article XV, below.

Section 1.44. “Owner” means any person, firm, corporation or other entity which owns a fee simple interest in any Separate Interest, Site, or Parcel within The Village at Gray’s

Crossing. The term "Owner" shall include the Declarant for so long as the Declarant owns any portion of the real property comprising The Village at Gray's Crossing, and, except where the context otherwise requires, the family, guests, tenants and invitees of an Owner. If a Separate Interest, Site or Parcel is transferred or conveyed to a trust, the Owner is the trustee or the co-trustee of such trust.

Section 1.45. "Owner of Record" means any person, firm, corporation or other entity in which title to a Separate Interest, Site or Parcel is vested as shown by the official records of the Office of the County Recorder.

Section 1.46. "Parcel" means any separate plot of land within The Village at Gray's Crossing that is shown on any Recorded Subdivision Map, or shown on or described by a final, Recorded parcel map, lot line adjustment, resubdivision or certificate of compliance, or the like, which is not a Separate Interest, Common Area, Project Common Area, or a separate plot to be dedicated to a public entity or a private nonprofit public benefit corporation. A Parcel might consist of (a) a large lot; (b) a plot of land located within The Village at Gray's Crossing that is designated by the Specific Plan for use, or actually used (i) for commercial purposes, including (A) bar and restaurant use, (B) a convenience market, (C) a Lodge, or (C) land that is developed for retail or office purposes, but excluding commercial Condominium Units shown upon any recorded condominium plan within The Village at Gray's Crossing. The term "Parcel" as used in this Master Declaration is not in any manner intended to be the same as, similar to, or interpreted in accordance with the term "Parcel" as may be used in the Martis Valley Community Plan or in any State, Town, or other zoning or land use ordinance, law, rule or regulation.

Section 1.47. "Phase" means any Lots and/or Common Areas which are simultaneously made subject to the provisions of this Master Declaration either by recording this Master Declaration or by recording a Declaration of Annexation in accordance with Article XV, below.

Section 1.48. "Planned Development" means a planned development as defined in section 1351(k) of the Act, or any similar California statute hereinafter enacted, including all property annexed to a Planned Development, if the Planned Development is developed in Phased increments. Although The Village at Gray's Crossing, as defined in Section 1.71, below, is a planned development as defined in section 1351(k) of the Act, when the term "Planned Development" is used in this Master Declaration or in any Declaration of Annexation or Supplemental Declaration that is subsequently Recorded in accordance with Article XV, below, the term is intended to apply only to a Planned Development that is created within a particular Phase of The Village at Gray's Crossing. Other Phases may be developed and annexed hereto as Sites or Condominium Projects.

Section 1.49. "Project" or "Projects" mean one or more buildings, together with the Project Lot on which the building(s) is/are located, on any portion of The Village at Gray's Crossing that are developed as a Condominium Project or a Planned Development project pursuant to a Project Declaration and the associated Condominium Plan (as defined in Section 1351(e) of the Act), if any, for the Project.

Section 1.50. "Project Association" means any association, as defined in section 1351(a) of the Act, that has jurisdiction within a Condominium Project or a Planned Development. A Parcel that is developed as a Lodge may also have a Project Association.

Section 1.51. "Project Common Area" shall mean that portion of any Project in The Village at Gray's Crossing that is owned, leased, controlled or maintained by a Project Association for the use, enjoyment or benefit of the members of that Project Association.

Section 1.52. "Project Declaration" means each declaration, as defined in section 1351(h) of the Act, that is Recorded to create a Condominium Project or a Planned Development within a Phase of The Village at Gray's Crossing. "Project Documents" include any Project Declaration and the Articles of Incorporation, Bylaws and association rules of any Project Association.

Section 1.53. "Project Lots" means any separately subdivided parcel of land which may be further subdivided as provided herein, but not referring to any public or private streets within or adjacent to the Project. For example, a Condominium Project or a Planned Development may be created on a Project Lot.

Section 1.54. "Public Report" means a final subdivision public report issued by the Department of Real Estate in compliance with California Business and Professions Code section 11000 et seq., or any similar California statute hereafter enacted.

Section 1.55. "Record," "Recordation," and "Recorded" mean , with respect to any document, the recordation or filing of such document in the Official Records of the Office of the Nevada County Recorder, State of California.

Section 1.56. "Regular Assessment" means an Assessment levied against an Owner and his or her Lot in accordance with Section 4.02, below.

Section 1.57. "Reserves" means those Common Expenses for which Association funds are set aside pursuant to Article IV of this Master Declaration and California Civil Code section 1365.5 for funding the periodic painting, maintenance, repair and replacement of the major components of the Common Areas which would not reasonably be expected to recur on an annual or less frequent basis. The amounts required to properly fund Reserves shall be determined annually by the Board in accordance with the standards prescribed by maintenance cost guidelines prepared in accordance with California Civil Code sections 1365(a) and 1365.5(e) and prudent property management practices generally applied in "common interest developments" (as that term is defined in California Civil Code section 1351(c)) in the geographic region in which The Village at Gray's Crossing is located.

Section 1.58. "Residential Separate Interests" means a townhouse-style residence constructed on a Lot, as shown on any Subdivision Map for any portion of The Village at Gray's Crossing that is developed as a planned development and any residential Unit in any Condominium Project within The Village at Gray's Crossing. The term Residential Separate Interest shall not include a Lodge or Lodge Rooms or any commercial condominium Unit.

Section 1.59. “Residential Subdivision” means and refers to any development within The Village at Gray’s Crossing consisting of residential Condominium Units, any duplex, triplex, four-plex, etc., cluster home, townhouse, or any other type of residential subdivision or residential Planned Development (as defined in Section 1.50, above).

Section 1.60. “Separate Interest” means an individual Unit in a Condominium Project, a separately owned Lot in a Planned Development, or any other type of Separate Interest that is defined as such in Civil Code section 1351(l). Notwithstanding the foregoing, any parcel of real property owned, held or used in its entirety (i) as Common Area of the Master Association or for a Condominium Project or Planned Development, (ii) by any governmental or quasi-governmental entity, (iii) solely for or in connection with the distribution of electricity, gas, water, sewer, telephone, cable television or any other utility service, or (iv) solely for access to or through all or any portion of The Village at Gray’s Crossing, shall not be considered a Separate Interest.

Section 1.61. “Site” is a term that is used in this Master Declaration to reference those facilities and improvements within The Village at Gray’s Crossing that are not Separate Interests, as defined in Section 1.60, above, and yet are subject to Assessment and to other covenants and restrictions as stated in this Master Declaration (and as may be stated in a Supplemental Declaration that pertains to a Site). As so defined, the term “Site” includes, without limitation, any Lodge or any apartment project that may be constructed in any portion of The Village at Gray’s Crossing, any Parcel that is improved for commercial purposes without being subdivided as a common interest development (as that term is defined in California Civil Code section 1351(c)).

Section 1.62. “Special Assessment” means an Assessment levied against an Owner and his or her Lot in accordance with Section 4.03, below.

Section 1.63. “Special Individual Assessment” means an Assessment levied against an Owner and his or her Lot in accordance with Section 4.04, below.

Section 1.64. “Subdivision Map” means the final subdivision map for any Phase of The Village at Gray’s Crossing.

Section 1.65. “Subsidy Agreement” means a contract between the Declarant and the Master Association, in a form and content acceptable to the Department of Real Estate, documenting the terms of any program in which the Declarant undertakes to subsidize the cost of operating and maintaining Common Areas or Common Facilities of the Master Association and/or the cost of providing services to the Owners and residents of Separate Interests and Sites within The Village at Gray’s Crossing, all as more particularly specified in Department of Real Estate Regulation section 2792.10.

Section 1.66. “Supplemental Declaration” means any declaration (as defined in California Civil Code section 1351(h)), Recorded pursuant to Section 15.06, below, which supplements this Master Declaration and which may affect solely a Condominium Project, a Planned Development or some other Phase of The Village at Gray’s Crossing. The term includes a Declaration of Annexation that adds Annexable Property to the Overall Development or a

separate instrument, identified as a Supplemental Declaration or Project Declaration that is Recorded in accordance with Section 15.06, below, to supplement this Master Declaration. The Declarant may record a Supplemental Declaration at any time with respect to any Phase of the Overall Development prior to the sale of a Separate Interest in that Phase to a third party pursuant to a Public Report.

Section 1.67. "Town" shall mean the Town of Truckee, and its various departments, divisions, employees and representatives. The Village at Gray's Crossing is located within the Town of Truckee.

Section 1.68. "Unit" means and refers to a Separate Interest in a Condominium Project, all as more particularly defined in section 1351(f) of the Act.

Section 1.69. "Village at Gray's Crossing" means and refers to the Initial Covered Property and the Annexable Property, to the extent that any portion of the Annexable Property is annexed to this Master Declaration in accordance with Article XV, below.

Section 1.70. "Voting Power" means those Members who are eligible to vote for the election of directors or with respect to any other matter, issue or proposal properly presented to the Members for approval at any time a determination of voting rights is made. To be part of the Voting Power, a Member must be in good standing, as defined in the Bylaws and/or the Master Association Rules.

ARTICLE II PROPERTY RIGHTS AND OBLIGATIONS OF OWNERS

Section 2.01. Declaration Regarding the Property Comprising the Overall Development. The Initial Covered Property and those portions of the Annexable Property that are subsequently annexed to The Village at Gray's Crossing and subjected to this Master Declaration in accordance with Article XV, below, shall be held, conveyed, divided, encumbered, hypothecated, leased, rented, used, occupied and improved only upon compliance with and subject to the provisions of this Master Declaration, which is hereby declared to: (i) be in furtherance of a plan for the subdivision of the development and the sale of Separate Interests, Sites and Parcels within The Village at Gray's Crossing; (ii) be for the benefit and protection of the property and improvements comprising The Village at Gray's Crossing and to enhance the desirability, value and attractiveness of the property and improvements comprising The Village at Gray's Crossing; (iii) be for the benefit of the Owners; (iv) run with the land and be binding upon all parties having or acquiring any right, title or interest in The Village at Gray's Crossing or any portion thereof; (v) inure to the benefit of every portion of the Overall Development and any interest therein; and (vi) inure to the benefit of and be binding upon each Owner, the Declarant and each successor in interest of the Declarant as long as the Declarant or any successor shall hold an interest in any portion of The Village at Gray's Crossing.

Section 2.02. Declarant's Reserved Authority to Modify. Nothing in this Master Declaration shall be construed in a manner that would prevent the Declarant from modifying any or all of the Entitlement Documents or any portions thereof, or from resubdividing any or all of

the Annexable Property (whether or not such actions by the Declarant increase or decrease the number of Separate Interests or Sites subject to Assessments), or from dedicating or conveying portions of the Property described on any Subdivision Map, including streets or roadways, for uses other than as Separate Interests, Sites or Common Areas, subject, however to receipt of such prior approvals as may be required from the County, the Town, other governmental entities with jurisdiction. Any statements contained herein regarding the Declarant's future plans for the development of any portion of The Village at Gray's Crossing reflect Declarant's current master plan for Overall Development. However, there is no guarantee that those future development plans will be implemented in the manner currently contemplated or at all.

Section 2.03. Authority of Declarant to Approve Boundary Line Adjustments. At any time within eight (8) years from the date that the first Separate Interest or Site in a Phase is conveyed to an Owner other than the Declarant or a Merchant Builder, the boundaries of any Separate Interest, Site or Common Area in that Phase may be altered by a lot line adjustment or other change reflected on a subsequently Recorded record of survey, parcel map, or Subdivision Map, provided that the altered boundaries are approved by the Declarant and all Owners of the property involved in the boundary adjustment. In the event a boundary line adjustment involves Common Area of the Master Association, the Board of Directors of the Master Association shall be authorized to grant approval on behalf of the Master Association and its Members. Any such alteration shall be effective upon Recordation of the record of survey, parcel map, or Subdivision Map. Upon such Recordation, the boundaries of the altered Separate Interest, or Site, or Common Area shall be altered for purposes of this Master Declaration to conform to the boundaries as shown on the record of survey, parcel map, or Subdivision Map. The authority conferred by this Section shall not apply to any Condominium Project or Planned Development within The Village at Gray's Crossing unless the applicable Project Association also consents to the boundary line adjustment.

Section 2.04. Property Rights in Common Area.

(a) Fee Title in the Master Association. The Declarant shall convey fee simple title to the Common Area located in each Phase of The Village at Gray's Crossing to the Master Association, free of all encumbrances and liens, with the exception of current real property taxes (which shall be prorated as of the date of such conveyance) and any easements, conditions and reservations then of record, including those set forth in this Master Declaration. Such conveyance shall be made prior to, or concurrently with, the first transfer or conveyance by the Declarant of a Separate Interest or Site within such Phase to a purchaser pursuant to a Public Report issued by the California Department of Real Estate. It is anticipated that there may be common areas in particular Phases that will be conveyed to a Project Association having jurisdiction within the Phase and should that occur, the conveyance shall also be made to the Project Association prior to, or concurrently with, the first transfer or conveyance by the Declarant of a Separate Interest or Site within such Phase to a purchaser pursuant to a Public Report issued by the California Department of Real Estate

(b) Rights of Owners in Common Areas. The interest of each Owner in and to the use and benefit of the Common Area and the Common Facilities of the Master Association shall be appurtenant to the Separate Interest, Site or Parcel owned by the Owner and shall not be sold, conveyed or otherwise transferred by the Owner separately from the ownership interest in the

Owner's Separate Interest, Site or Parcel. Any sale, transfer or conveyance of the Owner's Separate Interest, Site or Parcel shall transfer the appurtenant right to use and enjoy the Common Area and Common Facilities of the Master Association. There shall be no judicial partition of the Common Area of the Master Association or any part thereof, and each Owner, whether by deed, gift, devise, or operation of law, for his or her own benefit and for the benefit of all other Owners, specifically waives and abandons all rights, interest and causes of action for a judicial partition of any ownership interest in the Common Area of the Master Association and does further covenant that no action for judicial partition shall be instituted, prosecuted or reduced to judgment. The rights of all Owners in the Common Area shall be further subject to the requirements and restrictions set forth in Section 2.05, below.

Section 2.05. Owners' Nonexclusive Easements of Enjoyment of Master Association Common Areas. Every Owner shall have a nonexclusive right and easement of enjoyment in and to the Common Areas and Common Facilities of the Master Association, including the right of ingress and egress to and from his or her Separate Interest, Site or Parcel, which shall be appurtenant to and shall pass with the title to every Separate Interest, Site, or Parcel, subject to the following provisions:

(a) Right of the Master Association to Adopt Rules. The right of the Master Association to adopt Rules regulating the use and enjoyment of the Common Areas and roads within The Village at Gray's Crossing for the benefit and well-being of the Owners in common, and, in the event of the breach of such Rules or any provision of any Governing Document by any Owner or Lessee, to initiate disciplinary action against the violating Owner or Lessee in accordance with Section 13.06, below. Such action may include the levying of fines and/or the temporary suspension of the voting rights and/or the right to use the Common Facilities, other than roads, by any Owner and the Owner's Lessees and Guests. The Master Association Rules may differentiate between categories of Owners, Lessees, or Guests as established by the Board of Directors from time to time; however, the Master Association Rules must be uniformly applied within such categories. See Section 3.08, below, concerning the Master Association's rule-making authority and limitations thereon.

(b) Right to Incur Indebtedness. The right of the Master Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Area and Common Facilities of the Master Association. Member approval of the borrowing shall be required whenever the funding to amortize the obligation will be an Assessment for which Member approval is required pursuant to either Section 4.02(e) or Section 4.03(c), below. The right to incur indebtedness shall include the right to assign or pledge the Master Association's right to collect payments or Assessments to a financial institution or lender chartered or licensed under federal or state law, when acting within the scope of that charter or license, as security for a loan obtained by the Master Association.

(c) Mandatory Dedications and Transfers. Any duty to dedicate or transfer any part of the Common Area or Common Facilities to a public agency, authority or utility which the Declarant or the Master Association may have pursuant to any of the Entitlement Documents or other agreement with any governmental agency which is applicable to The Village at Gray's Crossing. The Master Association shall make any such dedication that may, in the future, be required of it or of the Declarant.

(d) Voluntary Dedications and Transfers. The right of the Master Association to dedicate or transfer any part of the Common Area or Common Facilities to any public agency, authority or utility willing to accept the same, for such purposes and subject to such conditions as the Master Association may determine; provided, that any such dedication or transfer pursuant to this subparagraph (d) shall be documented by a Recorded instrument, and shall not impair the ingress and egress to or from any Separate Interest, Common Area or Common Facilities.

(e) Rights of Easement Holders. All easements affecting the Common Area that are described in Article IX, below.

(f) Use by the Declarant and by Merchant Builders. The right of the Declarant and any Merchant Builder with the prior approval of the Declarant, and its/their employees, sales agents, prospective purchasers, customers and representatives, to enter upon the Common Areas and Common Facilities of the Master Association for the benefit of the Declarant or the authorized Merchant Builder, to complete the development and improvement of Separate Interests, Project Lots and Parcels and the construction of any landscaping or other Improvement or Common Facility to be installed on the Common Areas or any Project Common Areas, as well as the right of nonexclusive use of the Common Areas and the Common Facilities, without charge, for sales, display, access, ingress, egress, exhibition and occasional special events for promotional purposes, including, without limitation, the right to post signage in and on the Common Areas and Common Facilities in use, subject to the Design Guidelines, which right the Declarant hereby reserves; provided, however, that such use rights shall terminate with respect to the Declarant on the date on which the Declarant owns no Separate Interests, Sites, Project Lots or Parcels in The Village at Gray's Crossing. Such use shall not unreasonably interfere with the rights of enjoyment of the other Owners, guests, or Lessees as provided herein, as reasonably determined by the Master Association Board of Directors.

(g) Right to Close Facilities During Maintenance or Renovation. The right of the Master Association to close or limit the use of the Master Association Common Areas and/or Common Facilities, or portions thereof to access to and use by the Members, while maintaining and repairing the same.

(h) Right to Convey Additional Common Areas to the Master Association. The Declarant reserves the right to later convey additional Common Areas in the Initial Covered Property or the Annexable Property to the Master Association. Common Area, if any, to be owned by the Master Association in any portion of the Annexable Property that becomes part of The Village at Gray's Crossing as the result of future annexations (see Article XV, below), may be conveyed to the Master Association prior to the first transfer to an Owner of a Separate Interest or Site in such annexed area, or may be later conveyed to the Master Association. Additional Master Association Common Area shall be identified as such in the Declaration of Annexation or Supplemental Declaration (see Sections 15.05 and 15.06, below) that brings the Common Area into the jurisdiction of the Master Association.

(i) Permits, Licenses and Easements. The right of the Master Association to grant permits, licenses and easements on, over, under or through the Common Area and any Common Facilities for utilities, roads and other purposes reasonably necessary or useful for the proper maintenance or operation of The Village at Gray's Crossing, so long as such future permits,

licenses and/or easements do not materially impair, ingress or egress to or from any Separate Interest or Site in The Village at Gray's Crossing.

(j) Reconstruction of Master Association Common Facilities and Common Facilities. The right of the Master Association (by action of the Board) to reconstruct, replace or refinish any Master Association Common Areas, Common Facilities or any portion thereof, in accordance with the Design Guidelines and the Master Declaration.

(k) Signage. The right of the Master Association, subject to the Design Guidelines, to post signage in and on the Common Areas and Common Facilities in connection with Master Association activities. See also Section 8.11, below ("Sign Restrictions").

(l) Restricted Areas. The right of the Master Association, acting through the Board of Directors, to reasonably restrict access to any Master Association Common Areas, Common Facilities, slopes and other sensitive landscaped areas and open space areas that are Master Association Common Areas. The Master Association shall have exclusive control over all of the Master Association Common Areas and Common Facilities.

Section 2.06. Owner's Rights and Obligations Appurtenant. All rights, easements and obligations of an Owner under this Master Declaration and all rights of an Owner with respect to membership in the Master Association under this Master Declaration are hereby declared to be and shall be appurtenant to the title to the Separate Interest, Site, or Parcel owned by such Owner and may not be transferred, conveyed, devised, bequeathed, encumbered or otherwise disposed of separate or apart from fee simple title to such Owner's Separate Interest, Site or Parcel. Every transfer, conveyance, grant, devise, bequest, encumbrance or other disposition of a Separate Interest, Site, or Parcel shall be deemed to constitute a conveyance, grant, devise, bequest, encumbrance or transfer or disposition of such easements, rights and obligations. Notwithstanding the foregoing, the rights of an Owner under this Master Declaration may be assigned to a Mortgagee as further security for a loan secured by a lien on a Separate Interest, Site, or Parcel.

Section 2.07. Delegation of Use of Separate Interests.

(a) Any Owner may delegate his or her or its rights of use and enjoyment of the Owner's Separate Interest or Site, including any appurtenant right to use Common Areas and Common Facilities, to the Owner's Guests, Lessees and to such other persons as may be permitted by the Governing Documents; provided, however, that if an Owner has sold his or her Separate Interest to a contract purchaser or has leased or rented the Separate Interest to another party, then that Owner shall not be entitled to use and enjoy any such rights in the Owner's Separate Interest while the Owner's Separate Interest is occupied by the contract purchaser or Lessee (other than to exercise such rights of access and contact enforcement typically reserved to lessors of real property). Instead, the contract purchaser or Lessee, while occupying such Separate Interest, shall be entitled to use and enjoy such rights, including rights to use Common Areas and Common Facilities, and to delegate the rights of use and enjoyment in the same manner as if such contract purchaser or Lessee were an Owner during the period of his or her occupancy. The use of a Site or a Separate Interest by an equity or non-equity Vacation Club pursuant to its membership plan shall not be considered leasing or rental activity and members of

such club shall not be considered Lessees. Nothing herein shall be construed as limiting the rights that Owner-lessors customarily have as landlords in the supervision of their property or rights to use and enjoy Master Association Common Areas and Common Facilities on the same basis as members of the general public to the extent such rights may exist.

(b) Any delegated rights of use and enjoyment are subject to suspension and enforcement by the Master Association to the same extent as are the rights of Owners. No such delegation shall relieve an Owner from liability to the Master Association or to other Owners for payment of Assessments or performance of the covenants, conditions and restrictions contained in this Master Declaration.

(c) Any lease, rental agreement or contract of sale entered into between an Owner and a Lessee or contract purchaser of a Separate Interest shall require compliance by the Lessee or contract purchaser with all of the covenants, conditions and restrictions contained in this Master Declaration and any applicable Project Declaration, such compliance being for the express benefit of the Master Association and each Owner. The Master Association and each Owner shall have a right of action directly against any Lessee or contract purchaser of an Owner, as well as against the Owner, for nonperformance of any of the provisions of this Master Declaration to the same extent that such right of action exists against such Owner.

Section 2.08. Obligations of Owners. Owners shall be subject to the following obligations:

(a) Owner's Duty to Notify Master Association of Contract Purchasers and Lessees. Each Owner shall promptly notify the secretary of the Master Association or the Manager, if any, in writing of the names of any contract purchaser or Lessee residing in the Owner's Separate Interest. Each Owner, contract purchaser or Lessee shall also promptly notify the secretary of the Master Association in writing of the names of all persons to whom such Owner, contract purchaser or Lessee has delegated any rights to use and enjoy the Separate Interest or Common Areas or Common Facilities and the relationship that each such person bears to the Owner, contract purchaser or Lessee.

(b) Contract Purchasers. An Owner who is selling his or her Separate Interest or site must delegate his or her voting rights as a Member of the Master Association and his or her right to use and enjoy the Common Areas and Common Facilities to any contract purchaser in possession of the property. Notwithstanding the foregoing, the selling Owner shall remain liable for any default in the payment of Assessments by the contract purchaser until title to the Separate Interest or site being sold has been transferred to the contract purchaser.

(c) Notification Regarding Governing Documents.

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

(A) a copy of the Governing Documents of the Master Association and of any Project Association with jurisdiction over the Separate Interest;

(B) a copy of the most recent documents distributed by the Master Association pursuant to section 1365 of the Act (see Article XII of the Bylaws);

(C) a true statement in writing from an authorized representative of the Master Association as to: (1) the amount of the Master Association's current Regular and Special Assessments and fees; (2) any Assessments levied upon the Owner's Separate Interest by the Master Association that are unpaid on the date of the statement and any monetary fines or penalties levied upon the Owner's Separate Interest and unpaid on the date of the statement; (3) information relating to late charges, attorneys' fees, interest, and costs of collection which, as of the date the statement is issued, are or may become a lien on the Separate Interest being sold (each "delinquency statement");

(D) a copy or summary of any notice previously sent to the Owner by the Master Association pursuant to section 1363(h) of the Act, that sets forth any alleged violations of the Governing Documents that remain unresolved at the time of the request;

(E) a statement disclosing any change in the Master Association's current Regular and Special Assessments and fees which have been approved by the Board of Directors but have not become due and payable as of the date the information is provided.

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

(iii) The provisions of this Section, except for those provisions relating to the furnishing of a Delinquency Statement, shall not apply to any Owner who is subject to the requirements of California Business and Professions Code section 11018.1 (i.e., the obligation of subdividers to provide prospective purchasers of Residential Separate Interests with a Public Report).

(d) Payment of Assessments and Compliance with Rules. Each Owner shall pay, when due, each Assessment levied against the Owner and his or her Separate Interest or Site and shall observe, comply with and abide by any and all Rules set forth in, or promulgated by the Master Association pursuant to, any Governing Documents for the purpose of protecting the interests of all Owners or protecting the Common Area and Common Facilities.

(e) Discharge of Assessment Liens. Each Owner shall promptly discharge any Assessment Lien that may hereafter become a charge against his or her Separate Interest or Site.

(f) Joint Ownership of Lots. In the event of joint ownership of any Separate Interest or Site, the obligations and liabilities of the multiple Owners under the Governing Documents shall be joint and several. Without limiting the foregoing, this subparagraph (f) shall apply to all obligations, duties and responsibilities of Owners as set forth in this Master Declaration including, without limitation, the payment of all Assessments levied by the Master Association.

ARTICLE III
VILLAGE AT GRAY'S CROSSING MASTER ASSOCIATION

Section 3.01. Formation of the Master Association. The Village at Gray's Crossing Master Association is a California nonprofit mutual benefit corporation and is referred to herein as the "Master Association". On or before the first transfer or conveyance by the Declarant of a Separate Interest in each Phase of The Village at Gray's Crossing to an Owner other than the Declarant, the Declarant shall convey to the Master Association fee simple title to the Common Area and Common Facilities of the Master Association located in that Phase and thereupon the Master Association shall be charged with the duties and invested with the powers set forth in the Governing Documents, including, but not limited to, the ownership, control, maintenance and repair of the Common Areas and Common Facilities. It is anticipated that certain Phases of the Overall Development will include a Project Association comprised of the Owners of Separate Interests in the Phase. The powers, rights and obligations of any such Project Association shall be as set forth in the Project Declaration for the Phase in which the Project Association has jurisdiction, and any other governing documents of the Project Association.

Section 3.02. Association Action; Board of Directors and Officers. With the exception of those matters requiring approval of Members under the Governing Documents or California law, the affairs of the Master Association shall be conducted and all corporate powers shall be exercised by the Board of Directors and such officers as the Board may elect or appoint. Except as otherwise provided in the Governing Documents or California law, all matters requiring the approval of Members shall be deemed approved if approved by a Majority of a Quorum of the Members. The members of the Board and the officers of the Master Association shall have the duty to represent the interests of the Owners of Residential Separate Interests, Commercial Spaces and other Sites in a fair and equitable manner on all matters that may affect any or all classes of Owners. In upholding their duties, the Board of Directors and the officers of the Master Association shall be held in their decisions, including, without limitation, a determination of whether a matter should be reserved for the independent consideration of either or both groups of the Commercial Directors and/or the Residential Directors, to the standards of good faith, reasonableness and prudent investigation set forth in California Corporations Code section 7231, taking into account the effect, if any, of the matter or action on The Village at Gray's Crossing development, as a whole.

Section 3.03. Membership in the Master Association. Each Owner, including the Declarant as to Separate Interests or Sites owned by the Declarant, shall be Members of the Master Association. Membership in the Master Association shall be subject to this Master Declaration, the Articles of Incorporation and Bylaws of the Master Association, the Rules and Regulations and the Design Guidelines. All memberships in the Master Association held by Owners shall be appurtenant to the Separate Interest(s) or Site(s) owned by each Owner, and ownership of a Separate Interest or Site by an Owner shall be the sole qualification for an Owner's membership in the Master Association. An Owner shall be entitled to one membership for each Separate Interest or Site owned by such Owner.

If fee simple title to a Separate Interest or Site is held by more than one person or entity, then the membership appurtenant to that Separate Interest or Site shall be shared by all such persons or entities in the same proportionate interest and by the same type of ownership as fee

simple title to the Separate Interest or Site is held. If the fee simple title to a Separate Interest or Site is held by a corporation, the membership related to the Separate Interest or Site shall be issued in the name of the corporation, and the corporation shall designate to the Master Association in writing the name of one natural person eighteen (18) years of age or older who shall have the power to exercise all rights of membership associated with that membership, including the right to attend and vote at any meeting of Members, and to serve if elected as a member of the Board of Directors in the name of the Master Association.

Section 3.04. Membership Voting.

(a) Commencement of Voting Rights. Unless the sale of Separate Interests or Sites within The Village at Gray's Crossing is subject to a Subsidy Agreement approved by the Commissioner of the California Department of Real Estate (the "DRE") pursuant to Title 10, California Code of Regulations section 2792.10, which provides otherwise, voting rights in the Master Association that are attributable to the ownership of such Separate Interests or Sites in a Phase shall not vest until Assessments against those Separate Interests or Sites have been levied by the Master Association.

(b) Classes of Membership. The Master Association shall have two (2) classes of voting membership, namely: Class A Members, who shall initially be all Owners except the Declarant and the Class B Member who shall be the Declarant and any Merchant Builders who is specifically granted Class B Membership privileges in the Declaration of Annexation that brings that Merchant Builder's Separate Interests or Sites into The Village at Gray's Crossing. The voting rights and other privileges of the two (2) classes of voting membership and the conversion of the Class B memberships into Class A memberships shall be as set forth in Article IV of the Bylaws.

(c) Membership Voting Rights.

(i) No change in the ownership of a Separate Interest or Site shall empower the new Owner(s) of the Separate Interest or Site to exercise the voting rights of the membership that is appurtenant to that Separate Interest or Site until the Master Association has received written notice of such change. In the event that more than one vote is cast with respect to a particular membership, the secretary of the Master Association or any inspector of elections appointed pursuant to California Corporations Code section 7614 may declare that the multiple votes are null and void.

(ii) Any Mortgagee who acquires title to a Separate Interest or Site pursuant to a judgment of foreclosure or a trustee sale shall automatically become entitled to exercise all voting rights which the Owner of the Separate Interest or Site would otherwise have had.

(iii) If any lender to whom the Declarant has assigned, or hereafter assigns, as security, all or substantially all of its rights under this Master Declaration, succeeds to the interests of the Declarant by virtue of said assignment, the absolute voting rights of the Declarant as provided herein shall not be terminated thereby, and such lender shall hold the Declarant's memberships and voting rights on the same terms as they were held by the Declarant.

(iv) In the event an Owner has leased or rented his or her Separate Interest or Site, the Owner shall retain the right to vote as a Member of the Master Association. The right to vote is not transferable or assignable except with a transfer of a fee simple interest in the Separate Interest or Site to which the membership is appurtenant.

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

(e) Intent of Provisions Imposing Limitations on Declarant Voting Rights. With the exception of any membership vote pursuant to Section 3.11, below (relating to the enforcement of bonded obligations to complete Common Facilities), no provision of any Governing Document requiring approval of a prescribed majority of the voting power of the Master Association other than the Declarant is intended to preclude the Declarant from casting votes attributable to any Separate Interests or Sites owned by the Declarant. Instead, what is required is that the matter receive the approval of both (i) a bare majority of the Class B voting power and (ii) approval of the prescribed majority of the Class A voting power. Once the Declarant's Class B membership has been converted to Class A membership, the intent is to require the approval of a bare majority of the total voting power of the Master Association as well as the approval of the prescribed majority of the total voting power of the Members of the Master Association other than the Declarant.

Section 3.05. Assessments. The Master Association shall have the power to establish, fix and levy Assessments against its Members and to enforce payment of such Assessments, as more particularly provided in Article IV, below. Any Assessments levied by the Master Association against its Members shall be levied in accordance with, and pursuant to, the provisions of this Master Declaration and applicable provisions of the Act (see, particularly, Article IV of this Master Declaration and Civil Code sections 1366 through 1367.1).

Section 3.06. Transfer of Memberships. Membership in the Master Association shall not be transferred, encumbered, pledged or alienated in any way, except upon the sale of the Separate Interest or Site to which it is appurtenant, and then, only to the purchaser. In the case of a sale, the membership appurtenant to the transferred Separate Interest or Site shall pass automatically to the purchaser thereof upon the Recordation of a deed evidencing the transfer of title. In the case of an encumbrance recorded with respect to any Separate Interest or Site, the Mortgagee shall not possess any membership rights until the Mortgagee becomes an Owner by foreclosure or acceptance of a deed in lieu thereof. Lessees who are delegated rights of use pursuant to the rental or lease of a Separate Interest (see Section 2.07, above) do not thereby become Members, although the Lessee and his or her Guests shall at all times be subject to the property use restrictions and enforcement/disciplinary provisions of the Governing Documents. If any Owner fails or refuses to transfer the membership registered in his or her name to the purchaser of his or her Separate Interest or Site, the Master Association shall have the right to Record the transfer upon its books and thereupon any other membership outstanding in the name of the seller shall be null and void.

Section 3.07. Powers and Authority of the Master Association.

(a) Powers, Generally. The Master Association shall have the responsibility of owning, managing and maintaining the Common Areas and Common Facilities of The Village at Gray's Crossing that are owned by the Master Association, and discharging the other duties and responsibilities imposed on the Master Association by the Governing Documents. In the discharge of such responsibilities and duties, the Master Association shall have all of the powers of a nonprofit mutual benefit corporation organized under the laws of the State of California in the ownership and management of its properties and the discharge of its responsibilities hereunder for the benefit of its Members, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Governing Documents. The Master Association shall have the power to do any and all lawful things which may be authorized, required or permitted to be done under and by virtue of the Governing Documents, and to do and perform any and all acts which may be necessary or proper for, or incidental to, the exercise of any of the express powers of the Master Association for the peace, health, comfort, safety or general welfare of the Owners. The specific powers of the Master Association and the limitations thereon are set forth in Article IX of the Bylaws.

(b) Master Association's Limited Right of Entry.

(i) The Master Association shall have the power but not the duty to, through its duly authorized agents or employees after notice to any Owner, enter upon any Separate Interest, Site, Parcel or Project Common Area at reasonable times on any day without being liable to any Owner or Project Association, for the purpose of enforcing by peaceful means the provisions of this Master Declaration, or for the purpose of maintaining or repairing any such Separate Interest, Site, Parcel or Project Common Area if for any reason whatsoever the Owner or Project Association responsible therefor fails to maintain and repair any such area as required by the Governing Documents. The cost of any enforcement action or any maintenance and repair completed in compliance with these provisions is the responsibility of the Owner or Project Association and shall be assessed against the responsible Owner or Project Association, as a Special Individual Assessment in accordance with Section 4.04, below. The responsible Owner or Project Association shall pay promptly all amounts due for such work, and the costs and expenses of collection.

(ii) Any physical damage caused by an entry upon any Separate Interest, Site, Parcel or Project Common Area shall be repaired by the entering party. The Master Association is hereby granted an irrevocable license over all of The Village at Gray's Crossing to inspect (in a reasonable manner) the property, through its duly authorized agents or employees, in order to determine whether any maintenance or repair is necessary under this subparagraph (b). Nothing contained in this subparagraph (b) shall be construed or interpreted to impose upon the Master Association the obligation to inspect, maintain or repair any portion of the property comprising The Village at Gray's Crossing or the improvements thereon, other than the Master Association's Common Areas and Common Facilities or other improvements with respect to which the Master Association has maintenance obligations pursuant to Section 7.01, below.

(iii) Neither the Declarant, the Master Association, nor any of their respective directors, officers, agents or employees shall be liable for any incidental or consequential

damages for failure to inspect any Separate Interest, Site, Parcel, Project Common Area or Improvements thereon or portion thereof or to repair or maintain the same. The Declarant, the Master Association or any other authorized person, firm or corporation undertaking repairs or maintenance pursuant to this subparagraph (b) shall not be liable for any personal injury or other incidental or consequential damages occasioned by any act or omission in the repair or maintenance of any Separate Interest, Site, Parcel, Project Common Area or Improvements thereon or portion thereof.

(iv) In addition, the Master Association may, without notice, make such emergency repairs and take such emergency maintenance action as it may determine is necessary for the safety of any person or to prevent damage to any property.

Section 3.08. Master Association Rules.

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

Notwithstanding the foregoing grant of authority, the Master Association Rules shall not be inconsistent with or materially alter any provision of the Governing Documents or the rights, preferences and privileges of the Owners thereunder. In the event of any material conflict between any Association Rule and the provisions of any other Governing Document, the conflicting provisions contained in the other Governing Document shall prevail. All Association Rules shall be adopted, amended and repealed (as the case may be) in good faith and in substantial compliance with this Master Declaration and California Civil Code sections 1357.100 through 1357.150.

(b) Distribution of Rules. A copy of the Master Association Rules, as they may from time to time be adopted, amended or repealed, shall be mailed or otherwise delivered to each Owner.

(c) Adoption and Amendment of Rules.

(i) Requirement of Prior Notice to the Members of Certain Operating Rules or Amendments Thereto. California Civil Code section 1357.100 defines an "Operating Rule" as an Association Rule or regulation that applies generally to the management and operation of the

Overall Development or to the conduct of the business and affairs of the Master Association. That Civil Code section further defines a "Rule Change" as any adoption, amendment, or repeal of an Operating Rule by the Board of Directors. Civil Code section 1357.120 identifies seven (7) types of Operating Rules (and Rule Changes involving such Operating Rules) that must first be provided to the members in writing at least thirty (30) days prior to the Board taking action to implement the Rule Change. The notice must include the text of the proposed Rule Change and a description of the purpose and effect of the proposed Rule Change. This requirement of prior notice to the Members applies only to Operating Rules that relate to one (1) or more of the following subjects:

- (A) Use of the Common Areas of the Overall Development;
- (B) Use of any Separate Interest or Site in the Overall Development (including Design Guidelines);
- (C) Member discipline, including any schedule of monetary penalties for violation of the Governing Documents and any procedure for the imposition of penalties;
- (D) Any standards for delinquent Assessment payment plans;
- (E) Any procedures adopted by the Master Association for resolution of Assessment disputes;
- (F) Any procedures for reviewing and approving or disapproving a proposed physical change to an Owner's Separate Interest or Site, from and after the time when the Master Association is solely responsible for appointing all members of the Design Review Committee; and
- (G) Any procedures for the conduct of elections.

Specifically excluded by Civil Code section 1357.120 from the requirement of prior notice to Members are the following actions of the Board, regardless of whether those actions may be construed as being Master Association Rules or "Operating Rules," as defined in the Civil Code: (i) any Rule Change that the Board adopts to address an imminent threat to public health or safety or imminent risk of substantial economic loss to the Master Association (such "emergency rules" can be adopted and remain in effect for up to one hundred and twenty (120) days); (ii) decisions regarding maintenance of the Common Areas or Common Facilities; (iii) a decision on a specific matter that is not intended to apply to all Members, generally; (iv) establishing the amount of an Assessment; (v) adoption of a Rule Change that is required by law (if the Board of Directors has no discretion regarding the substantive effect of the Rule Change); and (vi) issuance of a document that merely repeats existing law or the Governing Documents.

With respect solely to Operating Rules and/or Rule Changes listed in subparagraphs (A) through (G), of subsection (c)(i) above, Civil Code section 1357.140 gives Members owning five percent (5%) or more of the Separate Interests or Sites in the Overall

Development the right to demand that a special meeting of the Members be called to reverse a proposed Rule Change, so long as the request for the special meeting is delivered to the Master Association not more than thirty (30) days after the Members are given notice of the Rule Change. If a proper and timely demand for a special meeting to vote to rescind an Operating Rule or Rule Change is tendered to the Master Association, the Board shall establish the date, time and location of the meeting and provide notice thereof to the Members in accordance with Corporations Code section 7511(c).

So long as a quorum of the Members is present at any such meeting, the Rule Change can be reversed on the affirmative vote of a Majority of a Quorum of the Members, with each Member having one (1) vote on the matter for each Separate Interest or Site owned. If the Members vote to reverse an Operating rule or a Rule Change, the Board may not take action to readopt the Operating Rule or Rule Change for a period of one (1) year after the date of the special meeting where reversal of the Operating Rule or Rule Change was approved; provided, however, that this provision is not intended to preclude the Board from adopting a different Operating Rule or Rule Change on the same subject as the Rule Change that was successfully reversed. As soon as possible following the close of voting on any proposal to reverse an Operating Rule or Rule Change, but not more than fifteen (15) days after the close of voting, the Board shall provide notice to each Member of the results of the Member vote by personal delivery or first-class mail.

(ii) Minimum Content for Election Rules. Civil Code section 1363.03 requires associations to adopt rules regarding the conduct of elections that do all of the following:

(A) Ensure that any candidate or member advocating a point of view is provided access to Master Association media, newsletters, or Internet Web sites during a campaign so long as the access is reasonably related to that election, equal access shall be provided to all candidates and members advocating a point of view (whether or not endorsed by the Board). The Master Association may not edit or redact any content from these campaign communications, but may include a statement specifying that the candidate or Member, and not the Association, is responsible for that content.

(B) Ensure access to the Common Area meeting space, if any exists, during a campaign, at no cost, to all candidates, including those who are not incumbents, and to all Members advocating a point of view (whether or not endorsed by the Board) so long as use of the space is for a purpose that is reasonably related to the election.

(C) Specify the qualifications for candidates for election to the Board of Directors and any other elected position, and procedures for the nomination of candidates. A nomination or election procedure shall not be deemed reasonable if it disallows any Member of the Master Association from nominating himself or herself for election to the Board.

(D) Specify the qualifications for voting, the Voting Power of each membership, the authenticity, validity, and effect of proxies, and the voting period for elections, including the times at which polls will open and close.

(E) Specify a method of selecting one (1) or three (3) inspectors of election by the Board of Directors.

(F) Allow the inspector, or inspectors, to appoint and oversee additional persons to verify signatures and to count and tabulate votes as the inspector or inspectors deem appropriate, provided that the persons are independent third parties (as defined in Section 7.05(e) of the Bylaws).

(iii) Adoption of Other Master Association Rules. Except as provided in subsection (c)(i), above, with respect to certain Operating Rules and Rule Changes that must first be distributed to the Members, any other Master Association Rules may be adopted or amended from time to time by majority vote of the Board; provided, however, that no Association Rule or amendment thereto shall be adopted by the Board until at least thirty (30) days after the proposed rule or rule amendment has been distributed in writing to each Member, along with a description of the purpose and effect of the proposed Association Rule or amendment thereto. The notice describing the proposed rule or amendment shall also set forth the date, time and location of the Board meeting at which action on the proposal is scheduled to be taken. Any duly adopted rule or amendment to the Master Association Rules shall become effective immediately following the date of adoption thereof by the Board, or at such later date as the Board may deem appropriate. Any duly adopted rule or rule amendment shall be distributed to the Owners by mail or personal delivery.

(iv) Prohibition on Adoption of Certain Rules. In accordance with Civil Code section 1368.1, any rule or regulation of an association that arbitrarily or unreasonably restricts an Owner's ability to market his or her Separate Interest or Site is void. Without limiting the foregoing, in no event shall the Association be entitled to impose an Assessment or fee in connection with the marketing of an Owner's Separate Interest or Site in an amount that exceeds the Master Association's actual and direct costs (see also, Section 4.01(f), below).

Section 3.09. Breach of Rules or Restrictions. Any breach of the Master Association Rules or of any other Governing Document provision shall give rise to the rights and remedies set forth in Article XIII, below.

Section 3.10. Limitation on Liability of the Master Association's Directors and Officers.

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

Without limiting the generality of the foregoing, this standard of care and limitation of liability shall extend to such matters as the establishment of the Master Association's annual financial budget, the funding of Association capital replacement and reserve accounts, repair and

maintenance of Common Areas and Common Facilities of the Master Association and enforcement of the Master Association's Governing Documents.

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

- (i) The Board member or officer of the Master Association owns no more than two (2) Separate Interests or Sites;
- (ii) The act or omission was performed within the scope of the volunteer Board member's or officer's Master Association duties;
- (iii) The act or omission was performed in good faith;
- (iv) The act or omission was not willful, wanton, or grossly negligent;
- (v) The Master Association maintained and had in effect at the time the act or omission occurred and at the time a claim is made general liability insurance with coverage of at least One Million Dollars (\$1,000,000).

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

Section 3.11. Enforcement of Bonded Obligations. If any of the Master Association Common Area improvements within The Village at Gray's Crossing have not been completed when the California Real Estate Commissioner issues a final subdivision Public Report for any Phase of the Overall Development, and if the Master Association is the obligee under a bond or other arrangement ("bond") to secure performance of a commitment of the Declarant to complete such Common Area improvements, then the Board shall consider and vote on the question of action by the Master Association to enforce the obligations under the bond with respect to any improvements for which a notice of completion has not been filed within sixty (60) days after the completion date specified for that improvement in the "planned construction statement" appended to the bond. However, if the Master Association has given an extension in writing for the completion of any Common Facilities, the Board shall consider and vote on the action to enforce the obligations under the bond only if a notice of completion has not been filed with respect to the subject Common Facility or Facilities within thirty (30) days after the expiration of the extension.

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

The meeting shall be called by the Board by fixing a date not less than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of said petition. Notice of the meeting shall be given to all Owners entitled to vote in the manner provided in Section 5.04 of the Bylaws for notices of special membership meetings. At the meeting, the vote in person or by proxy of a majority of the Owners entitled to vote (other than the Declarant) in favor of taking action to enforce the obligations under the bond shall be deemed to be the decision of the Master Association and the Board shall then implement the Owners' decision by initiating and pursuing appropriate action in the name of the Master Association.

ARTICLE IV ASSESSMENTS

Section 4.01. Obligation to Pay Assessments, Generally.

(a) Covenant to Pay Assessments. The Declarant, for each Separate Interest and Site owned by the Declarant which is subject to assessment, hereby covenants and agrees, and every other Owner of any Separate Interest or Site, by acceptance of a deed or other conveyance therefor, whether or not it shall be so expressed in such deed or such other instrument, is deemed to covenant and agree to pay to the Master Association all Assessments and other charges that the Master Association is required or permitted to levy or impose on such Owner or such Owner's Separate Interest or Site pursuant to this Master Declaration. All such Assessments shall be established and collected as hereinafter provided. The Master Association shall provide notice by first-class mail to the Owners of Separate Interests and Sites of any increase in the Regular Assessment or of any Special Assessments levied by the Master Association not less than thirty (30) nor more than sixty (60) days prior to the increased Regular Assessment or Special Assessment becoming due.

(b) Extent of Owner's Personal Obligation for Assessments. All Assessments, duly levied by the Master Association, together with late charges, interest, and reasonable costs (including reasonable attorneys' fees) for the collection thereof, shall be a debt and a personal obligation of the person who is the Owner of the assessed Separate Interest or Site at the time the Assessment is levied. If there is more than one (1) Owner of a Separate Interest or Site, each Owner shall be jointly and severally liable with the other Owners of the Separate Interest or Site for all Assessments and other charges levied on the Separate Interest or Site or any Owner of the Separate Interest or Site. Each Owner who acquires title to a Separate Interest or Site (whether by conventional conveyance, at a judicial sale, trustee's sale or otherwise) shall be personally liable only for Assessments attributable to the Separate Interest or Site which become due and payable after the date that the person acquires title. Accordingly, when a person acquires title to

a Separate Interest or Site, the Owner shall not be personally liable for delinquent Assessments of prior Owners unless the new Owner expressly assumes the personal liability. However, if the acquired Separate Interest or Site is conveyed to a new Owner subject to a valid Assessment Lien, the Master Association may continue to exercise its foreclosure remedies against the Separate Interest or Site, regardless of the change of ownership, and/or the Master Association may pursue its collection remedies against the prior Owner, personally.

(c) Creation of Assessment Lien. All Assessments and fees, other than Special Individual Assessments, together with late charges, interest, and reasonable costs for the collection thereof (including reasonable attorneys' fees), shall be a personal obligation of the assessed Owner as of the date that the Assessment is levied. In addition, the amount of the Assessment, plus any costs of collection, late charges, and interest assessed in accordance with section 1366 of the Act shall be a lien on the Owners Separate Interest or Site from and after the time the Master Association causes to be Recorded a Notice of Delinquent Assessment pursuant to Section 1367.1 of the Act and Section 4.10, below. Any lien for unpaid Assessments (other than Special Individual Assessments) created pursuant to the provisions of this Article IV may be subject to foreclosure to the extent and as provided in Section 4.10, below. Certain Special Individual Assessments are prohibited by law from being recovered through the use of non-judicial foreclosure remedies.

(d) No Avoidance of Assessment Obligations. No Owner may exempt himself/herself or the Owner's Separate Interest or Site from liability or charge for the Owner's share of any Assessment made against the Owner or his or her share of any Assessment duly levied against the Owner's Separate Interest or Site, by waiving or relinquishing, or offering to waive or relinquish, the Owner's right to use and enjoy all or any portion of the Common Areas or Common Facilities or by the abandonment or non use of the Owner's Separate Interest or Site.

(e) Designation of Cost Centers. The Declarant (or a Participating Builder, with the consent of the Declarant) shall have the power and authority, pursuant to a Supplemental Declaration, to designate Separate Interests, Sites and Common Areas within Phases of The Village at Gray's Crossing as a Cost Center for purposes of expense accounting and the equitable allocation of Common Expenses in accordance with Section 4.02(d)(ii), below.

A Cost Center is likely to be designated under any of the following circumstances: (i) when the Master Association will be responsible for maintaining, repairing or replacing a Common Facility or improvement that either disproportionately benefit some Owners (or is only available to some Owners) to the exclusion of other Owners; (ii) when the Master Association will be responsible for maintaining certain portions of Separate Interests or Sites that either disproportionately benefit some Owners (or is only available to some Owners) to the exclusion of other Owners; or (iii) when certain Owners of Separate Interests or Sites are receiving services from the Master Association that are in addition to, or significantly greater than, the services provided to other Owners or residents. Under those circumstances, the disproportionately or exclusively benefited Separate Interests or Sites may be designated as a Cost Center and the Owners of those Separate Interests or Sites will be obligated to pay a Cost Center Assessment Component (as defined in Section 4.02(d)(ii), below) to defray the expenses incurred by the Master Association to provide the special benefits or services. Without limiting the foregoing, the Declarant (or a Participating Builder, with the consent of the Declarant) shall

also be entitled to designate certain or all Commercial Separate Interests or certain or all Residential Separate Interests as a Cost Center under any of the circumstances described in this paragraph are present.

Participating Builders shall also have the right to designate Cost Centers in a Supplemental Declaration Recorded with respect to the Participating Builder's Phase of The Village at Gray's Crossing so long establishment of the Cost Center is approved by the Declarant and that approval is evidenced by the Declarant's joinder in execution of the Supplemental Declaration establishing the Cost Center.

Ordinarily, a Cost Center shall be established whenever it is reasonable to anticipate that any Owner or group of Owners will derive as much as ten percent (10%) more than the Owners in general in the value of common service(s) supplied by the Master Association.

There are no Cost Centers at the time of recordation of this Master Declaration. As portions of the Annexable Property are subjected to this Master Declaration, new Cost Centers within the annexed Phase may be designated in the Supplemental Declaration Recorded with respect to the annexed Phase which shall (i) identify the Separate Interests or Sites comprising the Cost Center; (ii) identify the Common Facilities, maintenance areas or other services that will exclusively or disproportionately benefit the Owners within the Phase; and (iii) provide for the allocation of Common Expenses attributable to the identified Common Facilities or services to Owners within the Cost Center as a Cost Center Assessment Component of their Regular Assessment.

(f) Improper Assessment. The Master Association shall not impose or collect an Assessment or fee that exceeds the amount necessary to defray the costs for which it is levied.

Section 4.02. Regular Assessments. Prior to each fiscal year, the Master Association shall levy an Assessment for Common Expenses to be collected by an annual assessment (the "Regular Assessment") on each Separate Interest or Site, as estimated in the budget of the Master Association prepared in accordance with section 1365(a) of the Act and Section 12.05 of the Bylaws. The obligation to pay Regular Assessments shall commence as to Separate Interest or Sites in accordance with subparagraph (g), below, and shall be paid in installments as provided in subparagraph (h), below. The Common Expenses of the Master Association shall be allocated among the Owners and their respective Separate Interests or Sites for which Regular Assessments have commenced based upon the number of Assessment Units allocated to each such Separate Interest as follows:

(a) Assessment Units, and Allocation of Assessments, Generally. The Board of Directors shall conclusively determine the Assessment Unit allocation for all Separate Interests and Sites within The Village at Gray's Crossing, based on the following guidelines:

(i) Association Common Expenses. Except as otherwise provided in subparagraph (a)(ii), below, the total estimated Common Expenses (other than Common Expenses designated as a Cost Center Assessment Component), shall be allocated among, assessed against, and charged to each Owner of a Separate Interest or Site that is subject to Assessment according to the allocation of Assessment Units set forth below. Cost Center

Assessments shall be allocated among, assessed against, and charged to each Owner of a Separate Interest or Site in the Cost Center according to the ratio of the number of Assessment Units in the Cost Center owned by the assessed Owner to the total number of Assessment Units within the Cost Center that are subject to the Cost Center Assessment so that each such Assessment Unit in the Cost Center bears an equal share of the total Cost Center Assessment Component.

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

(iii) Annexation. After annexation of each Phase in accordance with Article XV, below, the allocation and Assessment of the Common Expenses in the Master Association's budget shall be reallocated equally among all Separate Interests and Sites within Village at Gray's Crossing, including those Separate Interests and Sites in the annexed Phase, in accordance with the allocation formulas set forth below.

(iv) Assessment Unit Allocations. Assessment Unit allocation for Separate Interests and Sites which are subject to assessment shall be based on the actual use and, in the case of Commercial Units, the size of the Units, as further specified in subparagraph (b), below:

(b) Assessment Unit Allocation Among Separate Interests and Sites. The aggregate Common Expenses comprising the Regular Assessment shall be allocated among and assessed against all Separate Interests and Sites that are subject to assessment in accordance with the allocation of Assessment Units set forth below:

(i) Residential Units. Residential Separate Interests (including, without limitation, Units that are in a Time Share or Vacation Club program), shall be allocated one (1) Assessment Unit regardless of the size of the Separate Interest;

(ii) Commercial Units. Commercial Units shall be allocated one (1) Assessment Unit for each one thousand five hundred (1500) square feet of retail, commercial or office space (including Commercial Spaces in a Condominium Project and commercial space in a hotel, Lodge or other structure), with any fraction being rounded up to the next half Assessment Unit; and

(iii) Lodges. Lodges and hotels shall be allocated one (1) Assessment Unit for every five (5) rooms in the Lodge or hotel that are available for short-term occupancy.

(c) Regular Assessment Allocation. Regular Assessments shall be allocated among, assessed against, and charged to each Owner of a Separate Interest or Site that has been given one or more Assessment Units according to the ratio of the number of Assessment Units within The Village at Gray's Crossing on account of the Separate Interest(s) or Site(s) that Owner owns chargeable to the assessed Owner (as provided in Sections 4.02(a) and (b), above) to the total

number of Assessment Units within The Village at Gray's Crossing that are subject to assessment.

(d) Calculating the Amount of the Regular Assessment.

(i) Determining the Regular Assessment Amount for Common Expenses Exclusive of Cost Centers. Regular Assessments shall be levied initially against the Owners of Separate Interests or Sites (including the Declarant) in the amount set forth in the Master Association Budget on file with the California Department of Real Estate. Thereafter, beginning with the fiscal year immediately following the fiscal year in which Regular Assessments commence, not less than thirty (30) days nor more than Ninety (90) days prior to the beginning of the Master Association's fiscal year, the Board shall estimate the total amount required to fund the Master Association's anticipated Common Expenses for the next succeeding fiscal year (including additions to any Reserve fund established to defray the costs of future repairs, replacement or additions to the Common Facilities or portions of any Project Lots, Separate Interests or Sites which the Master Association is obligated to maintain) by preparing and distributing to all Members a budget satisfying the requirements of section 1365 of the Act and Section 12.05 of the Bylaws. Any difference between the amounts actually expended for the maintenance and services described as Common Expenses, and the amounts set forth in the Master Association's budget shall be carried over to the following fiscal year and shall either increase or decrease the amounts allocated to the Separate Interests, Sites and Project Lots, as appropriate, for the following year. Subject to the Member approval requirements for certain Regular Assessment increases (see subparagraph (e), below) the total estimated Common Expenses shall become the Regular Assessment.

(ii) Cost Center Component of the Regular Assessment. If a Cost Center has been established in accordance with Section 4.01(e), above, Common Expenses attributable to Cost Centers shall be separately accounted for and disclosed in the Master Association's annual budget. Owners of Separate Interests and/or Sites within the Cost Center shall be levied and collected by the Master Association as a component of the Regular Assessment and shall be assessed against each Separate Interest or Site benefited by such Cost Center Common Expenses based on the number of Assessment Shares allocated to each Separate Interest or Site so benefited, divided by the total number of Assessment Shares allocated to all Separate Interests and Sites that are so benefited. The Master Association shall distribute to Owners of the affected Separate Interests and Sites in the Cost Center a pro forma operating statement and budget for each upcoming fiscal year which shall estimate the expenses attributable to any such additional Cost Center Assessment included within the Regular Assessment (the "Cost Center Assessment Component") and shall set forth the amount and payment schedule therefore. Once established, the Board may not, without the vote or written assent of Members constituting a Majority of a Quorum of the Members who own Separate Interests and/or Sites in the assessed Cost Center, impose a Cost Center Assessment per Separate Interest/Site which is more than twenty percent (20%) greater than the Cost Center Assessment for such Cost Center for the immediately preceding fiscal year. See Section 4.07, below.

(iii) Effect of Board's Failure to Prepare and Distribute The Annual Budget. If the Board of Directors of the Master Association fails to distribute a budget satisfying the requirements of Section 12.05 of the Master Association Bylaws for any fiscal year within the

time period specified in section 1365(a) of the Act, the Board shall not be permitted to increase Regular Assessments for that fiscal year unless the Board first obtains the approval of the Members in accordance with subparagraph (e), and Section 4.07, below.

(e) Limitations on Regular Assessment Increases. As provided in subparagraph (d), above, the total annual expenses estimated in the Master Association's budget (less projected income from sources other than Assessments) shall become the aggregate Regular Assessment for the next succeeding fiscal year; provided, however, that, except as provided in Section 4.04, below (regarding Emergency Assessments) the Board of Directors may not impose a Regular Assessment that is more than twenty percent (20%) greater than the Regular Assessment for the Master Association's immediately preceding fiscal year without the approval of the Members in accordance with Section 4.07, below.

(f) Supplemental Regular Assessments. Notwithstanding the foregoing limitations on Regular Assessment increases, if the Board determines that the important and essential functions of the Master Association may be properly funded by a Regular Assessment that is less than the maximum Regular Assessment which the Board has authority to impose without Member approval, the Board may levy such lesser Regular Assessment. If the Board levies a Regular Assessment in an amount less than the maximum that the Board has authority to impose for any fiscal year and thereafter during such fiscal year the Board determines that the important and essential functions of the Master Association cannot be funded by the lesser Regular Assessment previously levied, the Board may levy one or more supplemental Regular Assessments, not to exceed one hundred and twenty percent (120%) of the Regular Assessment for the immediately preceding fiscal year.

(g) Commencement of Assessments. Regular Assessments shall commence as to each Separate Interest or Site that is subject to assessment hereunder within a Phase upon the earlier to occur of (i) the date specified in a Notice of Commencement of Regular Assessments, Recorded by the Declarant or by a Merchant Builder with respect to the Phase (which date shall be after to the date of Recordation of this Master Declaration); or (ii) the first day of the first month following the month in which the first Close of Escrow occurs for the sale of a Separate Interest in the Phase to a person other than the Declarant or a Merchant Builder. Each Separate Interest and Site in the subject Phase shall thereafter be subject to its share of the then established Regular Assessment. The first Regular Assessment shall be pro rated, if necessary, according to the number of months remaining in the fiscal year established in the Master Association's Bylaws.

If the Declarant or a Merchant Builder elects to commence to pay Regular Assessments on Separate Interests and Sites, if any, within a Phase prior to the conveyance of any Separate Interest in such Phase to an Owner under a Department of Real Estate Public Report, the Declarant/Merchant Builder shall have the voting rights as to the Separate Interests in such Phase upon commencement of the payment of Regular Assessments. In no event shall any sale or leaseback to Declarant or a Merchant Builder of any Separate Interest or Site in The Village at Gray's Crossing being used as a model home, sales office, design center, construction office of similar purpose (collectively, a "Model Home") cause the commencement of Regular Assessments in a Phase for which Assessments have not otherwise commenced in accordance with the provisions of this subparagraph (g).

(h) Payment of Regular Assessments. All installments of Regular Assessments shall be collected in advance on a regular basis by the Board of Directors, at such frequency and on such due dates as the Board of Directors shall determine from time to time in its sole and absolute discretion. Each installment of a Regular Assessment may be paid to the Master Association in one check or in separate checks as the Board of Directors may require, as payments attributable to deposits into specified Association funds. If any payment of a Regular Assessment installment is less than the amount assessed and the payment does not specify the Master Association fund or funds into which it should be deposited, the payment received by the Master Association from that Owner shall be credited in order of priority, first to the general operating fund until that portion of the Regular Assessment has been satisfied, then to the general reserve fund until that portion of the Regular Assessment has been satisfied, then to any other funds established by the Master Association.

The Project Associations are hereby empowered and authorized, and upon the request of the Master Association are hereby required, to levy and collect from Owners of Separate Interests and Sites within their respective Projects the Assessments that are owing to the Master Association as part of such Project Association's own assessment procedures and to promptly remit such Master Association Assessments collected by the Project Association to the Master Association. Assessments shall be levied against each Separate Interest or Site; provided, however, that upon formation, each Project Association is hereby designated as the agent of each Owner of a Separate Interest or Site within such Project for receipt of notices of Assessments and the collection and remittance of Assessments to the Master Association. In the event that the Assessments collected and remitted to the Master Association by any Project Association are less than the entirety of the Assessments owed by Owners within the Project administered by that Project Association, the Project Association shall provide a written statement of such delinquent Owners to the Master Association concurrently with submission of the Assessments to the Master Association.

Section 4.03. Special Assessments. Subject to the Member approval requirements set forth in subparagraph (c) below, the Board of Directors of the Master Association shall have the authority to levy and collect Special Assessments against the Owners and their Separate Interests and Sites for the following purposes:

(a) Capital Improvement Assessments. The Board of Directors may levy and collect, in any fiscal year, a Special Assessment, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of any capital improvement upon any portion of the Common Area or any other Common Facility, including fixtures and personal property related thereto.

(b) Regular Assessments Insufficient in Amount. If, at any time, the Regular Assessment for any fiscal year is insufficient in amount due to extraordinary expenses not contemplated in the budget prepared for said fiscal year, then the Board of Directors may levy and collect against the Owners and their Separate Interests and/or Sites, in any fiscal year, a Special Assessment for the purpose of defraying, in whole or in part, any deficit which the Master Association may incur in the performance of its duties and the discharge of its obligations hereunder.

(c) Special Assessments Requiring Member Approval. No Special Assessment(s) described in Section 4.05(a) or 4.05(b), which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Master Association for the fiscal year in which the Special Assessment(s) is levied, shall be made without the vote or written assent of the Members in accordance with Section 4.07, below.

Notwithstanding the foregoing, the Board of Directors of the Master Association may levy in any fiscal year a Special Assessment applicable to that fiscal year without the vote of the Members if such Special Assessment is necessary for addressing an Emergency Situation (as defined in Section 4.05(a), below). All Special Assessments must be fixed for all Separate Interests and Sites in the same manner and in the same proportions as Regular Assessments are levied, and they shall be collected in the manner and frequency determined by the Board of Directors from time to time.

Section 4.04. Special Individual Assessments.

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

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

(ii) Expenses Incurred in Gaining Member Compliance. In the event that the Master Association incurs any costs or expenses to: (A) accomplish the payment of delinquent Assessments; (B) perform any repair, maintenance or replacement to any portion of The Village at Gray's Crossing that the Owner is responsible to maintain under the Governing Documents but has failed to undertake or complete in a timely fashion; or (C) otherwise bring the Owner and/or his or her Separate Interest or Site into compliance with any provision of the Governing Documents, the amount incurred by the Master Association (including reasonable fines and penalties duly imposed hereunder, title company fees, accounting fees, court costs and reasonable attorneys fees) shall be assessed and charged solely to and against such Owner as a Special Individual Assessment.

(iii) Required Maintenance With Respect to Separate Interests. If any Separate Interest, Site or Exclusive Use Common Area is maintained so as to become a nuisance, or a fire

or safety hazard for any reason, the Master Association shall have the right to enter that Separate Interest, Site correct the condition and recover the cost of such action through imposition of a Special Individual Assessment against the offending Owner.

(b) Levy of Special Individual Assessment and Payment. Once a Special Individual Assessment has been levied against an Owner for any reason described, and subject to the conditions imposed in subparagraph (a) of this Section, such Special Individual Assessment shall be recorded on the Master Association's Assessment roll and notice thereof shall be mailed to the affected Owner. The Special Individual Assessment shall thereafter be due as a separate debt of the Owner payable in full to the Master Association within thirty (30) days after the mailing of notice of the Assessment.

(c) Limitation on Right to Lien Lots For Special Individual Assessments. The right of the Master Association to collect delinquent Special Individual Assessments through the use of lien and foreclosure remedies is subject to the limitations set forth in Section 4.10(b)(ix), below. However Special Individual Assessments may be collected by the Master Association through the use of other legal processes, including, without limitation, an action in small claims court.

Section 4.05. Emergency Assessments.

(a) Authority of Board to Impose Emergency Assessments. For purposes of Sections 4.02(e) and 4.03(c), the requirement that certain Assessments or Assessment increases receive the prior approval of the Members does not apply to Assessment increases that are necessary to address "emergency situations" as that term is defined in section 1366(b) of the Act. Specifically, an "Emergency Situation" is any of the following:

- (i) An extraordinary expense required by an order of a court;
- (ii) An extraordinary expense necessary to repair or maintain the Common Areas or Common Facilities where a threat to personal safety is discovered; or
- (iii) An extraordinary expense necessary to repair or maintain the Common Areas or Common Facilities of the Master Association that could not have been reasonably foreseen by the Board of Directors in preparing and distributing the Budget pursuant to Section 12.05 of the Master Association Bylaws; provided, however, that prior to the imposition or collection of an Assessment under this subparagraph (iii), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The Board's resolution shall be distributed to the Members together with the notice of assessment.

(b) Payment of Emergency Assessments. When levied by the Board, the Emergency Assessment shall be divided among, assessed against and charged to each Owner and his or her Separate Interest or Site (including the Declarant as to any unsold or retained Separate Interests or Sites) in the same manner prescribed for the allocation of Regular Assessments pursuant to Section 4.02(c), above. The Emergency Assessment so levied shall be recorded on the Master Association's Assessment roll and notice thereof shall be mailed to each Owner. An Emergency Assessment shall be due as a separate debt of the Owner and shall be payable in full to the

Master Association within thirty (30) days after the mailing of the notice of the Emergency Assessment or within such extended period as the Board shall determine to be appropriate under the circumstances giving rise to the Emergency Assessment. If an Emergency Assessment is not paid on or before the due date, the Assessment may be enforced in the manner provided in Section 4.10, below.

Section 4.06. Purpose and Reasonableness of Assessments. Each Assessment made in accordance with the provisions of this Master Declaration is hereby declared and agreed to be for use exclusively: (a) to promote the recreation, health, safety and welfare of individuals residing or owning Separate Interests, Sites and Parcels, within The Village at Gray's Crossing; (b) to promote the enjoyment and use of The Village at Gray's Crossing by the Owners and their families, Guests, Lessees, invitees, licensees, guests and employees; and (c) to provide for the repair, maintenance, replacement and protection of the Common Area and Common Facilities of the Master Association.

Each and every Assessment levied hereunder is further declared and agreed to be a reasonable Assessment, and to constitute a separate, distinct and personal obligation of the Owner of the Separate Interest or Site against which the Assessment is imposed that shall be binding on the Owner's heirs, successors and assigns; provided, however, that the personal obligation of each Owner for delinquent Assessments shall not pass to the Owner's successors in title unless expressly assumed by them. Subject to the limitations imposed by Section 4.10(b)(vi), above, limiting the right of the Master Association to impose a lien as a remedy for collecting some types of Special Individual Assessments, the Master Association shall also be entitled to collect delinquent Assessments through the use of lien and foreclosure remedies, as more particularly provided in Section 4.10, subparagraphs (b)(v) through (b)(xi), below.

Section 4.07. Notice and Procedure for Member Approval Pursuant to Sections 4.02(e) and 4.03(c). Whenever membership approval is required for any increase or imposition of Assessments pursuant to Sections 4.02(e) or 4.03(d), above, the affirmative vote required to approve the increase shall be the approval by vote or written consent of the Owners casting a majority of the votes represented at a duly held meeting of the Owners at which a quorum is present. For purposes of this Section, a quorum shall mean fifty percent (50%) of the Owners of the Master Association present in person or by proxy. Any meeting of the Master Association for purposes of complying with this Section shall be conducted in accordance with those provisions of the California Nonprofit Mutual Benefit Corporation Law relating to the notice and conduct of membership meetings or those provisions relating to the conduct of member votes by use of a mailed written ballot. Notwithstanding the foregoing, if the Regular Assessment increase or Special Assessment that requires a vote of the Members is limited solely to a Cost Center Assessment, the increase can be approved by a majority of a quorum of the Members who are liable for payment of the increased Cost Center Assessment Component of the Regular Assessment or for payment of the special Cost Center Assessment.

Section 4.08. Exempt Property. The following property subject to this Master Declaration shall be exempt from the Assessments herein: (i) those portions of the Property dedicated in fee and accepted by a public body, agency or authority; (ii) all Master Association Common Areas or Common Facilities; (iii) all Project Common Areas owned in fee by any Project Association or as tenants-in-common by the Owners of Residential Separate Interests or

Sites within the Project; and (iv) any property owned, held or used in its entirety by the Master Association, or by any governmental entity, or for or in connection with the distribution of electricity, gas, water, sewer, telephone, television or other utility service, or for access to any property within The Village at Gray's Crossing.

Section 4.09. Maintenance of Assessment Funds.

(a) Bank Accounts. All sums received or collected by the Master Association from Assessments, together with any interest or late charges thereon, shall be promptly deposited in one or more insured checking, savings or money market accounts in a bank or savings and loan association selected by the Board of Directors. In addition, the Board shall be entitled to make prudent investment of reserve funds in insured certificates of deposit, money market funds or similar investments consistent with the investment standards normally observed by trustees. The Board and such officers or agents of the Master Association as the Board shall designate shall have exclusive control of said account(s) and investments and shall be responsible to the Owners for the maintenance at all times of accurate records thereof. The withdrawal of funds from Association accounts shall be subject to the minimum signature requirements imposed by California Civil Code section 1365.5 and Section 12.02 of the Bylaws. Any interest received on deposits shall be credited proportionately to the balances of the various Assessment fund accounts maintained on the books of the Master Association as provided in subparagraph (c), below.

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

(c) Separate Accounts; Commingling of Funds. Except as otherwise provided in subparagraph (d), below, to preclude a multiplicity of bank accounts, the proceeds of all Assessments may be commingled in one or more accounts and need not be deposited in separate accounts so long as the separate accounting records described herein are maintained. For purposes of accounting, but without requiring any physical segregation of assets, the Master Association shall keep a separate accounting of all funds received by the Master Association in payment of each Assessment and of all disbursements made therefrom; provided, however, that receipts and disbursements of Special Assessments made pursuant to Section 4.03(b), above, shall be accounted for together with the receipts and disbursements of Regular Assessments, and a separate accounting shall be maintained for each capital Improvement for which reserve funds for replacement are allocated. Separate accounting records shall be maintained for each Cost Center established by the Master Association.

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

(d) Reserve Funds. As more particularly provided in Article XII of the Master Association Bylaws, the Board is required by law to periodically identify the major components of the Overall Development that the Master Association is obligated to repair, replace, restore or maintain which, as of the date of the study, have a remaining useful life of thirty (30) years or less. In the capital reserve analysis process, the Board is also obligated to identify the probable remaining useful life of the components identified in the study and to estimate the cost of repair, replacement, restoration, or maintenance of the components during and at the end of their useful life. The information developed in this capital reserve replacement analysis is then to be used by the Board as a component of preparing the annual budget of the Master Association. The Board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or for litigation involving the repair, restoration, replacement, or maintenance of, major components which the Master Association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established. However, the Board may authorize the temporary transfer of money from a reserve fund to the Master 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 Village at Gray's Crossing, temporarily delay the restoration. The Board shall exercise prudent fiscal management in delaying restoration of these funds and in restoring the expended funds to the reserve account, and shall, if necessary, levy a Special Assessment to recover the full amount of the expended funds within the time limits required by this subparagraph (d). This Special Assessment is subject to the Member approval requirements of California Civil Code section 1366 and Section 4.03(d), above, if the aggregate amount of the Special Assessment exceeds five percent (5%) of the budgeted gross expenses of the Master Association for the year in which the Special Assessment is imposed. The Board may, at its discretion, extend the date the payment on the Special Assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid Special Assessment.

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

(e) Limitations on Master Association's Authority to Assign or Pledge Assessment Obligations. The Association may not voluntarily assign or pledge its right to collect payments or Assessments, or enforce or foreclose on a lien to a third party, except when the assignment or pledge is made to a financial institution or lender chartered or licensed under federal or state law, when acting within the scope of that charter or license, as security for a loan obtained by the Master Association. However, the restrictions imposed by this subparagraph (e) shall not restrict the right or ability of the Master Association to assign any unpaid obligations to a former Member to a third party for purposes of collection.

Section 4.10. Collection of Assessments; Enforcement of Liens. Installments of Regular Assessments shall be delinquent if not paid within fifteen (15) days of the due date as established by the Board. Special Assessments, Special Individual Assessments and Emergency Assessments shall be delinquent if not paid within the times prescribed in Sections 4.03(c), 4.04(b) and 4.05(b), respectively. When an Assessment becomes delinquent, the amount thereof may, at the Board's election, bear interest at the maximum rate allowed by law commencing thirty (30) days after the due date until the same is paid. In addition to the accrual of interest, the Board of Directors is authorized and empowered to promulgate a schedule of reasonable late charges for any delinquent Assessments, subject to the limitations imposed by California Civil Code sections 1366(c) and 1366.1 or comparable successor statutes. Once an Assessment becomes delinquent, the Master Association may elect to one (1) or both of the following remedies:

(a) Enforcement of An Owner's Personal Obligation to Pay Assessments. The Master Association may bring a legal action directly against the Owner for breach of the Owner's personal obligation to pay the Assessment and in such action shall be entitled to recover the delinquent Assessment or Assessments, accompanying late charges, interest, costs and reasonable attorneys' fees. Commencement of a legal action shall not constitute a waiver of any lien rights as described in subparagraph (b), below.

(b) Imposition and Enforcement of Assessment Lien and Limitations Thereon. Except as otherwise provided in subsection (b)(ix), below, with respect to the limitation on the imposition of liens for Special Individual Assessments, the Association may impose a lien against the Owner's Separate Interest or Site for the amount of the delinquent Assessment or Assessments, plus any reasonable costs of collection (including reasonable attorneys' fees), late charges and interest by taking the following steps:

(i) Issuance of Delinquency Notice; Contents. At least thirty (30) days prior to recording a lien upon the Owner's Separate Interest or Site to collect a delinquent Assessment, the Master Association shall notify the Owner in writing by certified mail of the following (the "Delinquency Notice"):

(A) A general description of the collection and lien enforcement procedures of the Association and the method of calculation of the amount, a statement that the Separate Interest or Site Owner has the right to inspect the Master Association records, pursuant to section 8333 of the Corporations Code, and the following statement in 14-point boldface type, if printed, or in capital letters, if typed: "IMPORTANT NOTICE: IF YOUR SEPARATE

INTEREST OR SITE IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION."

(B) An itemized statement of the charges owed by the Owner of the liened Separate Interest or Site, including items on the statement which indicate the amount of any delinquent Assessments, the fees and reasonable costs of collection, reasonable attorneys' fees, any late charges, and interest, if any.

(C) A statement that the Owner of the liened Separate Interest or Site, shall not be liable to pay the charges, interest, and costs of collection previously levied by the Master Association if it is subsequently determined that the Assessment was paid on time.

(D) The right of the notified Owner of the liened Separate Interest or Site to request a meeting with the Board as provided in subsection (iv), below.

(E) The right of the Owner of the liened Separate Interest or Site to dispute the Assessment debt by submitting a written request for dispute resolution to the Master Association pursuant to the Master Association's "meet and confer" program pursuant to Civil Code section 1363.810, et seq.

(F) The right of the noticed Owner of the liened Separate Interest or Site to request alternative dispute resolution with a neutral third party pursuant to Civil Code section 1369.510 et seq. before the Master Association may initiate foreclosure against the Owner's Separate Interest or Site, except that binding arbitration shall not be available if the Master Association intends to initiate a judicial foreclosure, rather than a non-judicial foreclosure.

(ii) Application of Payments. Any payments made by the Separate Interest or Site Owner toward the delinquent Assessment shall first be applied to the Assessments that are owed at the time the payment is made; and only after the Assessments owed are paid in full shall the payments be applied to the fees and the costs of collection, attorneys' fees, late charges or interest. When an Owner makes a payment, the Owner may request a receipt and the Master Association shall provide it. The receipt shall indicate the date of payment and the person who received the payment on behalf of the Master Association. The Master Association shall provide its Members with a mailing address for overnight payment of Assessments.

(iii) Pre-Lien Offer to Meet and Confer with the Owner. Prior to recording a lien for delinquent Assessments, the Master Association shall offer the Owner and, if so requested by the Owner, participate in dispute resolution pursuant to the Master Association's meet and confer program that is required by Civil Code section 1363.810 et seq. The decision to pursue dispute resolution or a particular type of alternative dispute resolution shall be the choice of the Owner, except that binding arbitration shall not be available if the Master Association intends to initiate a judicial foreclosure.

(iv) Rights of Owners to Propose Payment Plans. An Owner of a Separate Interest or Site may also submit a written request to meet with the Board to discuss a payment plan for the delinquent Assessment. This request must also be made within fifteen (15) days of the postmark of the Delinquency Notice. The Master Association shall provide the Owners with

the standards for payment plans, if such standards have been adopted. So long as a timely request for a meeting has been tendered, the Board shall meet with the Owner in executive session within forty-five (45) days of the postmark of the request for a meeting, unless there is no regularly-scheduled Board meeting within that period, in which case the Board may designate a committee of one (1) or more Members to meet with the Owner. Payment plans may incorporate any Assessments that accrue during the payment plan period. Payment plans shall not impede the Master Association's ability to record a lien on the Owner's Separate Interest or Site to secure payment of delinquent Assessments. Additional late fees shall not accrue during the payment plan period if the Owner is in compliance with the terms of the payment plan. In the event of a default on any payment plan, the Master Association may resume its efforts to collect the delinquent Assessments from the time prior to entering into the payment plan.

(v) Master Association Assessment Lien Rights. Except as provided in subsection (ix), below (relating to Special Individual Assessments), the amount of the Assessment, plus any costs of collection, late charges, and interest assessed in accordance with Civil Code section 1366 shall be a lien on the Owner's Separate Interest or Site from and after the time the Master Association causes to be recorded in the Office of the County Recorder a Notice of Delinquent Assessment, which shall state the amount of the Assessment and other sums imposed in accordance with Civil Code section 1366, a legal description of the Owner's Separate Interest or Site against which the Assessment and other sums are levied, the name of the record owner of the Owner's Separate Interest or Site against which the lien is imposed. The itemized statement of the charges owed by the Owner that is required by subparagraph (b)(i)(B), of this Section 4.10 shall be recorded together with the Notice of Delinquent Assessment. The decision to record a lien for delinquent Assessments shall be made only by the Board of Directors of the Master Association and may not be delegated to an agent of the Master Association. The Board shall approve the decision by a majority vote of the Board in an open meeting and the vote shall be recorded in the minutes of the meeting.

In order for the lien to be imposed by non-judicial foreclosure as provided in subsection (vii), below, the Notice of Delinquent Assessment shall state the name and address of the trustee authorized by the Master Association to enforce the lien by sale. The Notice of Delinquent Assessment shall be signed by any officer of the Master Association or by the person designated by the Master Association for that purpose or if no one is designated, by the president of the Master Association. A copy of the recorded Notice of Delinquent Assessment shall be mailed by certified mail to every person whose name is shown as an Owner of the Separate Interest or Lot in the Master Association's records, and the notice shall be mailed no later than ten (10) calendar days after Recordation. Upon receipt of a written request by an Owner identifying a secondary address for purposes of collection notices, the Master Association shall send additional copies of any notices, including Notices of Delinquent Assessments, required by Civil Code section 1367.1 to the secondary address that is specified.

(vi) Priority of Assessment Liens. A lien created pursuant to subsection (v), above or subsection (ix), below, shall be prior to all other liens recorded against the Owner's Separate Interest or Site subsequent to the Notice of Delinquent Assessment, except as described in Section 4.12, below.

(vii) Enforcement of Assessment Liens. Subject to the limitations of this Section 4.10(b) and in particular this subsection (vii), after expiration of thirty (30) days following the recording of a Notice of Delinquent Assessment, the Master Association's lien may be enforced in any manner permitted by law, including sale by the court, sale by the trustee designated in the Notice of Delinquent Assessment, or sale by a trustee substituted pursuant to Civil Code section 2934(a). Any sale by the trustee shall be conducted in accordance with Civil Code sections 2924, 2924(b) and 2924(c) applicable to the exercise of powers of sale in mortgages and deeds of trusts. The fees of a trustee may not exceed the amounts prescribed in Civil Code sections 2924(c) and 2924(d).

The following specific limitations shall apply to the pursuit of foreclosure remedies:

(A) The decision to initiate foreclosure of a lien for delinquent Assessments that has been validly recorded shall be made only by the Board of Directors of the Master Association and may not be delegated to an agent of the Master Association. The Board shall approve the decision by a majority vote of the Board in an executive session and shall record the vote in the minutes of the next meeting of the Board that is open to attendance by the Members. The Board shall maintain the confidentiality of the Owner or Owners of the Separate Interest or Site by identifying the matter in the minutes by the parcel number of the property, rather than the name of the Owner or Owners. A Board vote to approve foreclosure of a lien shall take place at least thirty (30) days prior to any public sale of the Separate Interest or Site in question.

(B) Prior to initiating a foreclosure for delinquent Assessments, the Master Association shall offer the Owner and, if so requested by the Owner, participate in dispute resolution pursuant to the Master Association's meet and confer program that is required by Civil Code section 1363.810 et seq., or alternate dispute resolution with a neutral third party pursuant to Civil Code section 1369.510, et seq. The decision to pursue dispute resolution or a particular type of alternative dispute resolution shall be the choice of the Owner, except that binding arbitration shall not be available if the Master Association intends to initiate judicial foreclosure, rather than non-judicial foreclosure.

(C) If the Board votes to commence foreclosure proceedings to collect delinquent Assessments pursuant to this subsection (vii), the Board shall provide notice of that decision by personal service to an Owner of the Separate Interest or Site in accordance with the manner of service of summons pursuant to Code of Civil Procedure sections 415.10 et seq. who occupies the Separate Interest or Site or to the Owner's legal representative. If the Owner does not occupy the Separate Interest or Site that are the subject of the foreclosure proceeding, the Board shall provide written notice to the Owner by first-class mail, postage prepaid, at the most current address for the Owner that is shown on the books of the Master Association. In the absence of written notification by the Owner to the Master Association, the address of the Owner's Separate Interest or Site may be treated as the Owner's mailing address.

(D) Debts for Assessments, Regular or Special, may not be collected through the use of judicial or non-judicial foreclosure remedies until the delinquent Assessment amount, exclusive of any accelerated assessments, late charges, fees, costs of collection,

attorneys' fees, and interest, equals or exceeds One Thousand Eight Hundred Dollars (\$1,800.00) or the Assessments are more than twelve (12) months delinquent. Delinquent Assessments in a smaller amount may not be collected through the use of foreclosure remedies, but may be collected through the use of any of the following other means: (1) a civil action in small claims court; (2) by recording a lien on the Owner's Separate Interest or Site (subject to the restrictions on foreclosure of that lien); or (3) any other manner provided by law, other than judicial or non-judicial foreclosure. If the Master Association elects to record a lien for delinquent Assessments, subsections (b)(iii) and (b)(v), above, shall continue to apply. The limitations on the use of foreclosure remedies set forth in this subparagraph (D) do not apply to Assessment collection actions against the Declarant in its capacity as an Owner when the Declarant's Assessment obligations are delinquent.

(viii) Foreclosed Owner's Rights of Redemption. A non-judicial foreclosure by the Master Association of an Owner's interest in his or her Separate Interest or Site to collect a debt for delinquent Assessments shall be subject to a right of redemption. The redemption period within which the Separate Interest or Site may be redeemed from a foreclosure sale under this subsection (viii) (which reflects Civil Code section 1367.4(c)(4)) ends ninety (90) days after the sale. In addition to the requirements of Civil Code section 2924(f), a notice of sale in connection with the Master Association's foreclosure of a Separate Interest or Site shall include a statement that the property is being sold subject to the right of redemption created pursuant to Civil Code section 1367.4(c)(4).

(ix) Limitation on Authority to Use Lien and Foreclosure Remedies to Collect Special Individual Assessments. For so long as any Separate Interests within the Overall Development are being sold under authority of a Department of Real Estate Public Report, a Special Individual Assessment or other monetary charge imposed by the Master Association: (A) as a means of reimbursing the Master Association for costs incurred by the Master Association in the repair of damage to Common Area Improvements or landscaping for which the Member or the Member's guests or tenants were responsible; or (B) as a disciplinary measure for failure of a Member to comply with the Governing Documents (except for reasonable late payment penalties, interest, and other reasonable costs of collection authorized by Civil Code section 1366) may not be characterized nor treated as an Assessment that may become a lien against the Owner's Separate Interest or Site enforceable by the sale of the interest under Civil Code sections 2924, 2924(b) and 2924(c).

Once the Master Association is no longer subject to the regulatory jurisdiction of the Department of Real Estate, the following categories of Special Individual Assessments may be collected through the use of lien and foreclosure remedies in accordance with subsections (v) through (viii), above: (A) Special Individual Assessments or other monetary charges imposed by the Master Association as a means of reimbursing the Master Association for costs incurred in the repair of damage to Common Areas and Common Facilities for which the Member or the Member's guests or tenants were responsible; and (B) Special Individual Assessments imposed to recover late charges, reasonable costs of collection and interest assessed in accordance with Civil Code section 1366(e).

(x) Obligation to Record Lien Releases. If it is determined that a lien previously recorded against a Separate Interest or Site was recorded in error, the party who

recorded the lien, within twenty-one (21) calendar days, shall record or cause to be recorded in the Office of the County Recorder a lien release or notice of rescission and provide the Separate Interest or Site Owner with a declaration that the lien filing or recording was in error and a copy of the lien release or notice of rescission. If the determination that the lien was recorded in error is the result of dispute resolution meet and confer proceedings conducted pursuant to Civil Code section 1363.810 or alternative dispute resolution with a neutral third-party pursuant to Civil Code section 1369.510, the Master Association shall also be obligated to promptly reverse all late charges, fees, interest, attorneys' fees, costs of collection, costs imposed for the issuance of the notices prescribed by Civil Code section 1367.1, and costs of recording the lien release and all costs incurred in the mediation or alternative dispute resolution process.

In addition, within twenty-one (21) days of the payment of the sums specified in the Notice of Delinquent Assessment, the Master Association shall record or cause to be recorded in the Office of the County Recorder a lien release or notice of rescission and provide the Separate Interest or Site Owner a copy of the lien release or notice that the delinquent Assessment has been satisfied.

(xi) Effect of Failure to Adhere to Lien Restrictions. If the Master Association fails to comply with the procedures set forth in this Section 4.10(b) prior to recording a lien, the Master Association shall recommence the required notice process prior to recording a lien. Any costs associated with recommencing the notice process shall be borne by the Master Association and not by the Separate Interest or Site Owner.

The provisions of this Section 4.10(b) are intended to comply with the requirements of Civil Code sections 1367.1, 1367.4 and 1367.5, as in effect on the Recordation date of this Master Declaration. If these sections of the Civil Code are amended or modified in the future in a way that is binding on the Master Association and causes this Section to be in conflict with applicable law, the provisions of this Section 4.10(b) automatically shall be amended or modified in the same manner by action of the Board of Directors without necessity of approval of the amendment by the Members so long as all Members are given a copy of the recorded amendment and the decision to approve the amendment is made at a duly noticed open meeting of the Board of Directors.

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

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

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

Interest or Site at any time prior to Recordation of the Master Association's Assessment lien (see Section 4.12, below).

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

(d) Any Assessments, late charges, interest and associated costs of collection which are lost as a result of a sale or transfer of a Separate Interest or Site covered by subparagraph (b), above, shall be deemed to be a Common Expense collectible from the Owners of all of the Lots, including the person who acquires the Separate Interest or Site and his or her successors and assigns.

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

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

Section 4.13. Unallocated Taxes. In the event that any taxes are assessed against the Common Area or the personal property of the Master Association, rather than being assessed to the Lots, such taxes shall be included in the Regular Assessments imposed pursuant to Section 4.02, above, and, if necessary, a Special Assessment may be levied against the Lots pursuant to Section 4.03, above, in an amount equal to such taxes to be paid in two installments, thirty (30) days prior to the due date of each tax installment.

ARTICLE V DESIGN REVIEW AND APPROVAL OF IMPROVEMENT PROJECTS

Section 5.01. Purposes. It is intended that The Village at Gray's Crossing be initially developed by the Declarant and other Merchant Builders with various Improvements that are architecturally compatible and aesthetically pleasing, and that those improvements be maintained in essentially the same condition and appearance as originally developed for the duration of the

term of this Master Declaration. The architectural and use controls set forth herein are to facilitate those intentions and purposes and are to be construed consistent therewith.

Section 5.02. Design Review Committee. The design of Improvements within The Village at Gray's Crossing and any subsequent alterations thereof shall be subject to prior review and approval by the Design Review Committee. If a Separate Interest or Site is also subject to a Project Declaration, that Project Declaration may include separate design or architectural approval requirements by a Project Association or its duly appointed architectural/design review committee.

(a) Special Standards for Specific Developments. Parcels may be developed as hotels, churches, and commercial developments, as well as Residential Subdivisions. Residential Subdivisions may consist of townhouses or Condominium Projects. From time to time an entire Residential Subdivision or proposed Residential Subdivision, or an entire Project Lot or a substantial portion thereof may be sold as a "Village" or a "Project" to a Merchant Builder. For all those reasons, it may be appropriate that different design standards and requirements be specified for each Project Lot, or for substantial increments thereof, and the Design Review Committee may, in its sole discretion, implement special design standards and requirements for such developments.

(b) Jurisdiction of the Design Review Committee.

(i) Routine Improvement Projects. The Design Review Committee shall have jurisdiction over initial design and construction of Improvements (as defined in Section 1.30, above) proposed to be constructed on any Separate Interest, Site or Project Lot and shall have jurisdiction over all replacements and alterations of previously approved plans.

(ii) Projects Proposing Further Subdivision of Sites or Parcels. The Design Review Committee shall also have jurisdiction to review any proposals pursuant to Section 8.17, below, whereby any Owner, other than the Declarant, desires to submit any portion of The Village at Gray's Crossing to further subdivision, including without limitation, the creation of townhome Planned Development projects or Condominium Projects. The Owner-applicant shall submit to the Design Review Committee for its review and approval, copies of the proposed subdivision documents, and such other information as may be reasonably requested by the Design Review Committee or required by the Design Guidelines, which may include, without limitation, a Project Declaration, any subdivision maps or Condominium Plans (as defined in Section 1351(e) of the Act), and the other governing documents of the Project Association, if any. Upon request, the applicant Owner shall also submit a deposit against attorneys' fees and costs which the Design Review Committee will incur in reviewing and effectuating the application for approval, in an amount reasonably estimated by the Design Review Committee to defray its actual expenses of review.

The Design Review Committee shall separately approve and execute any subdivision maps or Project Declarations that are required for each such subdivision or Condominium Project or shall disapprove the documents. If the documents are disapproved by the Design Review Committee, the Committee shall set forth the specific reasons for the disapproval, and the applicant Owner shall thereafter either modify its application to satisfy such concerns of the

Committee or terminate its subdivision application with Placer County. The approval of the Design Review Committee under this Section shall not be unreasonably withheld or delayed. Furthermore, so long as the proposed density, type of use, and size of any such re-subdivision are in compliance with the Entitlements Documents, such considerations shall not be deemed a reasonable basis for the Design Review Committee to withhold its consent to a proposed re-subdivision of a Site or a Project Lot. All costs and attorneys fees incurred by the Design Review Committee as a result of an application for approval pursuant to this subparagraph (b) shall be the sole obligation of the applicant Owner.

(c) Exemption of the Declarant. Notwithstanding the foregoing statement of the scope of the Design Review Committee's jurisdiction, Section 16.02, below, exempts improvement and construction projects undertaken by the Declarant, its agents and contractors.

(d) Delegation of Design Review and Approval to Project Committees. The Design Review Committee, in its sole discretion, shall also be entitled to adopt Design Guidelines which delegate to architectural or design review committees formed pursuant to Project Declarations preliminary or exclusive approval authority with respect to Improvement projects affecting solely Units or Project Common Areas within Project Lots; provided, however, that any such Project committee shall remain subject to the requirements and rules hereunder that the Design Review Committee must observe.

Section 5.03. Composition of the Design Review Committee. The Design Review Committee shall consist of not fewer than three (3) nor more than five (5) members, and an alternate member, who may serve as an alternate for any of the Committee members. The initial members of the Design Review Committee shall be appointed by the Declarant and shall serve until the first anniversary of the issuance of the original Public Report for the Initial Covered Property. Thereafter, a majority of the members of the Design Review Committee shall serve by designation of the Declarant, with the minority position or positions on the Committee being filled by the Board of Directors.

The foregoing provisions for the appointment of Committee members shall continue until the first to occur of the following two events: (i) when ninety percent (90%) of all proposed Residential Separate Interests in The Village at Gray's Crossing have been conveyed to Class A Members; or (ii) on the fifth (5th) anniversary following the most recent conveyance to a Class A Member of a Residential Separate Interest in any Phase of The Village at Gray's Crossing under authority of a Public Report.

Persons appointed by the Board to the Committee must be members of the Master Association, although persons appointed by the Declarant to the Committee need not be Members. Once the Board of Directors of the Master Association has exclusive authority to appoint Design Review Committee members, those members shall serve for one year terms, subject to the right and power of the Board of Directors to remove any Design Review Committee member and to appoint his or her successor at any time with or without cause.

Section 5.04. Approval of Improvement Projects Required. No Improvement, as defined in Section 1.33, above, shall be commenced, erected or maintained upon any portion of the Property, nor shall any exterior addition to or change or alteration of the Improvements be made

until professionally prepared plans and specifications showing the nature, kind, shape, color, height, materials and location of the same shall have been submitted to and approved in writing by the Design Review Committee. The submittal and approval requirement shall also apply to any exterior painting of any building or other structure with any color other than the existing color; to the construction, destruction or alteration of any awning, trellis, patio covers or fences; and to location and screening of utility meters.

(a) Application. No application for approval of any Improvement project pursuant to this Article shall be deemed appropriately submitted unless the Improvements, additions or alterations are fully described and shown by appropriate drawings, plans, specifications and samples of colors and materials in duplicate. In the case of building or significant structural Improvements, the drawings shall include grading and drainage plans. Each application must be accompanied by any processing fee and deposit amount required by the Design Guidelines as contemplated by Section 5.05, below. Approval from the Design Review Committee is to be obtained prior to submittal of an application for any required approval of the project by the County.

(b) Drawings; Models. Unless otherwise provided in the Design Guidelines, the drawings for Improvements shall show four elevations. The Design Review Committee may require that a model of the proposed construction be submitted as a condition of its final review, if the Design Review Committee deems a model to be necessary.

(c) Submission Date. The request for approval and relevant materials shall be deemed submitted as of the date when the last item required is personally delivered or, if mailed, five (5) days from the date of mailing with postage fully prepaid. Mailing shall be by certified mail return receipt requested. The initial mailing address of the Design Review Committee referred to in Section 5.02, above, is: P.O. Box 7270, Avon, Colorado 81620.

(d) Time For Action. The Design Review Committee shall have two (2) calendar months from the date of delivery in which to notify the applicant in writing of its approval, disapproval, comments or requests for additional materials. In the event the Design Review Committee fails to respond to the application within the two (2) month period, it shall be deemed to have approved the proposal as submitted. Any action or decision of three (3) Committee members shall constitute Design Review Committee action or decision.

(e) Standards for Approval. The Design Review Committee may disapprove plans and specifications which are not in substantial compliance with this Article and with applicable Design Guidelines in effect when the application is made, if, in the good faith exercise of the discretion of the Design Review Committee, the Design Review Committee determines that the planned structure or structures, or some aspect or portion thereof, is unsatisfactory as to harmony of design with nearby structures in the Property, as to the quality of workmanship and materials, or as to location with respect to topography and finish grade elevation. The Design Review Committee may approve plans and specifications which fail in some material way or ways to comply with the requirements of this Article if, in the good faith exercise of the discretion of the Design Review Committee, the Design Review Committee determines that some particular features of the Separate Interest or Site or of the planned structure or structures allows the objectives of the violated requirements to be substantially achieved despite noncompliance.

Also, the Design Review Committee may approve plans and specifications that fail in a way or ways which the Design Review Committee, in the good faith exercise of its discretion, determines to be not material. Without limiting the generality of the preceding sentence, a failure to comply may not be material if the failure does not substantially prevent achievement of the objectives of the design review and approval process set forth in this Article V.

Section 5.05. Design Guidelines. The Design Review Committee, from time to time and in its sole discretion, may adopt Design Guidelines for structures, landscaping, fences and other improvements. All Design Guidelines shall be subject to the requirements, limitations, guidelines and Planned Development set forth in the Specific Plan. It is anticipated that different Design Guidelines may be adopted for different Separate Interest or Sites or Project Lots and that even within a single Commercial Space, Residential Separate Interest, Lodge or Project Lot, Design Guidelines may impose different conditions upon various Separate Interest or Sites or other Improvements in light of topography, visibility or other factors. Design Guidelines shall be effective when they are adopted by the Design Review Committee; provided, however, that if Design Guidelines are proposed for a Phase or a Condominium Project for which architectural review will be performed by a design review committee other than the Design Review Committee organized pursuant to this Article V, the Design Guidelines for the Phase or Project shall also be approved by the Declarant. Design Guidelines shall interpret and implement the provisions of this Master Declaration by setting forth the standards and procedures for architectural review and guidelines for architectural design, placement of buildings, color schemes, exterior finishes and materials, landscaping, fences and similar features which may be used in the Property; provided, however, that the Design Guidelines shall not be in derogation of the minimum standards established by this Master Declaration.

Among other things, in accordance with Civil Code section 1378(a)(1), the Design Guidelines shall provide a fair, reasonable and expeditious procedures that the Committee must follow when making decisions on submitted Improvement plans and projects. The procedures shall include prompt deadlines for various actions and a maximum time for response to an application, consistent with Section 5.07, below. In accordance with Civil Code section 1353.8, the Architectural Guidelines may not prohibit or include conditions that have the effect of prohibiting the use of low water-using plants as a group.

Section 5.06. Employment of Architect or Engineer. If at any time the Design Review Committee determines that it would be in the best interests of the Master Association and its Members for an applicant to employ an architect, licensed building designer or engineer to design or review any proposed Improvements or component thereof, the Committee shall advise the applicant in writing of its determination whereupon all plans and specifications so designated by the Design Review Committee must thereafter bear appropriate evidence of such preparation or review.

Section 5.07. Proceeding With Work. Upon receipt of approval from the Design Review Committee, the Owner shall, as soon as practicable, satisfy all conditions thereof and diligently proceed with the commencement of construction pursuant to said approval, said commencement to be, in all cases, within one (1) year from the date of such approval, and the project shall be diligently pursued to completion. If the Owner shall fail to comply with this section, any approval given pursuant to this Article shall be deemed revoked unless the Design

Review Committee, upon written request of the Owner made prior to the expiration of the initial one-year period, extends the time for commencement or completion. No such extension shall be granted except upon a finding by the Design Review Committee that there has been no change in the circumstances upon which the original approval was granted and that the Owner has a bona fide intention and ability to complete the project within the time specified in the extension request.

Section 5.08. Failure to Complete Work. Failure to Complete Work. Unless the Owner has been granted an extension of time to complete the project by the Design Review Committee, if the Improvement is not completed within the specified deadline for completion, the Design Review Committee shall notify the Board of such failure, and the Board shall proceed in accordance with the provisions of Section 5.10 (“Enforcement”), below.

Section 5.09. Inspection of Work by Design Review Committee. Inspection of the work relating to any approved Improvement and correction of defects therein shall proceed as follows:

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

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

(c) Within thirty (30) days thereafter, the Design Review Committee, or its duly authorized representative, may inspect the Improvement to determine whether it was constructed, reconstructed, altered or refinished in substantial compliance with the approval plans. If the Design Review Committee finds that the Improvement was not erected, constructed or installed in substantial compliance with the Owner’s approved plans, then within the 30-day inspection period the Committee shall give the Owner a written notice of noncompliance detailing those aspects of the project that must be modified, completed or corrected. If the violation or nonconforming work is not corrected, the Master Association and the Design Review Committee shall have the rights and remedies set forth in Section 5.10 (enforcement), below.

(d) If for any reason the Design Review Committee fails to notify the Owner of any noncompliance within thirty (30) days after receipt of the Owner’s notice of completion, the Improvement shall be deemed to have been constructed in accordance with the approved plans for the project, unless the Owner knows of the noncompliance and intentionally misleads the Committee with respect thereto.

Section 5.10. Enforcement.

(a) Stop Work Orders. In addition to other enforcement remedies set forth in this Master Declaration, the Design Review Committee shall have the authority to order an abatement (“red tag”) of any construction, alteration or other matter for which approval is required, to the extent that it has not been approved by the Committee or if it does not conform to the plans and specifications submitted to and approved by the Committee. If an Improvement project is red tagged, the Owner and his or her contractor shall cease all construction activity

until such time as the issue giving rise to the red tag order is resolved. The red tag notice shall clearly state the reasons why the abatement has been ordered.

(b) No Waiver. No work for which approval is required shall be deemed to be approved simply because it has been completed without a complaint, notice of violation, or commencement of a suit to enjoin such work.

(c) Effect of Failure to Remedy Noncompliance. If the Owner fails to remedy any noticed noncompliance within thirty (30) days from the date of such notification, or if the Owner feels that the project has been red tagged without justification, the Committee shall notify the Board in writing of such failure. The Board shall then set a date on which a hearing before the Board shall be held regarding the alleged noncompliance. The hearing shall be conducted in accordance with Section 13.06, below. Owners, the Design Review Committee, the Master Association and any Project Association shall comply with any applicable mandatory alternative dispute resolution procedures, including those contained in sections 1369.510 et seq. of the Act as from time to time amended, but only to the extent required by law.

(d) Attorneys' Fees and Costs. If any legal proceeding is initiated to enforce any of the provisions hereof, the prevailing party shall be entitled to recover reasonable attorneys' fees in addition to the costs of such proceeding.

Section 5.11. Variances. The Design Review Committee, in its sole discretion, shall be entitled to allow reasonable variances in any procedures specified in this Article or the minimum construction standards specified in Article VI, below, to overcome practical difficulties, avoid unnecessary expense or prevent unnecessary hardships, provided all of the following conditions are met:

(a) If the requested variance will necessitate deviation from, or modification of, a minimum construction standard or a property use restriction that would otherwise be applicable under this Master Declaration, the Design Guidelines Committee must conduct a hearing on the proposed variance and the Committee shall have the discretion to require that the hearing be open to other Owners who may believe that the requested variance will have a negative impact on the enjoyment of their property or their property values.

(b) The Design Review Committee must make a good faith written determination that the variance is consistent with one or more of the following criteria: (i) the requested variance will not constitute a material deviation from any restriction contained herein or that the variance proposal allows the objectives of the violated requirement(s) to be substantially achieved despite noncompliance; or (ii) that the variance relates to a requirement land use restriction or minimum construction standard otherwise applicable hereunder that is unnecessary or burdensome under the circumstances; or (iii) that the variance, if granted, will not result in a material detriment, or create an unreasonable nuisance with respect to any other Separate Interest or Site or Common Area within the Overall Development.

Section 5.12. Compliance Certificate. Within thirty (30) days after written demand is delivered to the Design Review Committee by any Owner, the Design Review Committee shall provide the requesting Owner with a certificate, executed by any two of its members, certifying

(with respect to any Separate Interest or Site owned by the applicant Owner) that as of the date thereof, either: (a) all Improvements made and other work completed by said Owner comply with this Master Declaration; or (b) such Improvements or work do not so comply, in which event the certificate shall also identify the noncomplying Improvements or work and set forth with particularity the basis of such noncompliance. Any purchaser from the Owner, or from anyone deriving any interest in said Separate Interest or Site through the Owner, shall be entitled to rely on the Committee's compliance certificate with respect to the matters therein set forth, such matters being conclusive as between the Master Association, the Committee, the Declarant, all Owners and any persons deriving any interest through them.

Section 5.13. Limitation on Liability. Design Review Committee approval of plans shall not constitute a representation, warranty or guarantee, whether expressed or implied, that such plans and specifications comply with good engineering design or with zoning or building ordinances, or other governmental regulations or restrictions. By approving such plans and specifications, neither the Design Review Committee, the members thereof, the Master Association, any Member thereof, the Members of the Board nor the Declarant assumes any liability or responsibility therefor, or for any defect in the structure constructed from such plans or specifications. Neither the Design Review Committee nor any member thereof, the Master Association, the Board nor Declarant shall be liable to any Member, Owner, occupant, or other person or entity 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 the approved plans, drawings, and specifications.

Section 5.14. Declarant Exemption. The Design Review Committee shall have no authority, power or jurisdiction over Lots or other parcels within the Covered Property owned by the Declarant until such time as the Declarant conveys title to the Separate Interest or Site or other parcel to a purchaser or other transferee who is not designated as a successor Declarant.

Section 5.15. Compliance With Governmental Regulations. Review and approval by the Design Review Committee of any proposals, plans or other submittals pertaining to Improvements shall in no way be deemed to constitute satisfaction of, or compliance with, any building permit process or any other governmental requirements, the responsibility for which shall lie solely with the Owner of the Separate Interest or Site who desires to construct, install, or modify the Improvement.

Section 5.16. Appeals. Once the Design Review Committee is a committee appointed solely by the Board of Directors, appeals from decisions of the Design Review Committee may be made to the Board of Directors, which may elect, in its discretion, to hear the appeal or, in the alternative, to affirm the decision of the Design Review Committee. The Master Association Rules shall contain procedures to hear, process and decide appeals pursuant to this section.

Section 5.17. Master Association Funding for Design Review Costs. It is anticipated that the Committee will require secretarial and administrative assistance, and that the Committee will incur out-of-pocket expenses in the performance of its responsibilities. The initial budget of the Master Association, submitted to and reviewed by the Department of Real Estate, contains projections of such costs. The Master Association shall provide the Committee with reasonably

required secretarial and administrative assistance, or, at the option of the Board, shall reimburse the Committee therefor, and shall reimburse the Committee for out-of-pocket expenses incurred by the Committee in the performance of its responsibilities. The Committee shall remit to the Master Association all review fees, if any, collected by the Committee.

ARTICLE VI MINIMUM IMPROVEMENT STANDARDS

Unless a variance is requested from, and granted by, the Design Review Committee in accordance with Section 5.11, above, and except as otherwise provided in a Supplemental Declaration applicable to a particular Phase or Project Lot, Improvements constructed on any Residential Site shall conform to the following Minimum Improvement Standards:

Section 6.01. Fences. No fences, walls or other barriers shall be permitted without the prior written approval of the Design Review Committee. Any approved screening and fencing must be designed to conform to and be otherwise consistent with, and must be maintained in a good sound structural manner and in accordance with, applicable Design Guidelines, and ordinances, rules and regulations of, and any written agreements with, the United States, Forest Service and/or the County.

Section 6.02. New Construction and Materials. No building or structure constructed elsewhere shall be moved or placed on any Project Lot or Parcel in The Village at Gray's Crossing. Without limiting the generality of the preceding sentence, it shall be construed to prohibit pre-fabricated homes or buildings, and mobile homes; provided, however, that modular buildings may be allowed, subject to Design Review Committee approval. All buildings erected on any Project Lot shall be of new construction. However, this Section shall not prevent the use of used brick or any other materials that may determine to be attractive and preservative of property values. When the construction of a building or other structure is begun on a Project Lot, work shall be pursued diligently and continuously to completion, subject to weather, strikes, acts of God, and other matters beyond the control of the Owner.

All builders are to maintain their construction sites in a neat and orderly fashion, and shall clean up and remove all debris. The Owner and general contractor shall be responsible for the maintenance of such neatness and removal of debris by subcontractors employed on the construction site. In addition, during the peak winter ski traffic periods, including, without limitation, the periods from 7:00 a.m. to 9:30 a.m. and 3:30 p.m. to 6:00 p.m. on peak holiday weekends, the Owner and general contractor shall not permit any vehicular traffic, including, without limitation, any deliveries, relating to the construction activities on the Project Lot. Concrete trucks shall not be permitted to dump excess concrete mix on any Project Lots or Common Areas or into any storm drain systems of The Village at Gray's Crossing.

Section 6.03. Window Coverings. Curtains, drapes, shutters or blinds may be installed as window coverings. No window shall be covered with aluminum foil, sheets or material not specifically designed for use as a window covering; provided, however, that during snow season only, snow protective window coverings may be installed, subject to applicable Rules and Regulations.

Section 6.04. Drainage. There shall be no interference with the rain gutters, downspouts, or drainage systems originally installed by the Declarant, or any other interference with the established drainage pattern over any Project Lot, Parcel or Common Area, unless an adequate alternative provision is made for proper drainage. For the purpose hereof, “established” drainage is defined as the drainage pattern and drainage Improvements which exist at the time the subject property is conveyed to an Owner by the Declarant. There shall be no violation of the drainage requirements of the County, notwithstanding any approval of the Design Review Committee.

Section 6.05. Rights of the Handicapped. Subject to the provisions of this Article VI, each Owner shall have the right to modify such Owner’s Separate Interest or Site, at his or her sole cost and expense, in order to facilitate access to the Separate Interest or Site or other Improvement thereon by persons who are blind, visually handicapped, deaf or physically disabled, or to alter conditions which could be hazardous to such persons, in accordance with section 1360 of the Act or other applicable laws or ordinances.

Section 6.06. Antennas, Aerials and Satellite Dishes. Outside television antenna, aerial, satellite dish or similar device for the transmission or reception of television, radio, satellite, or other signals or any kind are prohibited, except:

(a) Declarant and the Master Association shall have the right, without obligation, to erect, place or install and maintain any such apparatus for the benefit of all or a portion of The Village at Gray’s Crossing.

(b) Antennas or satellite dishes with a diameter or diagonal measurement not greater than thirty-six inches (36”) in diameter which are designed to receive direct broadcast satellite services, video programming services via multi-point distribution services, or television broadcast signals (collectively “Permitted Device[s]”) may be erected, placed or installed on a Separate Interest or Site provided that:

(i) Any such Permitted Device is placed in the least conspicuous location on the Residence at which an acceptable quality signal can be received and is screened from the view from streets or any neighboring Separate Interest.

(ii) Reasonable restrictions which do not significantly increase the cost of installation of a Permitted Device or significantly decrease its efficiency or performance, including, without limitation, screening material, location or complimentary-color painting of the Permitted Device, may be imposed as part of the Design Guidelines.

Section 6.07. Fire Protection Regulations. The Village at Gray’s Crossing is located within a “State Responsibility Area” and, as such, may be subject to fire protection regulations established by the State Board of Forestry or the National Forest. Such regulations may include provisions applicable to residential construction and may subject Owners to maintenance requirements as set forth in section 4291 of the California Public Resources Code.

Section 6.08. Restriction on Wood Burning Stoves. The Conditions of Approval for Gray’s Crossing required this Master Declaration to explicitly prohibit the installation of any type of wood burning units within residential units. Installation of wood burning units, or their

equivalent, shall be permissible in select locations (such as in the main reception lobby of a Condominium Project or other Site) with payment of the appropriate mitigation fees into the Placer County Air Control District's Offsite Mitigation Program and with the approval of the Placer County Air Pollution Control District. Funds collected shall be used to reduce emission from existing sources by an amount equivalent to the new wood-burning device. The emission potential for each new wood-burning unit shall not exceed 7.5 grams per hour.

ARTICLE VII MASTER ASSOCIATION AND OWNER MAINTENANCE RESPONSIBILITIES

Section 7.01. Master Association Maintenance Duties and Responsibilities.

(a) Master Association Maintenance Obligations, Generally. The Master Association shall have the power and duty to accept title to the Common Areas and Common Facilities to be owned by the Master Association, the power and duty to provide for the care, operation, management, maintenance, repair and replacement of all Common Areas, Common Facilities and property furnished by the Declarant, and to pay for the cost of carrying out said functions. Said duties may include, without limitation, removal of snow from parking areas, roads, walks, bridges, drives, malls, stairs and other similar Common Facilities as necessary for their customary use and enjoyment; maintenance and care of all open space or unimproved areas, and of plants, trees and shrubs in such open space or unimproved areas; maintenance of ski and multi-purpose trails in the open spaces and Common Areas within The Village at Gray's Crossing; maintenance of lighting provided for parking areas, roads, walks, drives, malls, stairs, and other similar Common Facilities. The Master Association's responsibility to maintain the Common Areas and Common Facilities shall begin upon conveyance of such Common Areas and Common Facilities to the Master Association.

Notwithstanding the foregoing, the Master Association shall have no responsibility to provide the services referred to in this subparagraph with respect to (i) any Common Area or Common Facility that is accepted for maintenance by any state, local or municipal governmental agency or entity, (unless the County, special district or governmental agency fails to maintain the area to a standard acceptable to the Master Association, or elects to not further maintain the area); or (ii) any Project Common Area, Separate Interest or Sites, Parcels, Project Lots or Improvements which are not Common Facilities and are not owned by the Master Association (but the Master Association shall have the right to enforce the maintenance thereof, as provided in Section 13.06, below or to enter into Maintenance Agreements with a Project Association pursuant to Section 7.03, below). No Owner, Lessee or Project Association shall place or install any sign, fence or other Improvement or alter or remove the Common Facilities or Improvements on the Common Areas owned or maintained by the Master Association (including without limitation any Common Area fence, gate or wall adjacent to a Separate Interest or Site) unless such placement, installation or alterations first approved in writing by the Master Association Board of Directors. No Owner, Lessee or Project Association shall affix any object or device to any Common Facility or Common Area fence, gate or wall, pierce the surface or otherwise expose the interior portion of such Common Facility or Common Area fence, gate or wall to the elements or install landscaping, irrigation systems or other Improvements on the Owner's or Lessee's Separate Interest or Site in such proximity or manner so as to undermine or otherwise

impair the structural integrity of any Common Facility or Common Area fence, gate or wall, or impair the weather resistant finish thereon.

(b) Snow Removal. The Master Association shall be responsible for the removal and disposition of snow from all private roads and parking areas within The Village at Gray's Crossing regardless of whether the roads are located within the Master Association Common Areas or Project Common Areas. The Master Association may, however, designate snow removal expenses as a "Cost Center Expense" of a particular Project if a separate bid or line item in a bid for snow removal work is segregated to a particular Project.

(c) Storm Drainage Maintenance. The Master Association shall maintain the storm drainage facilities located within the public easement areas adjacent to roads in The Village at Gray's Crossing, including structural storm water quality enhancement facilities in accordance with Best Management Practices described in a drainage report prepared on behalf of the Master Declarant by a registered civil engineer and approved by the County (the "BMPs") The objective of the BMPs is to reduce erosion, sediment discharge, water quality degradation, urban type pollutants (i.e., oils, chemicals, fertilizers, etc.). Said BMP measures for The Village at Gray's Crossing shall include (but are not limited to): minimizing drainage concentration from impervious surfaces; construction management techniques; and erosion protection at culvert outfall locations.

(d) Maintenance of Detention/Water Quality Facilities. The Master Association shall maintain any detention/water quality facilities initially constructed by the Declarant pursuant to the Conditions of Approval.

(e) Additional Maintenance/Repair Responsibilities Imposed by Supplemental Declarations or Declarations of Annexation. Supplemental Declarations and/or Declarations of Annexation may provide for additional Common Areas to be owned and maintained or simply maintained by the Master Association. In such cases, the Master Association shall accept and/or maintain the areas described and provided for therein. In the event that maintenance obligations or other services are performed by the Master Association which do not benefit all Separate Interest or Sites within The Village at Gray's Crossing, a Cost Center shall be established for those obligations or services pursuant to Section 4.01(e), above.

(f) Commencement of Maintenance of Common Areas. Notwithstanding any conveyance of Common Areas to the Master Association, the Master Association's responsibility to maintain the Common Areas located in any Phase shall not begin until the later of the following events: (i) inspection and approval to verify completion of construction of such Common Areas by the Master Association, not to be unreasonably withheld or delayed, or (ii) commencement of Annual Assessments in such Phase. Prior to the commencement of the Master Association's maintenance responsibility, such maintenance shall be the responsibility of Declarant.

Notwithstanding the foregoing, if the contractors or subcontractors of the Declarant are contractually obligated to maintain the landscaping or other Improvements within the Common Areas, the Master Association shall not interfere with the performance of such warranty or other contractual maintenance obligations. The maintenance performed by the contractors or

subcontractors of the Declarant shall not postpone the commencement of Annual Assessments pursuant to this Master Declaration nor entitle the Declarant to claim any offset or reduction in the amount of such Assessments.

(g) Master Association Maintenance Manual. In the event that the Declarant prepares and provides the Master Association with a Master Association Maintenance Manual applicable to the repair and maintenance of Common Areas and Common Facilities, the Master Association shall be obligated to comply with all of the maintenance obligations, recommendations and schedules set forth in the Manual. However the Board of Directors shall be authorized, from time to time, to make appropriate revisions to the Master Association's Maintenance Manual based on the Board's review thereof in order to update the Master Association Maintenance Manual to reflect current industry maintenance practices and recommendations, so long as such changes do not reduce the useful life or functionality items to which the Maintenance Manual pertains. So long as the Declarant owns any Separate Interest or Sites in The Village at Gray's Crossing, the Declarant shall also be entitled to make recommendations to the Board of Directors for the revision or supplementation of the Master Association Maintenance Manual.

Subject to the preceding paragraph, all of the foregoing obligations of the Master Association shall be discharged when and in such manner as the Board of Directors shall determine in its judgment to be appropriate, provided that the Master Association shall conform with the requirements of any applicable laws, rules and regulations of any governmental entity, and any agreements entered into between the Declarant or the Master Association and any governmental entity pertaining to the Property, including, without limitation, any agreements providing for maintenance of public property or pertaining to environmentally sensitive open space.

Section 7.02. Maintenance Obligations of Owners. The maintenance and repair obligations of the Owners of Separate Interests and Sites shall be as set forth in the Project Documents that pertain to the Separate Interest or Site.

Section 7.03. Maintenance Agreements and Cooperative Maintenance Obligations. It is anticipated that it may be necessary or appropriate for the Master Association to enter into contracts or agreements ("Maintenance Agreements") with one or more Project Associations, the Hotel Operator, or third party contractors to more efficiently discharge its maintenance and repair obligations hereunder, to achieve economies of scale and other efficiencies, or to provide services that require special training, expertise or equipment. Such contracts and agreements are hereby authorized, subject to the limitation on the maximum allowable term of certain contracts for good or services for the Common Areas or the Master Association set forth in Section 9.03 of the Master Association Bylaws. Except as may otherwise be provided in this Master Declaration, nothing in this Section 7.03 shall be construed to obligate the Master Association to expend funds for, or to contract for services on behalf of, any Project Association unless the Master Association Board, in its sole discretion, determines that such expenditures or the provision of such services is to the advantage and in the best interests of the Master Association and The Village at Gray's Crossing, as a whole.

Section 7.04. Master Association Recovery of Costs of Certain Repairs and Maintenance. If the need for maintenance or repair, which would otherwise be the Master

Association's responsibility hereunder is caused through the willful or negligent acts of an Owner, his or her family, guests, tenants, or invitees or by the negligent acts of a Project Association, its agents and contractors, and the resulting damage is not covered or paid for by Master Association insurance policies or any liability insurance maintained by the responsible Owner or Project Association, the cost of such maintenance or repairs shall be subject to recovery by the Master Association through the imposition of a Special Individual Assessment against the offending Owner in accordance with Section 4.04, above, or from a Project Association in an action at law, as applicable.

Section 7.05. Limitation of Liability. The Declarant, the Master Association, and each and every employee or agent of either of them, hereby disclaims any liability for personal injury or property damage resulting in any way, all or in part, from any of the items set forth in this Article.

ARTICLE VIII PROPERTY USE RESTRICTIONS

Consistent with its general classification and use, The Villages at Gray's Crossing shall be subject to the following limitations and restrictions and to such implementing Rules as the Board of Directors may establish in connection therewith. Each Owner shall comply with all other terms, provisions, covenants, conditions, restrictions, easements and reservations on the Owner's part to be complied with under this Master Declaration:

Section 8.01. Common Area Uses and Restrictions. Subject to Master Association Rules which may be promulgated by the Master Association Board of Directors to supplement (but not to contravene) this Master Declaration, the Common Areas that are not improved as roadways or parking areas, may be preserved as open space (natural or landscaped), used for service, access or recreational purposes, or such other purposes as the Board of Directors deems appropriate for the benefit of the Members. Nothing shall be altered, constructed, placed or stored in the Common Areas, and no planting, structure or other object may be removed therefrom except as authorized by the Master Association in accordance with this Article VIII or the Design Review Committee in accordance with Article V, above. Nothing in this Master Declaration shall be deemed to prohibit, affect or impair or to authorize the Master Association to prohibit, affect or impair the use of the Common Areas (including open space) by the Declarant for environmental mitigation purposes, so long as such use is not in violation of the Gray's Crossing Entitlement Documents.

Section 8.02. Open Space. A portion of the Common Area will consist of open space which lies around and between the Separate Interest or Sites, Residential Subdivisions, Project Lots, or other development areas, including, without limitation, those areas which are to be re-vegetated by the Declarant and become permanent open areas pursuant to the Conditions of Approval (collectively, the "Permanent Open Areas"). Open space is to be devoted primarily to preservation of the environment and the maintenance of scenery and aesthetics. Landscaping and other methods deemed appropriate by the Master Association may be used to beautify the open space and maintain the privacy of the users thereof and of the Owners of adjoining Separate Interest, Sites or Parcels. Notwithstanding the foregoing, certain open space areas may be

subject to certain prohibitions and restrictions on development, improvement and use, including limited recreation opportunities as further specified in the Specific Plan.

Section 8.03. Cable Facilities. The Common Areas and Common Facilities of the Master Association may be used by the Declarant and its subsidiaries, transferees, successors and assigns for such cable television cables and similar facilities as the Design Review Committee may approve, such approval not to be unreasonably withheld. The Property comprising The Village at Gray's Crossing is and shall be subject to nonexclusive easements of access, ingress, and egress, for purposes of installation, operation, maintenance, repair, inspection, removal and replacement of cable television and telecommunication service lines, facilities and equipment, for the benefit of the Declarant and its subsidiaries, transferees, successors and assigns, as reserved and granted by reservations and conveyances of record and the provisions hereof. Such easements are freely transferable by the Declarant to any other individual or entity and their successive owners for the purpose of providing cable television and telecommunication service to the lands comprising The Village at Gray's Crossing, any portion thereof, and adjoining property. All such cable television and telecommunication lines, facilities and equipment shall remain the property of the Declarant, its subsidiaries, successors, transferees and assigns, and transfer of all or any portion of The Village at Gray's Crossing does not imply the transfer of any such cable television and telecommunication easements or the lines, facilities or equipment located thereon. Exercise of the easements reserved in this Section 8.03 shall not unreasonably interfere with the reasonable use and enjoyment of any portion of The Village at Gray's Crossing.

Section 8.04. Offensive or Hazardous Conduct; Nuisances. No noxious or offensive activity or trade shall be carried on upon or within any Separate Interest or Site, nor shall anything be done or replaced thereon which may be or become a nuisance, or cause unreasonable embarrassment, disturbance or annoyance to other Owners in the enjoyment of their Separate Interest or Sites or Parcels, or in their enjoyment of Common Areas or Common Facilities. Without limiting the generality of the foregoing, unleashed dogs, excessive barking of dogs, excessive loud playing of music and the operation of vehicles creating excessive noise to the annoyance of residents is prohibited, and continued violations will be reported to the local law enforcement agencies. All exterior lighting of improvements and grounds within The Village at Gray's Crossing will be subject to regulation by the Design Review Committee and the provisions of the Specific Plan. No light shall be emitted from any Separate Interest or Site or Project which is unreasonably bright or causes unreasonable glare or shines directly into an adjacent Separate Interest or Site. No odor shall be emitted from any Separate Interest or Site or Project which is noxious or offensive to others. No activities shall be conducted, nor shall any Improvements be constructed, anywhere on The Village at Gray's Crossing which are or might be unsafe or hazardous. Nothing shall be done or kept within any portion of The Village at Gray's Crossing which will increase the rate of insurance on any other Separate Interest or Site without the approval of the Board of Directors, nor shall anything be done or kept within any portion of The Village at Gray's Crossing which would result in the cancellation of insurance on any other Separate Interest, Site or Parcel, Common Area or Common Facility, or which would be in violation of any law.

Notwithstanding the foregoing restrictions and prohibitions, the following shall not be considered as "noxious or offensive activities": (i) noise, lighting, over spray and other usual and

customary maintenance and golfing activities occurring on or about the adjacent golf course; (ii) any activities of an Owner, the Declarant, or their respective designees or contractors which are reasonably necessary to the development of, and construction on, The Village at Gray's Crossing so long as such activities do not violate the Governing Documents or applicable statutes, rules or regulations of any governmental authority and do not unreasonably interfere with any Owner's use of his or her Separate Interest or Site, or with any Owners ingress and egress to and from the Separate Interest or Site and a roadway; (iii) the reasonable odors, lighting, and noises associated with the authorized commercial uses of the Commercial Spaces, including, without limitation, restaurant noises and odors; or (iv) the reasonable odors, lighting and noises associated with the reasonable and contemplated use of the Common Areas and Common Facilities of the Master Association, including, without limitation special promotions and events.

In the event additional uses, activities and/or facilities are deemed by the Board of Directors of the Master Association to be nuisances or to adversely affect the health, safety or welfare of Owners or Members of the general public or the value of any Separate Interest or Site, the Board may adopt reasonable Rules restricting or regulating such activity or use so long as the Rules or Regulations adopted by the Master Association do not unfairly discriminate against any use or activity permitted within The Village at Gray's Crossing.

Section 8.05. Private Streets and Parking Restrictions. Cluster mail box structures and private streets may, upon approval of the Board of Directors, be designated as Common Area and the maintenance and repair responsibility of such structures can be transferred to the Master Association. Parking of vehicles within The Village at Gray's Crossing is permitted with respect to a Separate Interest, Site or Project only within parking spaces designated as such and such parking shall be used only for the parking of personal vehicles of Owners, Lessees, guests and invitees. The Master Association shall have the right to park any type of vehicle owned or used by the Master Association within any portion of The Village at Gray's Crossing that is developed for the parking of vehicles, so long as such parking is within areas designated for such purpose by the Declarant and the Master Association. Notwithstanding the foregoing, the Master Association may designate areas for off-street parking within The Village at Gray's Crossing for the temporary parking of maintenance and delivery vehicles, for the sole purpose of assisting in a maintenance operation or to provide for the loading or unloading of such vehicles, or to accommodate special circumstances.

Section 8.06. Parking; Garages; Vehicles.

(a) Every Owner, resident and Guest visiting any Separate Interest or Site in The Village at Gray's Crossing shall use the garages or other parking areas and facilities that are constructed as part of the residential, commercial, civic and hotel projects in which the Separate Interest, Site or Lodge/hotel rooms are located.

(b) No Owner, resident or Guest shall use any portion of the Common Area of the Master Association or any Project Association that is not a designated parking area for the parking or storage of any automobile, truck, trailer, boat or vehicle of any type, except as may be specifically authorized in writing by the Master Association or the Project Association (as the case may be) which writing may be the Rules of the Master Association or Project Association, (as the case may be).

(c) Visitors and guests of any Separate Interests or Sites within The Village at Gray's Crossing shall use such parking areas or facilities as may be developed, designated or authorized for that use by the Declarant and/or the Master Association.

(d) In order to prevent or eliminate parking problems within The Village at Gray's Crossing or to further define and enforce the restrictions of this Section, the Board of Directors of the Master Association shall have the authority to establish additional rules, restrictions and penalties, including the imposition of fines or towing procedures for recurrent violation of the parking regulations, as determined by the Board of Directors of the Master Association.

(e) No boats, trucks, vans, house trailers, campers, recreational vehicle or other vehicles containing living quarters shall be parked or stored on any Separate Interest or Site or on the street in front of such Separate Interest or Site; provided, however, that boats, trucks, vans, house trailers, campers and vehicles may be kept in a garage or may be parked in designated parking areas; and provided, further, that the same may be parked temporarily in a driveway or in a street in front of such Separate Interest or Site for a period of not more than four (4) hours to load and unload before and after trips so long as such parking does not impede use of the roadway by other vehicles.

(f) No boat or vehicle of any type (including motorcycles) shall be permanently or semi-permanently parked in or upon the public or private streets within The Village at Gray's Crossing, or on any Separate Interest or Site or driveway for the purpose of accomplishing repairs thereto or the reconstruction thereof, except for emergency repairs and then only to the extent necessary to enable towing or similar movement of the vehicle.

(g) If any Separate Interest is improved with an enclosed garage, the driveway shall be maintained in a neat and orderly condition and the garage doors shall be closed at all times except during the time needed for vehicles to enter or leave. Garages shall not be converted to any use that precludes the parking of vehicles in the garage bays.

(h) All motorcycles, motorbikes, snowmobiles, golf carts or other similar motorized recreational vehicles shall be operated within or on the streets and Common Areas of The Village at Gray's Crossing only in accordance with the Rules of the Master Association, which may include the requirement of obtaining a recreational vehicle permit from the Master Association or from a governmental agency with jurisdiction for use of such vehicle within The Village at Gray's Crossing.

Section 8.07. Separate Interest or Sites and Parcels to be Maintained. Clotheslines or other outside clothes drying or airing facilities shall be prohibited upon any Separate Interest or Site. All refuse containers, storage areas, machinery and equipment (other than that used in connection with construction of Improvements on said Separate Interest or Site, and then only during construction) shall be prohibited upon any Separate Interest or Site unless obscured from view from the ground level of adjoining streets, Separate Interest, Sites, Parcels, Common Areas or Common Facilities. Interest, Separate Interest, Sites, and Project Lots are to be kept clean and free from rubbish, debris, litter, trash, empty containers and the like.

Section 8.08. Use of Residential Separate Interests and Sites.

(a) All Residential Separate Interests and Sites may be used only for dwelling or lodging purposes and typical residential activities incidental thereto in compliance with the Specific Plan and all applicable zoning regulations. However, buildings or dwellings on Project Lots or Parcels owned or leased by the Declarant or its nominees may be used as models and sales offices and construction offices for the purpose of selling Separate Interest, Sites or Project Lots in The Village at Gray's Crossing until all of the Separate Interest, Sites or Project Lots are sold.

(b) Each Owner acknowledges that the Declarant and perhaps other Merchant Builders (with the consent of the Declarant) desire to create Time Share Interests with respect to certain Residential Separate Interests or Sites within The Village at Gray's Crossing. Other than the right of the Declarant, the Declarant's Affiliates, the Declarant's successors and specific assigns, to create or to authorize Time-Share Interests as contemplated by this Master Declaration, no Separate Interest or Site shall be used for the operation of a time-sharing, fraction-sharing, or similar program whereby the right to exclusive use of the Separate Interest or Sites rotates among participants in the program on a fixed or floating time schedule over a period of years; provided, however, that the foregoing provision shall not prohibit the ownership and use of a Separate Interest or Site by any equity or non-equity club or its members. The use of a Residential Unit by an equity or non-equity club pursuant to its membership plan shall not be considered leasing or rental activity and the member of any such club shall not be considered as tenants or lessees.

Section 8.09. Right of Entry for Inspection. During reasonable hours and after reasonable notice, the Master Association shall have the right to enter upon and inspect Separate Interests and Sites within The Village at Gray's Crossing in accordance with the notice requirements and other procedures set forth in Section 3.07(b), above, for the purpose of ascertaining whether or not the provisions of this Master Declaration and the other Governing Documents of the Master Association are being complied with and shall not be deemed guilty of trespass by reason thereof. If a Commercial Space is being leased or rented or otherwise occupied no right of entry shall be exercised by the Master Association hereunder without reasonable prior notice to both the Owner of the Commercial Space and the tenant.

Section 8.10. Commercial Use of Residential Separate Interests. No business or commercial activities of any kind whatsoever shall be conducted in any residential Separate Interest, Residential Condominium, garage or out building or in any portion of any Project Lot or Parcel without the prior written approval of the Board of Directors; provided, however, the foregoing restriction shall not apply to the activities of the Master Association in the discharge of its responsibilities under this Master Declaration or the Declarant's activities in connection with the development, sale and marketing of the Property pursuant to the plan of development contemplated by this Master Declaration and the Entitlement Documents. Furthermore, the Governing Documents shall not be construed in such a manner so as to prohibit any Owner from: (i) maintaining his or her personal library in his or her Residential Separate Interest; (ii) keeping his or her personal business records or accounts therein; (iii) handling his or her personal or professional telephone calls or correspondence therefrom, including telecom muting; (iv) leasing or renting his or her Residential Separate Interest in accordance with this Master Declaration; (v)

providing daycare services, subject to (A) compliance with any governmental licensing requirements or other applicable governmental laws, rules or regulations, and (B) obtaining and complying with any conditional use permit required by the Master Association or other governmental agency in connection with the provision of such daycare services within The Village at Gray's Crossing, or (vi) conducting any other activities on the Owner's Separate Interest otherwise compatible with residential use and the provisions of this Master Declaration which are permitted under applicable zoning laws or regulations without the necessity of first obtaining a special use permit or specific governmental authorization.

Section 8.11. Sign Restrictions.

(a) No sign of any kind shall be displayed to the public view on or from any Separate Interest or Site or on any portion of the Overall Development without the approval of the Board of Directors except as follows:

- (i) one sign of customary and reasonable dimensions advertising a Separate Interest or Site for sale, lease, rent or exchange, displayed from the subject Separate Interest or Site;
- (ii) such signs as may be used by Declarant or its assignees in connection with The Village at Gray's Crossing and sale of Separate Interests or Sites;
- (iii) such other signs or notices as are required by law or as are otherwise necessary to perfect a right provided for in law;
- (iv) signs posting applicable speed limits; and
- (v) such other signs as may be permitted or approved by the Board of Directors of the Master Association.

(b) Without limiting the generality of subparagraph (a), above, posting and maintenance of speed limit signs along private roads in The Village at Gray's Crossing shall be the responsibility of the Master Association. Signage on any common areas of a Project Association shall be subject to regulation by that Project Association in accordance with the Project Declaration that is applicable to that Phase of the Overall Development.

Section 8.12. Animals. No animals, livestock or poultry of any kind shall be raised, bred or kept on any Separate Interest or Site, except that dogs, cats or other conventional household pets, to the extent not prohibited by the Master Association, may be kept within any Separate Interest or Site, provided they are not kept, bred or maintained for any commercial purpose, or in unreasonable numbers. Notwithstanding the foregoing, no animals or fowl may be kept within any portion of The Village at Gray's Crossing which results in an annoyance or are obnoxious to other Owners or residents. No dogs shall be allowed to run loose within any Common Areas or Project Common Areas and shall be subject to applicable leash, waste disposal and other Rules and governmental regulations, including applicable fines for violation thereof. No harassment of wildlife shall be permitted. With the exception of bird feeders, the feeding, baiting, salting or other means of attracting wildlife to individual Separate Interest or Sites or adjacent Common Areas or Project Common Areas shall be prohibited. The Master

Association may provide Common Facilities, manpower and funds to establish and enforce pet control restrictions. Any such regulations adopted by the Master Association shall take into account any applicable Town laws and regulations.

Section 8.13. Trash and Garbage Pickup. The Village at Gray's Crossing, if developed in accordance with current plans, will be comprised of individual Projects which include public streets and private streets. Unless otherwise determined by the Master Association, all Owners are required to dispose of their garbage, maintain their garbage cans in a clean and orderly fashion, keep all garbage cans reasonably protective from animals, and replace them when needed. The Conditions of Approval require that each Owner or occupant of a Separate Interest or Site in The Village at Gray's Crossing must subscribe to weekly, mandatory refuse collection services from the refuse collection franchise holder. Each Project Association with jurisdiction over a particular Project area shall be responsible for refuse collection service to all non-residential facilities within the Project on the same basis. All outside refuse containers shall be County approved and bear resistant.

Section 8.14. Use Of and Restrictions Applicable to Commercial Spaces. The permitted uses of the Commercial Spaces, and restrictions contained in this Section shall apply to all Commercial Spaces within The Village at Gray's Crossing and no other restrictions may be imposed on Commercial Spaces or Commercial Space Owners other than those prescribed by applicable law and as expressly permitted by this Master Declaration. Subject to subparagraphs (c) through (f) below, only those operations and uses described in subparagraphs (a) and (b) of this Section shall be permitted on or within any Commercial Space.

Section 8.15. Business Park and Professional Offices.

- (i) Administrative, executive and business offices;
- (ii) Business service offices, including accountants, notaries, stenographic, addressing, computing, and related services;
- (iii) Business consultant offices;
- (iv) Design professional offices (engineering, architectural, drafting, etc.);
- (v) Manufacturers' representatives and sales offices;
- (vi) Financial services, insurance and real estate offices;
- (vii) Travel agencies;
- (viii) Medical/dental clinics and related health maintenance organization, not including the manufacture, fabrication or sale of any article or commodity other than those incidental to the services provided;
- (ix) Licensed child care facilities, subject to applicable zoning;
- (x) Prescription pharmacies;

- (xi) Photographic processing;
- (xii) Printing, lithographing and engraving;
- (xiii) Any use not otherwise prohibited by subparagraph (d), below, and allowed under applicable zoning.

(b) Retail and Commercial Uses.

- (i) Retail stores and retail outlets;
- (ii) Restaurants;
- (iii) Financial institutions;
- (iv) Service entities;
- (v) Service Stations;
- (vi) Hotels/motels;
- (vii) Theaters;
- (viii) Auto rental and support uses; and
- (ix) Any use not otherwise prohibited by subparagraph (d), below, and which is allowed under applicable zoning.

(c) Conduct of Permitted Uses. All permitted uses of Commercial Spaces shall be performed or carried out entirely within a building or Separate Interest designed and constructed for that use. Activities which cannot be carried on within a building or Separate Interest may be permitted so long as: (i) the Design Review Committee consents in writing to the location for such activity; (ii) the use is permitted by the Specific Plan and the then existing zoning or other applicable land use regulations; (iii) the use is not specifically prohibited by subparagraph (d), below; (iv) the outdoor activity is reasonably screened or shielded so as not to be visible from neighboring property; and (v) all lighting required for such use is reasonably shielded from adjacent streets or Village Plaza areas. Notwithstanding the foregoing, patio dining and other retail uses otherwise complying with this Section 8.15 will be permitted in Village Plaza areas adjacent to Commercial Spaces in any Exclusive Use Common Areas appurtenant to such Commercial Spaces, and in other appropriate Master Association Common Areas and Common Facilities, subject to regulation and permitting by the Master Association.

(d) Prohibited Uses. The following operations and uses shall not be permitted on or within any Commercial Space (except as may be specifically noted below):

- (i) Heavy manufacturing;
- (ii) Trailer courts, mobile home parks or recreation vehicle campgrounds, except that the Master Association may allow temporary parking of recreational vehicles in

connection with special events in designated areas and upon issuance of permits by the Master Association. This prohibition shall not apply to trailers or temporary buildings utilized by the Declarant or a Merchant Builder in connection with construction and/or sales activities;

(iii) Drilling for and/or the removal of oil, gas or other hydrocarbon substances (except that this provision shall not be deemed to prohibit entry to any portion of the Overall Development below a depth of five hundred (500) feet for such purposes);

(iv) Commercial excavation, except in the course of approved construction;

(v) Dumping, disposal, incineration or reduction of garbage, sewage or refuse, except on Parcels specifically designated by the Master Association for such use, and provided that such facilities are operated and maintained in accordance with all applicable governmental laws, rules and regulations;

(vi) Truck or bus terminal, unless owned or operated by the Declarant or the Master Association or the agents and contractors of such entities;

(vii) Petroleum storage yards, except for (A) diesel, propane and gasoline/oil service stations and facilities providing services to residents, tenants and guests, and (B) by the Northstar Community Services District, or Pacific Gas and Electric, which shall be allowed if properly and safely stored, shielded from view, held, operated and sold in compliance with all applicable governmental laws, rules and regulations, and subject to Master Association regulation and permitting;

(viii) Auto or tractor trailer truck dealerships, wrecking, auto or truck repair or painting, unless owned or operated by the Declarant or the Master Association;

(ix) Storage, handling and disposal of toxic and radioactive materials, except the storage, handling and disposal of such materials in connection with a permitted use, and only then if the Design Review Committee, the County Health Department and any other governmental entity having jurisdiction over such materials shall give its prior written approval to the storage, handling and disposal of such materials; and

(x) Adult bookstores, adult motion picture theaters, or escort services.

(e) Emissions. Other than with respect to public utilities, and subject to the use of fireplaces in approved locations and regulated by the Master Association, no use shall be permitted on any Commercial Space which:

(i) Emits excessive amounts of dust, sweepings, dirt, cinders, fumes, odors, radiation, gases, or vapors;

(ii) Discharges excessive amount of liquid or solid wastes or other environmentally harmful matter into the atmosphere or any stream, river, canal, flood control channel or other body of water, which may adversely affect (A) the health or safety of persons, (B) the use or enjoyment of the property comprising The Village at Gray's Crossing, or (C) vegetation on or around any Commercial Space;

(iii) Discharges waste or any substance or materials of any kind into any public sewer serving The Village at Gray's Crossing or any part thereof in violation of any regulations of any public body having jurisdiction;

(iv) Produces intense glare or heat unless such use is performed within an enclosed or screened area, and then only in such manner that the glare or heat emitted will not be discernible from beyond any property line of said Commercial Space.

(v) Creates a sound pressure level in violation of any regulation of any public body having jurisdiction;

(vi) Allows the visible emissions of smoke or steam (outside any building) in violation of any regulation of any public body having jurisdiction, other than the exhausts emitted by motor vehicles or other transportation facilities or barbecues or grills or restaurant facilities operated by *Commercial Owners*; or

(vii) Creates a ground vibration that is perceptible, without instruments, at any point along or beyond any of the property lines of the Commercial Space that would constitute a nuisance under applicable law.

(f) Garbage and Refuse Disposal. All rubbish, trash and garbage shall be removed by a franchised refuse collector at least once a week from each Commercial Space, and shall not be allowed to accumulate thereon. Trash, garbage and other waste shall not be kept, except in sanitary and animal resistant containers. All incinerators or other equipment for the storage or disposal of such materials shall be kept in a clean and sanitary condition.

Section 8.16. Compliance with Applicable Laws. In addition to the compliance requirements set forth in this Article VIII, no portion of The Village at Gray's Crossing shall be used, occupied, altered, changed, improved or repaired except in compliance with all present and future laws, rules, requirements, orders, directions, ordinances, and regulations of federal, state or local governmental bodies with jurisdiction over The Village at Gray's Crossing or the erection and maintenance of improvements thereon. Furthermore, no Owner or Lessee of an Owner shall release, discharge or emit from any Separate Interest or Site or dispose of, or allow any other person under such Owner's or Lessee's control or direction to release, discharge or emit from any Separate Interest or Site or dispose of, any Hazardous Material or any other pollutant, contaminant, or hazardous substance under any federal, state or local law, regulation or ordinance. As used herein, a "Hazardous Material" shall mean any "Hazardous material" (as defined by California Health & Safety Code section 25501(o)), "Hazardous substance" (as defined by California Health & Safety Code section 25501(p)) or "Regulated substance" (as defined by California Health & Safety Code section 25532(g)). Prior to the approval by the relevant design review committee of any improvement, the person constructing the applicable improvement shall submit to a technician of the Town's Department of Environmental Health Services a "Hazardous Materials Project/Business Activities Screening Form" for his or her review and approval.

Section 8.17. Restriction on Further Subdivision of Sites or Parcels or Combinations of Separate Interests, Sites, or Parcels. With the exception of those development projects that may be undertaken by the Declarant or by a Merchant Builder (with the prior approval of the Declarant) no Site or Parcel in the Overall Development shall be further subdivided nor shall less than all of any such Site or Parcel be conveyed by an Owner thereof and no Owner of a Separate Interest, Site, or Parcel within the Development shall be entitled to sever the Owner's Separate Interest, Site, or Parcel from the Common Areas of the Overall Development. In addition, no Separate Interests, Sites or Parcels, as shown on a final Subdivision Map for any portion of the Development, shall be combined with any other Separate Interest, Site or Parcel, unless the proposal has been approved, in writing by the Declarant, although boundary line adjustments shall be permitted in accordance with Section 2.03, above. Any proposal to further subdivide a Site or a Parcel shall be subject to Design Review Committee approval in accordance with Section 5.01(b)(ii), above. Notwithstanding the foregoing approval requirements, in the context of a Condominium Project, the Project Declaration can delegate to the Project Association the power and authority to approve the combination of two or more Condominium Units.

Section 8.18. Variances. Subject to State of California and local laws and regulations, upon application by any Owner, the Design Review Committee shall be authorized and empowered to grant reasonable variances from the property use restrictions set forth in this Article, if specific application of the restrictions will, in the sole discretion of the Design Review Committee, either cause an undue hardship to the affected Owner or fail to further or preserve the common plan and scheme of development contemplated by this Master Declaration. In considering and acting upon any request for a variance, the Design Review Committee shall follow the procedures set forth in Section 5.11 for the granting of architectural and design variances.

Section 8.19. Enforcement of Property Use Restrictions. The objective of this Master Declaration shall be to promote and seek voluntary compliance by Owners and Lessees with the architectural standards and property use restrictions contained herein. Accordingly, in the event that the Board of Directors or its management becomes aware of an architectural or property use infraction that does not necessitate immediate corrective action, the Owner or Lessee responsible for the violation shall receive a written notice thereof and shall be given a reasonable opportunity to comply voluntarily with the pertinent Governing Documents. Such notice shall describe the noncomplying condition, request that the Owner or Lessee correct the condition within a reasonable time specified in the notice, and advise the Owner or Lessee of his or her appeal rights. See Section 13.06(d), below.

ARTICLE IX EASEMENTS

Section 9.01. Easements of Enjoyment. Every Owner shall have a nonexclusive easement for the use and enjoyment of the Common Area, which shall be appurtenant to and shall pass with the title to every Separate Interest or Site, subject to the restrictions and limitations set forth in Section 2.05 above and the easements set forth in this Article.

Section 9.02. Recorded Easements. The property comprising The Village at Gray's Crossing shall be subject to any easements or rights of way as shown on any recorded plat affecting any portion of the Overall Development, and as shown on the recorded Subdivision Maps, and as reserved or granted under any Project Declaration. The recording data for recorded easements, rights of way, licenses or other matters appurtenant to or included in the real property comprising a Phase of the Overall Development shall be set forth in a Supplemental Declaration Recorded pursuant to Section 15.06, below.

Section 9.03. Easements for Encroachments. The Common Area, and all portions of it, are subject to easements hereby created for encroachments of any portion of a Separate Interest, Site, Project or the Common Area as follows:

(a) In favor of the Master Association so that it shall have no legal liability when any part of the Common Area encroaches upon the common area of a Project;

(b) In favor of each Project Association so that the Project Association shall have no legal liability when any part of any common area or common elements of a Project encroaches upon any portion of the Common Area; and

(c) In favor of the Project Associations and the Master Association for the existence, maintenance and repair of such encroachments.

Encroachments referred to in this Section include, but are not limited to, encroachments of improvements located on the Common Area onto Project Lots, the Parking Facility Lot or common area or common elements of Projects, encroachments of overhangs or other portions of buildings or other improvements located on the Project Lots onto the Common Area, and other encroachments caused by error or variance from the original plans in the construction of the Projects, by error in the Subdivision Map, by settling, rising, or shifting of the earth, or by changes in position caused by repair or reconstruction of any part of the Projects. Such encroachments shall not be considered to be encumbrances upon any Separate Interest, any Site, any part of the Projects or the Common Area.

Section 9.04. Utility Easements. The Declarant reserves for itself and its successors and assigns who are specifically assigned this right and easement and hereby grants to the Master Association and its officers, agents, employees, successors and assigns a general easement on, over, under, above and through (i) those portions of each Parcel and Project Lot shown on any Subdivision Map being ten (10) feet in width and immediately adjacent and parallel to all property lines of such Parcel or Project Lot (see Typical Easement and Building Envelope Detail on the Subdivision Map), (ii) those portions of the Overall Development, if any, designated on the Subdivision Map as a "Utility Easement", "Central Utility Easement," "Access Easement," "Sewer Easement," "Water Easement" and "Common Area" and (iii) all roadways, Parcels and Project Lots depicted on the Subdivision Map, excluding areas within any designated building envelope, for the purpose of the following, and without limitation: (A) using, installing, constructing, maintaining, improving, repairing and replacing drainage, water and utility facilities of any kind or nature whatsoever, including but not limited to, storm drainage facilities, fire hydrants and related fire protection devices, sanitary sewer lines, water lines, irrigation lines, systems and facilities, underground electric lines, gas lines, telephone lines, cable television line,

fiber optic lines, and other communication facilities, (B) drainage of water flowing from other lands, (C) water storage and distribution facilities and (D) vehicular access for installation and maintenance of such utilities, together with a perpetual right of ingress and egress to and from such Easement (collectively, hereinafter referred to as "Utility Purposes").

The Declarant reserves the right, but has no obligation, to Record a document specifying the boundaries of specific easements within the above-described easement areas at any time or from time to time after improvements related to such Utility Purposes have been constructed; provided, however, that in no event shall the creation of any such easement adversely affect the intended use of any Exclusive Use Common Area in the area of the designated easement or affect, avoid, extinguish or modify any other recorded easement within any Phase of the Overall Development. Should any utility company furnishing a service covered by the general easement request a specific easement by separate recordable document, the Declarant or the Board of Directors shall have, and are hereby given, the right and authority to grant such easement upon, across, over, or under any part or all of the Overall Development without conflicting with the terms hereof, provided that the Declarant or the Board of Directors of the Master Association shall give prompt notice of any such specific easement granted to the Owners of any Site affected thereby.

Section 9.05. Reservation of Easements Exertions and Exclusions. The Declarant reserves for itself and its successors and assigns who are specifically assigned this right and easement and hereby grants to the Master Association and its successors and assigns the concurrent right to establish from time to time by declaration or otherwise, utility and other easements within the Common Areas for purposes including, but not limited to, streets, paths, walkways, drainage, recreation areas, parking areas, ducts, shafts, flues and conduit installation areas, for the best interest of all of the Owners and the Master Association, in order to serve all the Owners. See also Section 3.08(c), above.

Section 9.06. Emergency Access Easement. A general easement is hereby granted to all police, sheriff, fire protection, ambulance and all other similar emergency agencies or persons to enter upon all streets and upon any portion of the Property in the proper performance of their duties.

Section 9.07. Master Association Easements. An easement is hereby granted to the Master Association and any Manager of the Master Association and their respective officers, agents, employees and assigns upon, across, over, in and under the Overall Development and a right to make such use of the real property comprising the Overall Development as may be necessary or appropriate to perform the duties and functions which they are obligated or permitted to perform pursuant to this Master Declaration (see Section 8.09, above ("Right of Entry and Inspection")). Notwithstanding the foregoing, the Master Association shall not enter upon or within any Separate Interest or Site without reasonable prior notice to the Owner of the Separate Interest or Site, except in cases of an emergency.

Section 9.08. Drainage Easement. An easement is hereby reserved to the Declarant and its successors and assigns who are specifically assigned this right and easement and granted to the Master Association and its officers, agents, employees, successors and assigns to enter on, over, under, above, across and through those portions of the Overall Development designated as

a "Drainage Easement" on the Subdivision Map for the purposes of the following, and without limitation: using, installing, improving, maintaining, repairing and replacing drainage facilities of any kind or nature, including, but not limited to, storm drainage, and the drainage of waters and debris flowing from other lands, together with a perpetual right of ingress and egress to and from such easements.

Section 9.09. Easements of Access for Repair Maintenance and Emergencies. Some portions of the Common Area or the facilities serving same are or may be located on or within certain Units or within the common areas or common elements of certain Projects, or may be conveniently accessible only through certain Separate Interests or Sites or the common areas or common elements of certain Projects. The Master Association shall have the irrevocable right to have access to each Project Lot and each Separate Interest or Site and to all common elements or common areas of any Project from time to time during such reasonable hours as may be necessary for the maintenance, repair, removal, or replacement of any of the Common Areas or for making emergency repairs therein necessary to prevent damage to any portion of the Common Area or to any Separate Interest or Site. Subject to the provisions of Section 7.04, above (relating to the right of the Master Association to recover the cost of making certain repairs), damage to the interior of any part of a Separate Interest or Site or Project resulting from the maintenance, repair, emergency repair, removal, or replacement of any portion of the Master Association Common Area or as a result of emergency repairs undertaken by the Master Association shall be a Common Expense.

Section 9.10. The Declarant's Rights Incident to Construction and Marketing. The Declarant, for itself and its successors and assigns who are specifically assigned this right and easement, hereby retains a right and easement of ingress and egress over, in, upon, under and across the property comprising the Overall Development and the right to store materials on said property and to make such other use of the property as may be reasonably necessary or incident to the complete construction and sale of the Separate Interests, Sites and the Projects within The Village at Gray's Crossing, including, but not limited to, construction trailers, temporary construction offices, sales offices and directional and marketing signs. The Declarant may designate a portion of the Common Area for the foregoing construction and other purposes in connection with the development of a particular Separate Interest, Site or Project. The Declarant, for itself and its successors and assigns, hereby retains a right to maintain any Separate Interest(s) or Site(s) as sales offices, construction, sales and business management offices or as model residences or units so long as the Declarant, or its successors or assigns, continues to be an Owner of a Separate Interest or Site within The Village at Gray's Crossing. The use by the Declarant of any Separate Interest or Site as a model residence, office or other use shall not affect the Separate Interest's or Site's designation on the Subdivision Map or in a Condominium plan as a Separate Interest or Site. The Declarant further reserves exclusive easement rights over and across the property comprising The Village at Gray's Crossing for the purpose of marketing, sales and rental of Separate Interests, Sites or of other projects developed or marketed by the Declarant or its affiliates from time to time, including, without limitation, the right to show The Village at Gray's Crossing and to display signs, flags, banners and other promotional devices. The Declarant also reserves the right to lease unsold Separate Interests and Sites.

None of the foregoing rights shall be exercised by the Declarant in such a way as to unreasonably interfere with the occupancy, use, enjoyment or access by any Owner, Lessee or guest to any Separate Interest or Site.

Section 9.11. Governmental Requirements. The Declarant hereby reserves the right to grant such easements and rights-of-way across the property within the Overall Development, from time to time, as may be required by any government agency. Such easements and rights-of-way shall specifically include, but not be limited to, any public rights-of-way and any environmental easements required by federal, state or local environmental agencies, for so long as the Declarant holds an interest in any Separate Interest or Site subject to this Master Declaration.

Section 9.12. Easements for Vehicular and Pedestrian Traffic. In addition to the general easements for use of the Common Area reserved herein, the Declarant hereby reserves to itself and to all future Owners within The Village at Gray's Crossing, and to every Lessee or Guest of an Owner, nonexclusive easements appurtenant to each Project Lot and Parcel in the Property for vehicular and pedestrian traffic over any and all private streets and walkways within the Master Association Common Area, subject to the parking provisions set forth above and other restrictions on use reasonably imposed by the Board of Directors. The Declarant reserves the right to grant similar easements to owners of property within The Village at Gray's Crossing. See also Sections 8.05 and 8.06, above (which pertain to parking, use of private streets and vehicle regulation).

Section 9.13. Easements Deemed Created. All conveyances of Separate Interest or Sites hereafter made, whether by the Declarant or otherwise, shall be construed to grant and reserve the easements contained in this Article, even though no specific reference to such easements or to this Article appears in the instrument for such conveyance.

ARTICLE X INSURANCE

Section 10.01. Master Association Duty to Obtain Insurance. The Master Association shall obtain and maintain all insurance required to be obtained and maintained by the Master Association under the Act and any additional insurance that the Board of Directors deems necessary. The Master Association shall obtain and maintain all insurance required to be maintained by the Master Association under the terms of the easements granted or reserved herein. Without limiting the foregoing, the following types of insurance, with the coverages stated below, shall be maintained:

(a) General Liability Insurance. The Master Association shall cause to be obtained and maintained adequate comprehensive or commercial general liability insurance (including medical payments), with such limits as may be considered acceptable to FNMA (not less than \$5,000,000 for any injuries or death sustained by any person in any single occurrence and not less than \$1,000,000 for property damage resulting from each occurrence), insuring against liability for bodily injury, death and property damage arising from the activities of the Master Association and its Members, with respect to the Common Areas or Common Facilities and any

other property under its jurisdiction. Coverage under this policy shall include, without limitation, legal liability of the insureds for property damage, bodily injuries and deaths of persons in connection with the operation, maintenance or use of the Common Areas or Common Facilities, and such other risks as are customarily covered with respect to developments similar in construction, location and use (i.e., contractual liability, premises, medical payments, advertising and personal injury liability, etc), including, without limitation, claims and liabilities relating to the easements described as "Private Ski Easements" as shown on any Subdivision Map.

(b) Fire and Casualty Insurance. The Master Association shall also cause to be obtained and maintained fire and casualty insurance on an "all risks" form (subject to standard policy terms, conditions, limitations and exclusions), including flood and earthquake, without deduction for depreciation, in an amount as near as possible to the full replacement value of the Common Facilities. As respects the perils of flood and earthquake, the limits of liability shall be a minimum of \$5,000,000 per occurrence and in the aggregate, provided the coverage is commercially available. Such insurance shall be maintained for the benefit of the Master Association, the Owners and the first Mortgagees, as their interests may appear as named insured, subject, however, to loss payment requirements as set forth herein.

(c) Other Insurance. The Master Association shall purchase such other insurance, as necessary, including, but not limited to, errors and omissions liability, directors and officers liability insurance, automobile liability insurance, liquor liability insurance, crime insurance, fidelity bonds, and workers' compensation and employers liability insurance and any other such risks as shall customarily be covered with respect to projects similar in construction, location and use. Fidelity bond coverage, as set forth below, must be obtained, if reasonably available, by or on behalf of the Master Association for any person handling funds of the Master Association, including, but not limited to, officers, directors, trustees and employees of the Master Association, whether or not such persons are compensated for their services. The aggregate amount of such fidelity bonds shall not be less than a sum equal to three (3) months' aggregate Annual Assessments on all Separate Interest or Sites within The Village at Gray's Crossing, plus the amount of the Reserves. Notwithstanding any other provision herein, the Master Association shall continuously maintain in effect such casualty and liability insurance and fidelity bond, meeting the insurance and fidelity bond requirements established by FNMA, GNMA and FHLMC, as applicable, so long as any such entity is an Owner of a Separate Interest or Site or Beneficiary, guarantor or insurer of a first Mortgage on a Separate Interest or Site within The Village at Gray's Crossing and has filed with the Board of Directors a written request that the Master Association conform with such insurance requirements, except to the extent such coverage is not available or has been waived in writing by FHLMC, FNMA and GNMA as applicable. Certificates of insurance shall be issued to each Owner and first Mortgagee upon written request.

Section 10.02. Waiver of Claims Against Master Association. As to all policies of insurance maintained by or for the benefit of the Master Association and the Owners, the Master Association and the Owners hereby waive and release all claims against one another, the Board of Directors, and the Declarant to the extent of the insurance proceeds available, whether or not the insurable damage or injury is caused by the negligence of or breach of any agreement by any of such persons.

Section 10.03. Notice of Expiration Requirements. If available, all of the policies of insurance maintained by the Master Association shall contain a provision that such policy or policies shall not expire nor be canceled, terminated or non-renewed without at least thirty (30) days' prior written notice by registered or certified mail to the Board of Directors, the Declarant, and those Beneficiaries, guarantors or insurers of first Mortgages and Owners who have filed a written request with the carrier for such notice, and every other person in interest who requires such notice of the insurer.

Section 10.04. Insurance Premiums. Insurance premiums for any insurance coverage obtained by the Master Association and any other insurance deemed necessary by the Board of Directors shall be a Common Expense to be included in the Annual Assessments levied by the Master Association, and collected from the Owners. That portion of the Annual Assessments necessary for the required insurance premiums shall be separately accounted for by the Master Association, to be used solely for the payment of premiums of required insurance as such premiums become due.

Section 10.05. Trustee for Policies. The Master Association, acting through its Board of Directors, is hereby appointed and shall be deemed trustee of the interests of all named insureds under policies of insurance purchased and maintained by the Master Association. All insurance proceeds under any such policies as provided for in Section 10.01, above, shall be paid to the Board of Directors as trustees. The Board of Directors shall have full power to receive and to receipt for the proceeds and to deal therewith as provided herein. Insurance proceeds shall be used by the Master Association for the repair or replacement of the property for which the insurance was carried. The Board of Directors is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers, with participation to the extent they desire, of first Mortgagees who have filed written requests within ten (10) days of receipt of notice of any damage or destruction. Any two (2) directors of the Master Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on all the named insureds. Notwithstanding the foregoing, the Board of Directors may select and name as an insured a representative, including a trustee with whom the Master Association may enter into an insurance trust agreement or any successor to such trustee, who shall have exclusive authority to negotiate losses under any policy providing property or liability insurance and to perform such other functions as are necessary to accomplish this purpose.

Section 10.06. Actions as Trustee. Except as otherwise specifically provided in this Master Declaration, the Board of Directors, acting on behalf of the Master Association and all Owners, shall have the exclusive right to bind such parties as to all matters affecting insurance carried by the Master Association, the settlement of a loss claim, and the surrender, cancellation, and modification of all such insurance. Duplicate originals or certificates of all policies of fire and casualty insurance maintained by the Master Association and of all renewals thereof, shall be delivered by the Master Association to all first Mortgagees who have requested the same in writing.

Section 10.07. Annual Insurance Review. The Board of Directors shall review the insurance carried by or on behalf of the Master Association, at least annually, for the purpose of determining and evaluating the adequacy of the amount and coverage of the insurance referred to in Section 10.01, above. If economically feasible, the Board of Directors shall obtain a current

independent evaluation of the full replacement value of the Common Facilities owned by the Master Association, except for foundations and footings, without deduction for depreciation, prior to each such annual review.

Section 10.08. Required Waiver. All policies of physical damage insurance shall provide, if reasonably possible, for endorsements or waivers of the following conditions or rights to the extent that the respective insurers would have the rights without such waivers:

(a) Subrogation. Subrogation of claims against the Owners, Lessees of the Owners, and officers and directors of the Master Association.

(b) Co Insurance. Any defense or partial payment based upon coinsurance.

(c) Set Off. Any right of setoff, counterclaim, apportionment, proration or contribution by reason of other insurance carried by the Master Association.

(d) Neglect. Any invalidity, other adverse effect or defense on account of any breach of warranty or condition caused by one insured shall not breach or invalidate the coverage for any other insured not in breach of such warranty or condition.

(e) Notice of Owner Assignment. Notice of the assignment of any Owner of his or her interest in the insurance by virtue of a conveyance of any Separate Interest or Site.

(f) Assignment of Mortgage. Any right to require any assignment of any Mortgage to the insurer.

Section 10.09. Insurance Obtained by Owners or Project Associations. It shall be the responsibility of each Owner or Project Association (as set forth in the applicable Project Declaration) at such party's expense, to maintain physical damage insurance on such Owner's Separate Interest or Site, personal property and furnishing and on the common areas and common facilities of such Project and public liability insurance covering such Owner's Separate Interest or Site and the common areas or common facilities of such Project with policy limits that are not less than the greater of (i) \$2,000,000 for each Project and \$500,000 for each Owner's Separate Interest or Site or (ii) the policy limits stated in the Project Declaration for the Project. Such policy or policies shall provide coverage for bodily injury or death to any number of persons arising out of one accident or disaster or for damage to property, and if higher limits shall at any time be customary to protect against tort liability such higher limits shall be carried. In addition, an Owner may obtain such other and additional insurance coverage on and in relation to the Owner's Separate Interest or Site as the Owner in the Owner's sole discretion shall conclude as to be desirable and a Project Association may obtain such other and additional insurance coverage on and in relation to the common areas or common facilities of such Project as the Project Association, in its sole discretion, shall conclude to be desirable or as otherwise required of the Project Association by the Project Declaration.

Notwithstanding the foregoing, no insurance coverages obtained or maintained by any Owner or any Project Association shall affect any insurance coverage obtained by the Master Association or cause the diminution or termination of that insurance coverage, nor shall such insurance coverage of an Owner or Project Association result in apportionment of insurance

proceeds as between policies of insurance of the Master Association, the Project Association and/or the Owner. An Owner or Project Association shall be liable to the Master Association for the amount of any such diminution of insurance proceeds to the Master Association as a result of insurance coverage maintained by the Owner or Project Association, and the Master Association shall be entitled to collect the amount of the diminution from the individual Owner or all Owners of Separate Interest or Sites in the Project as if the amount were a Special Individual Assessment. Any insurance obtained by an Owner or Project Association shall include a provision waiving the particular insurance company's right of subrogation against the Master Association and other Owners or Project Associations.

ARTICLE XI DAMAGE AND DESTRUCTION

Section 11.01. General. Damage to, destruction of or condemnation of all or any portion of the Common Area or Common Facilities shall be handled in the following manner:

Section 11.02. Damage by Owners or Project Associations. To the extent permitted by law, each Owner and Project Association shall be liable to the Master Association for any damage to any portion of the Common Area or Common Facilities not fully reimbursed to the Master Association by insurance if the damage is sustained because of the negligence, neglect, willful misconduct or unauthorized or improper installation or maintenance of any Improvement by the Project Association, or its Members, guests or invitees, or the Owner, Lessee, or their respective Guests or any other persons deriving their right and easement of use and enjoyment of the Common Area or Common Facilities from the Project Association, the Owner, Lessee, or their respective Guests both minor and adult. However, the Master Association, acting through the Board of Directors, reserves the right to determine whether any claim shall be made upon the insurance maintained by the Master Association, and the Master Association further reserves the right, after notice and a hearing as provided in the Bylaws, to levy a Special Individual Assessment equal to the increase, if any, in insurance premiums directly attributable to the damage caused by the Owner or the person for whom the Owner may be liable as described above. In the case of joint ownership of a Separate Interest or Site, the liability of the Owners shall be joint and several, except to the extent that the Master Association shall have previously contracted in writing with the joint Owners to the contrary. After notice and a hearing as provided in Section 13.06(d), below, the cost of correcting the damage, to the extent not reimbursed to the Master Association by insurance, shall be a Special Individual Assessment and may be enforced as provided in Section 4.10, above.

Section 11.03. Reconstruction of Condominiums and Townhouse Projects. The reconstruction after destruction by casualty or otherwise of any Condominium or Townhouse, which is accomplished in substantial compliance with a condominium plan covering the Condominium Project in which such Condominium is situated shall not require compliance with the provisions of this Article. Such reconstruction shall be conclusively deemed to be in substantial compliance with such condominium plan if it has received the approval of the Project Association formed for such Project. This Section may not be modified or eliminated without the prior vote or written assent of a majority of the Condominium Owners in all Projects that are

subject to this Master Declaration; provided, however, except upon the occasion of such reconstruction in accordance with the Project's condominium plan, the Design Guidelines, if any, shall apply to a Project Association to the same extent as they apply to an individual Owner undertaking an Improvement project.

Section 11.04. Repair of Damages to Common Areas and Common Facilities.

(a) If any portion of the Common Area or Common Facilities is damaged or destroyed by fire or other casualty, the Board of Directors shall determine if and how it is to be restored, unless the insurance proceeds with respect to the loss together with other available Master Association funds will cover less than ninety percent (90%) of the total cost of restoration.

(b) If the insurance proceeds and other available Master Association funds will cover less than ninety percent (90%) of the total cost of restoration, then the Board of Directors shall obtain firm bids (including a performance bond premium) from one or more responsible contractors to rebuild the damaged area substantially in accordance with its original condition. As soon as the Board of Directors has obtained bids, it shall call a special meeting of the Members to consider the bids. At such a meeting, the Members may, by a Majority of a Quorum, elect to reject all of such bids. However, failure to reject all such bids shall authorize the Board of Directors to accept the bid, or of more than one bid, the bid it considers most favorable.

(c) If all such original bids are rejected, the Board of Directors may prepare and present, to the Members, various alternative plans for repair and reconstruction. Before presenting any new plans to the Members, the Board of Directors shall have the Design Review Committee review all various alternative plans and make recommendations. Then using the most acceptable plans, the Board of Directors shall obtain firm bids (including a performance bond premium) from one or more responsible contractors to perform the work or repair or reconstruction in accordance with each such alternative plan. Such bids shall also be considered at a meeting of the Members as soon as possible after the bids have been obtained. Such Members may, by majority vote of a quorum of the voting power, elect to reject all such bids. Failure to reject all of such bids shall authorize the Board of Directors to accept the bid it considers most favorable.

(d) If a bid is accepted, under either (b) or (c) above, the Board of Directors shall levy a Reconstruction Assessment against the Members so make up any deficiency between the total insurance proceeds plus available Master Association funds and the contract price for such repair or rebuilding (each a "Reconstruction Assessment"); and such Assessments and all insurance proceeds whether or not subject to liens of Mortgagees, shall be paid to the Master Association to be used for such rebuilding. All Members shall be subject to the Reconstruction Assessment, and the Reconstruction Assessment shall be fixed for all Separate Interest or Sites in the same proportion as Annual Assessments are levied.

(e) If any Member fails to pay any Reconstruction Assessment levied hereunder within thirty (30) days after the levy thereof, the Board of Directors shall have the power to borrow the amount needed from the Master Association reserve funds to make up the deficiency.

Any such money borrowed is to be restored to the reserve funds on collection of the Special Individual Assessment from the delinquent Member according to the lien procedure described in Section 4.10(b), above. When adequate funds have been collected, the Board of Directors shall let the contract to the successful bidder.

(f) If no such bid is accepted within eighteen (18) months after the date such damage or destruction occurs, or if the Board of Directors has determined that such areas are not to be restored, then the Board of Directors shall use any insurance proceeds to demolish and remove all damaged or destroyed structures or improvements from said area and level and landscape the site thereof. In the event that all of said insurance proceeds are not required to perform the work, the excess not so required shall be deposited in the appropriate Maintenance Fund. In the event the insurance proceeds are not sufficient to accomplish such demolition and removal and site finishing, then the Board of Directors shall levy a Reconstruction Assessment to make up the deficiency according to the procedure described in subparagraph (d) above.

ARTICLE XII CONDEMNATION

Section 12.01. Condemnation Actions Affecting Master Association Property. If at any time all or any portion of the Common Area or Common Facilities owned by the Master Association, or any interest therein, is taken for any public or quasi public use, under any statute, by right of eminent domain or by private purchase in lieu of eminent domain, the award in condemnation shall be paid to the Master Association. Any such award payable to the Master Association shall be deposited in the appropriate operating fund of the Master Association. No Member shall be entitled to participate as a party, or otherwise, in any proceedings relating to such condemnation. The Master Association shall have the exclusive right to participate in such proceedings and shall, in its name alone, represent the interests of all Members. The Board of Directors, immediately upon having knowledge of any taking by eminent domain of the Common Area or Common Facilities, or any portion thereof, or any threat thereof, shall promptly notify all Owners.

Section 12.02. Condemnation Actions Affecting Project Areas. Condemnation actions affecting any Project Areas within The Village at Gray's Crossing shall be governed by and subject to the condemnation provisions of the applicable Project Declaration.

Section 12.03. Notice to Owners and Listed Mortgagees. The Board of Directors, immediately upon having knowledge of any damage or destruction affecting a material portion of the Common Area or Common Facilities, shall promptly notify all Owners whose Separate Interests or Sites are subject to Annual Assessments for the maintenance of such Common Area or Common Facilities and all holders, insurers and guarantors of first Mortgages on Separate Interests or Sites who have filed a written request for such notice. The Board of Directors, immediately upon having knowledge of any damage or destruction affecting a Separate Interest or Site, shall promptly notify the holder and insurer or guarantor of the first Mortgage on such Separate Interest or Site who has filed a written request for such Notice with the Board of Directors.

ARTICLE XIII
ENFORCEMENT OF DECLARATION AND DISPUTE RESOLUTION

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

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

Section 13.03. Costs and Attorneys' Fees. Reasonable attorneys' fees and costs shall be awarded to the prevailing party in any procedure to enforce the Governing Documents or a party's rights arising under the Governing Documents. Such enforcement procedures include an action brought in any court of competent jurisdiction as well as any alternative dispute resolution procedure implemented pursuant to the Governing Documents or pursuant to California Civil Code sections 1354 and 1369.510-1369.580 (as such sections may be renumbered or revised from time to time). In any enforcement procedure, such as mediation in which there is no agreement between all of the parties that attorneys will represent them, recoverable costs are limited to attorneys' fees and costs incurred in providing the notices required under such statute. In any alternative dispute resolution procedure in which there is no agreement between all of the parties regarding the manner in which the costs of the proceeding, including attorneys' fees, are to be borne, each party shall be responsible for their respective costs and attorneys' fees, except that the fees and costs charged by the arbitrator shall be shared equally by all parties unless the arbitrator's award directs otherwise.

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

Section 13.05. Failure Not a Waiver. The failure of Declarant, any Owner, the Master Association or its officers or agents to enforce any of the covenants, conditions, restrictions, limitations, reservations, grants or easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Master Declaration shall not constitute a waiver of the right to enforce the same thereafter, nor shall such failure result in or impose any liability upon the Declarant, the Master Association or the Board, or any of its officers or agents.

Section 13.06. Rights and Remedies of the Master Association (Governing Document Enforcement)

(a) Rights Generally. Except as otherwise provided in Section 13.07, below (relating to assessment collection actions), in the event of a breach or violation of any Master Association Rule or of any of the restrictions contained in any Governing Document by an Owner, his or her Guests, employees, invitees, licensees, or Lessees, the Board, for and on behalf of all other Owners, may enforce the obligations of each Owner to obey such Rules, covenants, or restrictions through the use of such remedies as are deemed appropriate by the Board and available in law or in equity, including but not limited to, the hiring of legal counsel, the imposition of fines and monetary penalties, the pursuit of legal action, or the suspension of the Owner's right to use recreation Common Facilities or suspension of the Owner's voting rights as a Member of the Master Association; provided, however, the Master Association's right to undertake disciplinary action against any of its Members shall be subject to the procedures set forth in this Section.

The decision of whether it is appropriate or necessary for the Master Association to take enforcement or disciplinary action in any particular instance shall be within the sole discretion of the Board or its duly authorized enforcement committee. If the Master Association declines to initiate action in any instance, any Owner shall have such rights of enforcement as may be available to the Owner pursuant to sections 1369.510 et seq. of the Act or otherwise by law.

(b) Schedule of Fines. The Board may implement a schedule of reasonable fines and penalties for particular offenses that are common or recurring in nature and for which a uniform fine schedule is appropriate (such as fines for late payment of Assessments or illegally parked vehicles parked in violation of the Governing Documents, or violations of the Design Guidelines of Article V, above). Once imposed, a fine or penalty may be collected as a Special Individual Assessment, subject to the limitation on the use of lien and foreclosure remedies stated in Section 4.10, above. In accordance with section 1363(g) of the Act, any schedule of fines or monetary penalties adopted by the Master Association shall be distributed to each Member by personal delivery or first-class mail at the time the schedule is first adopted and thereafter whenever the schedule is changed.

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

(d) Limitations on Exercise of Disciplinary Rights.

(i) Generally. The Master Association shall have no power to cause a forfeiture or abridgment of an Owner's right to the full use and enjoyment of his or her Separate Interest or Site due to the failure by the Owner (or his or her Lessees or Guests) to comply with

any provision of the Governing Documents or of any duly enacted Rule except where the loss or forfeiture is the result of the judgment of a court of competent jurisdiction, a decision arising out of arbitration or a foreclosure or sale under a power of sale for failure of the Owner to pay Assessments levied by the Master Association, or where the loss or forfeiture is limited to a temporary suspension of an Owner's rights as a Member of the Master Association or the imposition of monetary penalties for failure to pay Assessments or otherwise comply with any Governing Documents so long as the Master Association's actions satisfy the due process requirements of subparagraph (iii), below.

(ii) Monetary Penalties. Monetary penalties imposed by the Master Association: (A) for failure of a Member to comply with the Governing Documents; (B) as a means of reimbursing the Master Association for costs incurred by the Master Association in the repair of damage to the Common Area or Common Facilities allegedly caused by a Member; or (C) in bringing the Member and his or her Separate Interest or Site into compliance with the Governing Documents, may not be characterized nor treated as an Assessment which may become a lien against the Member's Separate Interest or Site enforceable by a sale of the Separate Interest or Site in nonjudicial foreclosure; provided, however, that this limitation on the Master Association's lien rights shall not apply to charges imposed against an Owner consisting of reasonable late payment penalties to reimburse the Master Association for the loss of interest and for costs reasonably incurred (including attorneys' fees) in the Master Association's efforts to collect delinquent Assessments.

(iii) Hearings and Summary Enforcement Rights. No penalty or temporary suspension of rights shall be imposed pursuant to this Article unless the Member alleged to be in violation is given at least ten (10) days prior notice of the Board's intention to impose a penalty or discipline the Member (see subparagraph (iv), below). Notwithstanding the foregoing, under circumstances involving conduct that constitutes: (A) an immediate and unreasonable infringement of, or threat to, the safety or quiet enjoyment of neighboring Owners; (B) a traffic or fire hazard; (C) a threat of material damage to, or destruction of, the Common Area or Common Facilities; or (D) a violation of the Governing Documents that is of such a nature that there is no material question regarding the identity of the violator or whether a violation has occurred (such as late payment of Assessments or parking violations), the Board of Directors, or its duly authorized agents, may undertake immediate corrective or disciplinary action and, upon request of the offending Owner (which request must be received by the Master Association, in writing, within five (5) days following the Master Association's disciplinary action), or on its own initiative, conduct a hearing on the matter. If the Master Association acts on its own initiative to schedule a hearing, notice of the date, time and location of the hearing shall accompany the notice of disciplinary action. If the accused Owner desires a hearing, a written request therefor shall be delivered to the Master Association no later than five (5) days following the date when the fine is levied or other enforcement action is initiated. All notices and hearing schedules and procedures shall comply with section 1363(h) of the Act and subparagraph (iv), below.

(iv) Conduct of Hearings and Notice. Disciplinary hearings may be before the Board or its duly appointed Covenants Committee and shall be scheduled at a date which is at least ten (10) days, but no more than thirty (30) days following the date that notice of the hearing is given to the Owner. The notice shall be given by either first-class mail or by personal delivery

and shall set forth the date, time and location of the hearing, a general description of the violation and a notice that the Member has a right to attend the hearing and address the Board or its duly designated Covenants Committee.

If the Master Association Board or its Covenants Committee imposes discipline on a Member, the Board shall provide the Member with a written notification of the action taken within fifteen (15) days following the Master Association's action. That notice shall be given either by personal delivery or by first-class mail. In no event shall the effective date of any disciplinary action commence sooner than five (5) days following conclusion of the hearing unless: (i) the hearing merely affirms summary disciplinary action initiated pursuant to the immediately preceding paragraph; or (ii) earlier commencement is necessary to preserve the quiet enjoyment of other residents or to prevent further damage to, or destruction of, the property comprising The Village at Gray's Crossing, or any portion thereof.

(v) Rules and Procedures Regarding Disciplinary Proceedings. The Board, or an appropriate committee appointed by the Board to conduct and administer disciplinary hearings and related proceedings, shall be entitled to adopt rules that further elaborate and refine the procedures for conducting disciplinary proceedings. Such rules, when approved and adopted by the Board, shall become a part of the Rules. In addition, a Supplemental Declaration applicable to any Phase may address the allocation of enforcement responsibilities and jurisdiction as between the Master Association and its Covenants Committee and any Project Association with jurisdiction within the Phase.

(vi) Appointment of a Covenants Committee. Acting pursuant to Section 10.01(c) of the Bylaws, the Board of Directors may, but shall not be obligated to, establish a committee to hear and decide cases involving alleged violations of the Governing Documents (the "Covenants Committee"). If no Covenants Committee is established, the Board shall perform this function. The Covenants Committee shall review written complaints from Owners, the Master Association's property manager, or the Design Review Committee (for violations other than those relating to specific Improvement projects, which shall remain within the jurisdiction of the Design Review Committee) of alleged violations of the Governing Documents or Rules. and, when determined appropriate, conduct hearings and make findings regarding the alleged violation(s).

The decisions of the Covenants Committee, if established, shall be appealable by the affected Owner(s) to the Board of Directors within ten (10) calendar days following receipt of the Committee's decision. The Board shall have the discretion to hear any appealed matter or decline to take the appeal and thus affirm the decision of the Covenants Committee. Any decision to decline an appeal shall be based on a reasonable determination from the record that the appeal lacks merit. Decisions of the Board shall be final. Procedures for appeal and the hearing of appeals from the Covenants Committee shall be set forth in the Rules.

(vii) Court Actions. Court actions to enforce the Governing Documents may only be initiated on behalf of the Master Association by resolution of the Board or to the extent that Board pursues any enforcement action in accordance with Section 13.06(a), above. Prior to the filing of any court action seeking declaratory or injunctive relief to interpret or enforce the Governing Documents (including either such action coupled with a claim for monetary damages

not in excess of Five Thousand Dollars (\$5,000)), the Master Association shall first comply with the provisions of sections 1369.510 et seq. of the Act relating to alternative dispute resolution. The Master Association's notice and hearing procedures shall be drafted to satisfy these statutory requirements

Section 13.07. Assessment Collection Actions. The notice and hearing procedures set forth in Section 13.06, above, shall not apply to any actions by the Master Association or its duly authorized agents to collect delinquent Assessments. Assessment collections shall be subject to Section 4.10, above, and any other notice, hearing and/or dispute resolution requirements or procedures as may be specifically applicable by law to Master Association assessment collection efforts.

Section 13.08. Dispute Resolution Procedures Applicable to Declarant Disputes. With respect to the Claims involving the Parties described in subparagraph (a), below, this Section 13.08 sets forth a process of progressive dispute resolution that has as its objective the prompt resolution of disputed Claims without the necessity of resort by any Party to civil litigation.

(a) Master Association's Obligation to Provide Notice to Members Prior to Filing Civil Action. No later than thirty (30) days prior to the filing of any civil action by the Master Association against the Declarant or other builder or developer of The Village at Gray's Crossing for alleged damage to the Common Area, any Common Facilities, alleged damage to any portion of a Separate Interest or Site or Project Lot that the Master Association is obligated to maintain or repair, or alleged damage to the Separate Interest or Sites that arises out of, or is integrally related, to damage to the Common Areas or any Common Facilities, or Separate Interest or Sites that the Master Association is obligated maintain or repair, the Board shall provide written notice to each Member who appears on the records of the Master Association at the time notice is given specifying: (i) that a meeting of the Members will be held to discuss problems that may lead to the filing of a civil action, (ii) the options, including civil actions, that are available to address the problems, and (iii) the time and place of the meeting. All references to the "Declarant" in this Section 13.08 shall be deemed to refer equally to any builder or other developer who is or may be responsible for any such alleged damage. If the Master Association has reason to believe that the applicable statute of limitations will expire before the Master Association files the civil action, the Master Association may give the foregoing notice not later than thirty (30) days after the filing of the action.

(b) Dispute Resolution. Except as otherwise provided in Sections 13.06 and 13.07, above, any disputes between all or any of the Master Association, Owners, the Declarant, any other builder or developer who has constructed residential improvements in any Phase of the Overall Development, or any director, officer, partner, member, employer, contractor, design professional, consultant, subcontractor, insurance carrier, warranty company, service company, or other agent of the Declarant or other builder or developer who may potentially have some responsibility with respect to the any claim that is subject to this Section 13.08 (collectively, the "Declarant Parties") arising under this Master Declaration or relating to the Overall Development or any Improvements constructed within The Village at Gray's Crossing shall be subject to the following provisions of this Section 13.08.

(c) Notice of Construction Claims Statute and Other Related Obligations.

(i) Notice of the Construction Claims Statute. California Civil Code section 895 et seq., as hereafter amended (the "Construction Claims Statute"), delineates standards for how various components of residential dwelling units and community association common facilities should be constructed and function, limits the time frames for bringing various claims against the builder (including Declarant Parties, as defined above) to anywhere from one year to ten years (as listed in the Construction Claims Statute) measured from the Close of Escrow for the residential dwelling unit, imposes an obligation on all Owners to follow Declarant's and/or product manufacturers' maintenance recommendations and schedules, or other applicable maintenance guidelines, and establishes a non-adversarial claims resolution procedure that must be followed by an Owner or the Master Association before the Owner/Association can initiate an adversarial claim and proceed to judicial reference or binding arbitration as described in subparagraph (g), below. THE CONSTRUCTION CLAIMS STATUTE AFFECTS EACH OWNER'S LEGAL RIGHTS. OWNERS ARE ADVISED TO READ THE STATUTE CAREFULLY AND TO SEEK LEGAL ADVICE IF THE OWNER HAS ANY QUESTIONS REGARDING THE STATUTE'S EFFECT ON THE OWNER'S LEGAL RIGHTS. PURSUANT TO CALIFORNIA CIVIL CODE SECTION 914, DECLARANT IS PERMITTED TO ELECT TO USE ALTERNATIVE CONTRACTUAL NON-ADVERSARIAL PROCEDURES INSTEAD OF USING THE STATUTORY PRE-LITIGATION PROCEDURES PROVIDED IN THE CONSTRUCTION CLAIMS STATUTE. DECLARANT HAS ELECTED TO USE ITS OWN ALTERNATIVE CONTRACTUAL NON-ADVERSARIAL PROCEDURES, AS SET FORTH IN THIS SECTION 13.08.

(ii) Obligation to Follow Maintenance Recommendations and Schedules. All Owners and the Master Association are obligated by section 907 of the Construction Claims Statute to follow the Declarant's maintenance recommendations and schedules, including the maintenance recommendations and schedules for manufactured products and appliances provided with such Owner's Separate Interest or Site or the Common Area, or any improvements thereon, as well as all commonly accepted maintenance practices (collectively, "Maintenance Recommendations"). In accordance with section 945.5 of the Construction Claims Statute, failure to follow the Maintenance Recommendations may reduce or preclude the Owner's and the Master Association's right to recover damages relating to such Separate Interest or Site or Common Area, which could have been prevented or mitigated had the Maintenance Recommendations been followed.

(iii) Obligation to Retain Documents and Provide Copies to Successors. All Owners who originally purchased a Separate Interest or Site from the Declarant were provided copies of certain documents in conjunction with the purchase of their Separate Interest or Site, including copies of this Master Declaration, maintenance recommendations from the Declarant, maintenance recommendations from products manufacturers for manufactured products or appliances included with the Separate Interest or Site, a limited warranty, claim forms, and other documentation relating to the Construction Claims Statute. All Owners are required by the Construction Claims Statute to retain these documents and provide copies of such documents to their successors in interest upon the sale or transfer of such Owner's Separate Interest or Site.

(d) Owners' Construction Defect Claims. Prior to the commencement of any legal proceeding by any Owner or Owners against the Declarant or any Declarant Party based upon a claim for defects in the design or construction of any Separate Interest or Site, or any defect in any portion of the Common Areas or Common Facilities, the Owner(s) must first comply with the provisions of this subparagraph (d). If at any time during the ten (10) year period following the Close of Escrow for the original Owner's purchase of such Separate Interest or Site from the Declarant, as such period may be extended by any applicable tolling statute or provision, or any shorter period as provided by applicable law, such Owner believes that the Declarant has violated any of the functionality standards set forth in sections 896 and 897 of the Construction Claims Statute ("Claimed Defect") which such Owner feels may be the responsibility of the Declarant, the Owner shall promptly notify the Declarant's agent for notice of construction defect claims on file with the Secretary of State.

Such notice shall include: (i) the claimant's name, address, and preferred method of contact; (ii) a statement that the claimant alleges a violation of the Construction Claims Statute against one or more Declarant Parties; (iii) a reasonably detailed description of the Claimed Defect that is sufficient to determine the nature and location, to the extent known, of the Claimed Defect; (iv) the date when the Claimed Defect was first discovered; and (v) the dates and times when the Owner or Owner's agent will be available during ordinary business hours, so that service calls or inspections by the Declarant Parties or other builder or subcontractor can be scheduled. Any of the Declarant Parties shall, in its sole discretion, be entitled to inspect the applicable property regarding the reported Claimed Defect and, within its sole discretion, shall be entitled to cure such Claimed Defect and may be accompanied on the inspection by other potentially responsible Declarant Parties. Nothing contained in this Section 13.08 shall obligate Declarant to perform any such inspection or repair, nor shall this subparagraph (d) be deemed to increase the Declarant's legal obligations to any Owner.

An Owner's written notice delivered to Declarant shall be a condition precedent to the notifying Owner's right to institute any legal proceeding and to proceed to judicial reference or binding arbitration as set forth in subparagraph (g), below. No Owner shall be entitled to pursue any other remedies available to the Owner, at law or otherwise, including without limitation the filing of any legal proceeding or action, until the Declarant has had the reasonable opportunity to inspect and cure the Claimed Defect. During the term of any written limited warranty provided to the original Owner of the Separate Interest or Site by the Declarant, any conflict between the provisions of this subparagraph (d) and the Limited Warranty shall be resolved in favor of the Limited Warranty. Declarant shall not be liable for any general, special or consequential damage, cost, diminution in value or other loss which the Owner may suffer as a result of any Claimed Defect in the Owner's Separate Interest or Site, which reasonably might have been avoided had the Owner given the Declarant the notice and opportunity to cure as described above within a reasonable time of discovering the Claimed Defect.

Except as otherwise provided in the Declarant's written Limited Warranty, if any, provided to the Owner, nothing contained herein shall establish any contractual duty or obligation on the part of Declarant to repair, replace or cure any Claimed Defect. If an Owner sells or otherwise transfers ownership of such Owner's Separate Interest or Site to any other person during the ten (10) year period commencing with the earlier of substantial completion of the improvement or the date of Recordation of a valid notice of completion with the appropriate

governmental agency, as such period may be extended by any applicable tolling statute or provision, the Owner covenants and agrees to give such other person written notice of these procedures by personal delivery. Each Owner's continuing obligation under this covenant shall be binding upon the Owner and his or her successors and assigns.

(e) Master Association Construction Defect Claims. DECLARANT ELECTS TO USE THE ALTERNATE CONTRACTUAL NON-ADVERSARIAL PROCEDURES CONTAINED IN SECTION 1375 OF THE ACT, EXCEPT AS OTHERWISE PROVIDED HEREIN, RATHER THAN THE STATUTORY PRE-LITIGATION PROCEDURES OF TITLE 7 OF PART 2 OF DIVISION 2 OF THE CALIFORNIA CIVIL CODE (COMMENCING WITH CIVIL CODE SECTION 895, HEREINAFTER THE "CONSTRUCTION CLAIMS STATUTE"), WITH RESPECT TO CLAIMS BY THE MASTER ASSOCIATION. Prior to the commencement of any legal proceeding by the Master Association against the Declarant or any Declarant Party based upon a claim for defects in the design or construction of the Common Area or any Common Facilities, or any other area within The Village at Gray's Crossing that the Master Association has standing to make a claim for defects in the design or construction, the Master Association must first comply with all of the applicable requirements of section 1375 of the Act, as the same may be amended from time to time, or any successor statute thereto. In addition to the requirements of said section 1375, the Declarant shall have an absolute right, but not an obligation to repair an alleged defect or condition claimed by statute, within a reasonable period of time after completion of the inspection and testing provided for in section 1375 and prior to submission of builder's settlement offer under such section.

If the parties to such dispute are unable to resolve their dispute in accordance with the procedures established under section 1375 of the Act, as the same may be amended from time to time, or any successor statute, the dispute shall be resolved in accordance with the judicial reference or binding arbitration provisions of subparagraph (g), below, and the parties to the dispute shall each be responsible for their own attorneys' fees.

The Master Association shall have the power to initiate claims against a Declarant Party for violations of the Construction Claims Statute as soon as the Master Association has one (1) Class A Member. Upon the written request of any Class A member, the Board of Directors shall establish a committee consisting exclusively of Class A Member(s) other than the Declarant to investigate claimed violations of the functionality standards set forth in the Construction Claims Statute. Upon the committee's determination that cause exists to initiate a claim, the decision of whether to initiate a claim shall be made by the affirmative vote of the Class A members other than Declarant. A majority of the votes cast shall be deemed to be the decision of the Master Association, which the Board shall carry out by submitting the necessary claim to Declarant or the appropriate Declarant Party. The Member vote shall be conducted either at a properly convened meeting or by conduct of a vote by written ballot in accordance with California Corporations Code section 7513.

(f) Other Disputes. Any other disputes arising under this Master Declaration, or otherwise, between the Master Association or any Owner and Declarant or any Declarant Party (except for any action taken by the Master Association against the Declarant for delinquent assessments, and any action involving enforcement of any completion bonds) shall be resolved in

accordance with the alternate dispute resolution provisions of subparagraph (g), below. The dispute resolution procedure in subparagraph (g), below, as it applies solely to disputes under this subparagraph (f), shall be deemed to satisfy the alternative dispute requirements of section 1354 of the Act, or any successor statute, as applicable.

(g) Alternate Dispute Resolution Procedures. The following procedures provide for resolution of disputes through general judicial reference or, in the alternative, binding arbitration. In either event, the Declarant, the Master Association and each Owner of a Separate Interest or Site, expressly acknowledge and accept that they are waiving their respective rights to a jury trial.

(i) Judicial Reference. Subject to compliance with the provisions of subparagraphs (a) through (f) of this Section 13.08, to the extent applicable, it is the intention of the Declarant that, except as otherwise expressly provided herein, any and all disputes, based upon which litigation is filed, shall be resolved by judicial reference under California law. Accordingly, except as otherwise expressly provided in this Master Declaration (such as the collection of delinquent assessments) any dispute, between the Master Association or any Owner(s) and the Declarant, or other builder or developer of any Phase within the Overall Development, or between the Master Association and any Owner with respect to the interpretation of any of the provisions of this Master Declaration, or with respect to any alleged breach hereof, or with respect to any other claim related to a Separate Interest or Site or the Common Area or Common Facilities, including, without limitation, any alleged latent or patent construction or design defect within The Village at Gray's Crossing, or any Separate Interest or Site or any part thereof, any alleged violation of the standards set forth in the Construction Claims Statute, and judicial determination to be made under section 1375(b) of the Act, or for alleged damage to the Common Area or any Common Facilities, alleged damage to any Separate Interest or Sites that arises out of, or is integrally related to the Common Area or any Common Facilities, Separate Interests or Sites that the Master Association is obligated to maintain or repair shall be heard by a referee pursuant to the provisions of California Code of Civil Procedure sections 638 through 645.1. Notwithstanding any other provision of this Master Declaration, this Section 13.08 shall not be amended without the written consent of the Declarant. In the event litigation is initiated based upon any such dispute, the following shall apply.

(A) The proceeding shall be brought and held in Nevada County, unless the parties agree to an alternative venue.

(B) The parties shall use the procedures adopted by Judicial Arbitration and Mediation Services ("JAMS") for judicial reference and selection of a referee (or any other entity offering judicial reference dispute resolution procedures as may be mutually acceptable to the parties), however, in no event shall the referee be selected later than sixty (60) days after a notice of claim is filed.

(C) The referee must be neutral and impartial and either a retired judge or a licensed attorney with at least fifteen (15) years experience as a practicing lawyer with substantial experience in relevant real estate matters.

(D) The parties to the litigation shall agree upon a single referee who shall have the power to try any and all of the issues raised, whether of fact or of law, which may be pertinent to the matters in dispute, and to issue a statement of decision thereon to the court. Any dispute regarding the selection of the referee shall be resolved by JAMS or the entity providing the reference services, or, if no entity is involved, by the court with appropriate jurisdiction in accordance with California Code of Civil Procedure sections 638 and 640.

(E) The referee shall be authorized to provide all remedies available in law or equity appropriate under the circumstances of controversy.

(F) The referee may require one or more pre-hearing conferences.

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

(H) A stenographic record of the trial shall be made.

(I) The referee's statement of decision shall contain findings of fact and conclusions of law to the extent applicable.

(J) The referee shall have the authority or rule on all post-hearing motions in the same manner as a trial judge.

(K) The parties shall promptly and diligently cooperate with each other and the referee and perform such acts, as may be necessary for an expeditious resolution of the dispute.

(L) Except as otherwise agreed by the parties or as required by applicable law, neither the Master Association nor any Owner shall be required to pay any fee of the judicial reference proceeding except to the extent of the cost that would be imposed upon the Master Association or Owner if the dispute had been resolved as a dispute in court. The referee may not award against the Master Association or any Owner any expenses in excess of those that would be recoverable as costs if the dispute had been litigated to final judgment in court. Each party to the judicial reference proceeding shall bear its own attorney fees and costs in connection with such proceeding.

(M) The statement of decision of the referee upon all of the issues considered by the referee shall be binding upon the parties, and upon filing of the statement of decision with the clerk of the court, or with the judge where there is no clerk, judgment may be entered thereon. The decision of the referee shall be appealable as if rendered by the court. This provision shall in no way be construed to limit any valid cause of action that may be brought by any of the parties.

(ii) Binding Arbitration. If for any reason the judicial reference procedures in subparagraph (g)(i), above, are legally unavailable at the time a dispute would otherwise be referred to judicial reference, then such dispute shall be submitted to binding arbitration under the rules and procedures in this subparagraph (g)(ii). Any dispute submitted to binding

arbitration shall be administered by the American Arbitration Association ("AAA") in accordance with the AAA's Construction Industry Arbitration Rules in effect on the date of the submission. If such entity is not then in existence, then the dispute shall be submitted to JAMS, and administered in accordance with either the Streamlined Arbitration Rules and Procedures, or (if applicable) the Comprehensive Arbitration Rules of JAMS. Any judgment upon the award rendered by the arbitrator may be entered in and enforced by any court having jurisdiction over such dispute. If the claimed amount exceeds \$250,000.00 or includes a demand for punitive damages, the dispute shall be heard and determined by three (3) arbitrators. Otherwise, unless mutually agreed to by the parties, there shall be one (1) arbitrator. Arbitrators shall have expertise in the area(s) of dispute, which may include legal expertise if legal issues are involved. All decisions concerning the arbitrability of any dispute shall be decided by the arbitrator(s). At the request of any party, the award of the arbitrator(s) shall be accompanied by detailed written findings of fact and conclusions of law. Except as may be required by law or for confirmation of an award, neither party nor the arbitrator(s) may disclose the existence, content, or results. Except as may be required by law or for confirmation of an award, neither party nor the arbitrator(s) may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.

ARTICLE XIV PROTECTION OF MORTGAGEES

The provisions of this Article XIV apply to any Mortgage encumbering a Separate Interest or Site within The Village at Gray's Crossing:

Section 14.01. Mortgages Permitted. Any Owner may encumber his or her Separate Interest or Site with a mortgage.

Section 14.02. Priority of Mortgages. Any lien created or claimed under the provisions of this Master Declaration is expressly made subject and subordinate to the rights of any first Mortgage that encumbers all or a portion of the property comprising The Village at Gray's Crossing, or any Separate Interest or Site, as the case may be, made in good faith and for value, and no such lien shall in any way defeat, invalidate or impair the obligation or priority of such first mortgage unless the first Mortgagee expressly subordinates his or her interest, in writing, to such lien. No breach of the covenants, conditions or restrictions herein contained, nor the enforcement of any lien provisions herein shall affect, impair, defeat or render invalid the lien or charge of any first mortgage made in good faith and for value encumbering any Separate Interest or Site. But all covenants, conditions and restrictions of this Master Declaration shall be binding upon and effective against any Owner whose title is derived through foreclosure or trustee's sale, or otherwise, with respect to a Separate Interest or Site.

Section 14.03. Curing Defaults. A Mortgagee who acquires title by judicial foreclosure, deed in lieu of foreclosure, or trustee's sale shall not be obligated to cure any breach of the provisions of this Master Declaration which is noncurable or of a type which is not practical or feasible to cure. The determination of the Board of Directors made in good faith as to whether a breach is noncurable or not feasible to cure shall be final and binding on all Mortgagees.

Section 14.04. Resale. It is intended that any loan to facilitate the resale of any Separate Interest or Site after judicial foreclosure, deed in lieu of foreclosure or trustee's sale is a loan made in good faith and for value and entitled to all of the rights and protections afforded to other Mortgagees.

Section 14.05. Relationship With Liens Created Under This Master Declaration.

(a) The liens created under this Master Declaration shall be subordinate to the lien of any first Mortgage made in good faith and for value which was recorded prior to the date any such Assessment or fee becomes due.

(b) If any Separate Interest or Site subject to a monetary lien created by any provision hereof shall be subject to the lien of a first Mortgage and (i) the foreclosure of any lien created by anything set forth in this Master Declaration shall not operate to affect or impair the lien of such first Mortgage, and (ii) the judicial foreclosure of the lien of said first Mortgage or the sale under a power of sale included in such first Mortgage (such events being hereinafter referred to as "events of foreclosure") shall not operate to affect or impair the lien hereof, except that any persons who obtain an interest through any of the events of foreclosure shall take title free of the lien hereof for all such charges as shall have accrued up to the time of any of the events of foreclosure, but subject to the lien hereof for all of said charges that shall accrue subsequent to the events of foreclosure.

(c) Any first Mortgagee who obtains title to a Separate Interest or Site by reason of any of the events of foreclosure, or any purchaser at a private or judicial foreclosure sale of a first mortgage, shall take title to such Separate Interest or Site free of any lien or claim for unpaid Assessments or fees against such Separate Interest or Site which accrue prior to the time such first Mortgagee or purchaser comes into possession of the Separate Interest or Site.

(d) Nothing in this Section shall be construed to release any Owner from his or her obligation to pay for any Assessment or fee levied pursuant to this Master Declaration.

Section 14.06. Special Provisions for Eligible Mortgage Holders. As used in this Section, an "eligible" mortgage holder, insurer or guarantor is one who has requested notice of certain actions in accordance with Section 14.08 herein below. The following provisions are imposed for the benefit of eligible mortgage holders:

(a) Any restoration or repair of any portion of The Village at Gray's Crossing, after a partial condemnation or damage due to an insurable hazard, shall be performed substantially in accordance with the Master Declaration and the original plans and specifications, unless other action is approved by eligible holders holding Mortgages on Separate Interests or Sites which have at least fifty-one percent (51%) of the votes of Separate Interests or Sites subject to eligible holder Mortgages.

(b) Any election to terminate the legal status of the Village at Gray's Crossing or any portion thereof after substantial destruction or a substantial taking in condemnation of any portion of The Village at Gray's Crossing must require the approval of eligible holders holding Mortgages on Separate Interests within that Phase which have at least fifty-one percent (51%) of the votes of Separate Interests subject to eligible holder Mortgages.

(c) No reallocation of interests in the Common Areas resulting from a partial condemnation or partial destruction of The Village at Gray's Crossing may be effected without the prior approval of eligible holders holding Mortgages on all remaining Separate Interests whether existing in whole or in part, and which have at least fifty-one percent (51%) of the votes of such remaining Separate Interests subject to eligible holder Mortgages.

(d) When professional management has been previously required, any decision to establish self management by the Master Association shall require the prior consent of Owners of Separate Interests to which at least sixty-seven percent (67%) of the votes in the Master Association are allocated and the approval of eligible holders holding Mortgages on Separate Interests which have at least fifty-one percent (51%) of the votes of Separate Interests subject to eligible holder mortgages.

(e) Except as otherwise provided in subparagraphs (a) through (d), above:

(i) The consent of Owners of Separate Interests to which at least sixty-seven percent (67%) of the votes in the Master Association are allocated and the approval of eligible holders holding Mortgages on Separate Interests which have at least sixty-seven percent (67%) of the votes of Separate Interests subject to eligible holder Mortgages, shall be required to terminate the legal status of The Village at Gray's Crossing.

(ii) The consent of the Owners of Separate Interests to which at least sixty-seven percent (67%) of the votes in the Master Association are allocated, the consent of sixty-seven percent (67%) of the Owners of Commercial Spaces, and the approval of eligible holders holding mortgages on Separate Interests which have at least fifty-one percent (51%) of the votes of Separate Interests subject to eligible holder Mortgages, shall be required to add or amend any material provisions of this Master Declaration, the Articles or the Bylaws, which establish, provide for, govern or regulate any of the following:

- (A) Voting rights;
- (B) Increases in Annual Assessments (excluding any increase due to an Approved Annual Assessment Adjustment) that raise the most recent Annual Assessment amount by more than twenty percent (20%), Assessment liens or the priority of Assessment liens;
- (C) Reserves for maintenance, repair and replacement of the Common Areas and Common Facilities;
- (D) Insurance or fidelity insurance requirements;
- (E) Rights to use of the Common Areas;
- (F) Responsibility for maintenance and repair of any portion of the Overall Development;

- (G) Expansion or contraction of the Overall Development or the addition, annexation or withdrawal of property to or from the Overall Development;
- (H) The interests in the Common Areas;
- (I) The boundaries of any Separate Interest or Site; or
- (J) Convertibility of Separate Interests, Sites or Parcels into Common Areas or of Common Areas into Separate Interests, Sites or Parcels;
- (K) Leasing of Separate Interests or Parcels;
- (L) Imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer or otherwise convey his or her Separate Interest;
- (M) Any provisions which are for the express benefit of Mortgage holders, eligible mortgage holders or eligible insurers or guarantors of first mortgages on Separate Interests or Parcels.

Section 14.07. Changes Requiring Additional First Mortgages Approval. Except upon the prior written approval of at least two-thirds of all first Mortgagees (based on one vote for each first mortgage owned), neither the Master Association nor the Members shall be entitled to do any of the following:

(a) By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer Common Area either directly or indirectly, except in connection with the annexation of additional property or as otherwise authorized by this Master Declaration; provided, however, the granting of easements for public utilities or for other public purposes consistent with the intended use of such Common Area shall not be deemed a transfer within the meaning of this subsection.

(b) Change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner and his or her Separate Interest or Site.

(c) Fail to maintain fire and extended coverage insurance on insurable Master Association property including the Common Area and Common Facilities, on a full current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value, or use casualty insurance proceeds for losses to any part of The Village at Gray's Crossing for other than the repair, replacement and reconstruction of such improvements except as provided by statute in case of substantial destruction.

(d) By act or omission, change, waive or abandon the provisions hereof, or enforcement thereof, pertaining to architectural design, exterior appearance, exterior maintenance of structures or the maintenance of Common Area, including the maintenance of the Common Area walks or common fences and driveways, or the upkeep of lawns and plantings.

(e) If professional management is required, effectuate a decision to terminate professional management and assume self management of The Village at Gray's Crossing.

(f) Add or amend the material provisions of the Master Declaration, the Articles or Bylaws which are set forth in Section 14.06(e)(ii), above.

Section 14.08. Notice to First Mortgagees Upon Request. Upon written request to the Master Association identifying the name and address of the holder, insurer or guarantor and the Separate Interest number or address, the holder of any first mortgage or the insurer or guarantor of a first mortgage will be entitled to timely written notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of the Common Area or Common Facilities or any Separate Interest or Site on which there is a first mortgage held, insured or guaranteed by such first mortgage holder, insurer or guarantor;

(b) Any delinquency in the payment of Assessments, fees or charges owed by an Owner of a Separate Interest or Site subject to a first mortgage held, insured or guaranteed by such holder, insurer or guarantor, which remains uncured for a period of sixty (60) days;

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

(d) Any proposed action which would require the consent of a specified percentage of Mortgagees as specified in Section 14.06 or 14.07, above.

Section 14.09. Right to Inspect Received Statements, Attend Meetings.

(a) All Owners, Lessees, and all holders, insurers or guarantors of any first mortgage shall be entitled to inspect current copies of the Master Declaration, the Bylaws, the Rules and any other rules concerning The Village at Gray's Crossing and the books, records and financial statements of the Master Association. Such inspection shall be upon request, during normal business hours or under other reasonable circumstances.

(b) All holders, insurers or guarantors of a first mortgage shall be entitled, upon written request, to receive a copy of the annual financial statement for the immediately preceding fiscal year of the Master Association, subject to a reasonable charge as determined by the Board of Directors to the party so requesting. Such financial statement shall be furnished within a reasonable time following such request.

(c) Any first Mortgagee shall, upon written request to the Master Association, be entitled, subject to a reasonable charge as determined by the Board of Directors, to receive written notice of all annual and special meetings of the Members, and first Mortgagees shall further be entitled to designate a representative to attend all such meetings; provided, however, nothing contained in this Section shall give a first Mortgagee the right to call a meeting of the Board of Directors or of the Members for any purpose or to vote at any such meeting.

Section 14.10. Right of First Refusal. The right of an Owner to sell, transfer or otherwise convey his or her Separate Interest is not subject to any "right of first refusal" in favor

of the Master Association. In the event this Master Declaration is amended to provide for any right of first refusal in the Master Association, the rights of first refusal shall not impair the rights of a first Mortgagee to (i) foreclose or take title pursuant to the remedies stated in the First Mortgage, (ii) accept a deed or assignment in lieu of foreclosure, or (iii) sell or lease a Separate Interest acquired by the first Mortgagee.

Section 14.11. Conflicts. In the event of any conflict between any of the provisions of this Article XIV and any of the other provisions of this Master Declaration, the provisions of this Article shall control.

Section 14.12. Mortgagees' Right to Cure Defaults. First Mortgagees of Separate Interests or Parcels 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 owned by the Master Association and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for such Common Area, and first Mortgagees making such payments shall be owed immediate reimbursement therefor from the Master Association.

Section 14.13. Distribution Right. No provision of this Master Declaration, or the Articles or the Bylaws, or any Rules established thereunder, shall be deemed to give an Owner, or any other party, priority over any rights of first Mortgagees of a Separate Interest pursuant to their mortgages in the case of a distribution to Owners of insurance proceeds of condemnation awards for losses to or a taking of Separate Interests.

ARTICLE XV ANNEXATION

Section 15.01. Annexations, Generally. Any or all of the Annexable Property, as identified in Exhibit "B", may be annexed to The Village at Gray's Crossing and made subject to this Master Declaration by any of the methods hereinafter set forth. In this Article XV, any reference to the "annexed property" or to an "annexed Phase" shall mean that portion of the Annexable Property that is described in a duly Recorded Declaration of Annexation or Supplemental Declaration.

Section 15.02. Declarant and Merchant Builder Unilateral Annexation Rights.

(a) Rights of the Declarant. Declarant submitted a plan of phased development for The Village at Gray's Crossing to the California Department of Real Estate that identifies the lands that are more particularly described in Exhibit "B" as Annexable Property that can be brought into the coverage of this Master Declaration and the jurisdiction and Membership obligations of the Master Association, following the Recordation of this Master Declaration with respect to the Initial Covered Property. Such annexation shall be in the sole option of the Declarant and shall not require the approval of the Master Association, its Board or Members, so long as the plan for phased development includes at least the following elements:

(i) Proof satisfactory to the Commissioner of the California Department of Real Estate that no proposed annexation will result in an overburdening of Common Facilities;

(ii) Proof satisfactory to the Commissioner that no proposed annexation will cause a substantial increase in Assessments against existing Owners of Separate Interests or Sites within the Overall Development which was not disclosed in a Public Report under which such Owners purchased their interests in the Overall Development; and

(iii) Identification of the Phase proposed to be annexed and the total number of Separate Interests and Sites then contemplated by the Declarant for The Village at Gray's Crossing;

(iv) A written commitment by the Declarant to pay to the Master Association, concurrently with the closing of the escrow for the first sale of a subdivision interest in the Phase, an appropriate amount for reserves for replacement or deferred maintenance of Common Area improvements in the Phase necessitated by or arising out of the use and occupancy of residences under a rental program conducted by the Declarant which has been in effect for a period of at least one year as of the date of closing of the escrow for the first sale of a Separate Interest in the Phase.

(b) Rights of Merchant Builders. If a Merchant Builder acquires a Phase or other portion of the Overall Development pursuant to a large lot subdivision map with the intention of further subdividing the acquired real property into multiple Phases which include Separate Interests and/or Sites, the Merchant Builder shall enjoy the same rights of annexation as to the acquired real property as are conferred on the Declarant by subparagraph (a), above (and subject to the same conditions and limitations as bind the Declarant). Furthermore, if a Merchant Builder desires to annex property encumbered by a Supplemental Declaration, Declarant's prior written consent to the Recordation of the Supplemental Declaration must be obtained. See Section 15.06, below.

Section 15.03. Other Annexations. In addition to annexations effected by the Declarant or a Merchant Builder pursuant to Section 15.02, above, annexations of other real property may be made by Declarant with the approval by vote or written consent of Members entitled to exercise not less than two-thirds (2/3rds) of the voting power of each class of membership of the Master Association. After the Class B membership has ceased, the affirmative vote of at least two-thirds of the voting power of Members other than Declarant shall be required to approve annexations pursuant to this Section 15.03. Upon obtaining the requisite approval of the Members pursuant to this section, Declarant shall Record a Declaration of Annexation and, if appropriate, a Supplemental Declaration, as more particularly described in Sections 15.05 and 15.06, below.

Section 15.04. Conveyances of Common Area. Fee simple title to any Common Area within the annexed property to be owned by the Master Association (other than Common Area to be owned by a Project Association or Common Area simply to be maintained by the Master Association, as in the case of certain median strips and other public property) shall be conveyed to the Master Association free and clear of any and all encumbrances and liens, other than current real property taxes, which taxes shall be prorated to the date of transfer, and any liens,

rights of way, reservations, easements, covenants, conditions and restrictions and other encumbrances then of record and disclosed on a preliminary title report for the annexed property which is approved by the Master Association prior to annexation. The conveyance of Common Area to the Master Association shall occur immediately following recordation of the Declaration of Annexation, unless otherwise agreed in writing by the owner of the annexed property and the Board of Directors.

Section 15.05. Declarations of Annexation.

(a) Effect of Recordation of a Declaration of Annexation. Any annexation of portions of the Annexable Property to the Overall Development authorized by this Master Declaration shall be made by Recording a Declaration of Annexation with respect to the real property which is being annexed. The Declaration of Annexation shall be executed by the Declarant or the Owner thereof and shall extend this Master Declaration to such real property. Recordation of a Declaration of Annexation shall (i) cause the real property described in the Declaration of Annexation to be annexed to and become a part of The Village at Gray's Crossing; (ii) subject the annexed real property to this Master Declaration, and thereby subjecting said real property to the covenants conditions and restrictions contained herein; (iii) subject the annexed real property to Assessment by the Master Association in accordance with Article IV, above; (iv) subject the annexed real property to the functions, powers and jurisdiction of the Master Association; and (v) confer upon the Owners of Separate Interests and Sites within the annexed real property the rights and obligations of Members of the Master Association, as set forth in this Master Declaration and the other Governing Documents.

(b) Contents of Declaration of Annexation. Any Declaration of Annexation shall include the following:

(i) Legal Description of the Annexed Property. A legal description of the property included in the annexed Phase, separately identifying Separate Interests, Sites, Project Lots, and any Common Areas;

(ii) Statement Regarding Commencement of Assessments. A specified date on which Assessments shall commence for Separate Interests and Sites in the annexed Phase, provided that the date specified may not be later than the first day of the first month following the month in which the first Separate Interest or Site in the annexed Phase is conveyed to an Owner other than the Declarant or a Merchant Builder;

(iii) Declarant's Commitment Concerning Reserve Contributions Relating to Rental Programs. A written commitment by Declarant to pay to the Master Association, concurrently with the close of escrow for the first sale of a Separate Interest or Site in an annexed Phase, appropriate amounts for reserves for replacement or deferred maintenance of Common Facilities in the annexed Phase necessitated by or arising out of the use and occupancy of residential Separate Interests under a rental program conducted by Declarant which has been in effect for a period of at least one (1) year as of the date of closing of escrow for the first sale of a Separate Interest in the annexed Phase; and

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

Supplemental restrictions may not alter the general common plan or scheme created by this Master Declaration, revise any restriction imposed by a governmental entity as a condition of Subdivision Map approval (without the consent of that entity), or revoke, modify or add to the covenants, conditions and restrictions imposed by this Master Declaration with respect to the Initial Covered Property or any portion of the Annexable Property annexed to the Overall Development prior the annexed Phase. If supplemental restrictions are considered necessary or appropriate for a particular Phase, they shall be set forth in a Supplemental Declaration attached to, or incorporated in, the Declaration of Annexation (see Section 15.06, below).

Portions or all of the Annexable Property may be annexed to The Village at Gray's Crossing and become subject to this Master Declaration in accordance with this Section. Although the present intention of the Declarant is to develop The Village at Gray's Crossing in conformance with the plan of phased development described herein and in the Entitlements Documents, nothing in this Master Declaration shall be construed or interpreted to commit Declarant to the development or annexation of any portion of the Annexable Property in accordance with any present planning.

Section 15.06. Supplemental Declarations.

(a) Authority to Record Supplemental Declarations. During the course of developing The Village at Gray's Crossing, it may become necessary or appropriate for the Declarant or a Merchant Builder, with approval of the Declarant, to Record a Supplemental Declaration. Recordation of Supplemental Declarations by the Declarant (or by a Merchant Builder with the approval of the Declarant) for a particular Phase is hereby approved at any time prior to the sale of any Separate Interests in that Phase to a third party. In addition, if the Declarant conveys a Phase to a builder of Condominium Project, cluster or townhome residences or conveys a commercial parcel to an Owner or developer who intends to construct, sell and/or lease offices or units in the business or commercial facility constructed or to be constructed on the parcel, the Declarant may join with such purchasers in Recording a Supplemental Declaration applicable to that Phase or commercial parcel.

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

(i) Description of Common Areas and Common Facilities. A description of any Common Areas (including all exclusive use common areas, as that term is defined in section 1351(i) of the California Civil Code) and Common Facilities within the annexed Phase;

(ii) Specification of Property Use Restrictions Applicable to the Annexed Property. Property use restrictions and design and building standards which shall apply solely to the Separate Interests (and any Improvements constructed thereon) within the annexed Phase, and/or property use restrictions and design and building standards which supplement amend or replace restrictions set forth in this Master Declaration so as to conform to the design or contemplated use of Improvements located or planned for construction within the annexed Phase;

(iii) Separate Design Review. A separate design review committee to perform design review and approval functions described in the Supplemental Declaration with respect to Improvement projects on Separate Interests and Sites in the annexed Phase (if different from those described in Article V, above) or to perform the functions described in Article V in lieu of the Design Review Committee constituted in accordance with Section 5.03, above. If a particular Separate Interest or Site is affected by a Supplemental Declaration that establishes a separate design review committee, that committee shall have jurisdiction over the initial design and construction of any Improvements proposed for construction on such Separate Interest, as well as subsequent changes in exterior design or appearance; provided, however, that the Supplemental Declaration can provide that the committee's determination must also be ratified by the Design Review Committee organized pursuant to Section 5.03, above;

(iv) Supplemental or Separate Improvement Requirements. Supplemental Declarations may also include authorization for the adoption of separate or supplemental improvement requirements applicable to Improvement projects on Separate Interests and Sites located within the annexed Phases; and

(v) Establishment of Sub-Association(s). A Supplemental Declaration may, but need not, provide for the establishment of a sub association, to be comprised of Owners of Separate Interests or Sites within the area encompassed within the Supplemental Declaration (each, a "Project Association"); and

Section 15.07. Annexation and Amendment/Rescission of Declaration of Annexation. The Declarant has the right, at its sole option, to (i) amend a Declaration of Annexation, or (ii) remove from the Overall Development any property described in a recorded Declaration of Annexation by executing and recording a rescission of the Declaration of Annexation, so long as all of the following conditions are satisfied at the time of the execution of the amendment or rescission: (a) no Site in the annexed property has been conveyed to an Owner; and (b) assessments have not commenced for any Site in the annexed property. If Common Area in such annexed property has been conveyed to the Master Association, then in the event of a rescission, such Common Area shall be conveyed back to the annexing party promptly after the rescission. In the event of an amendment, if the amendment is such that some portion of that annexed property's Common Area theretofore conveyed to the Master Association is excluded from the annexation, such portion shall be conveyed back to the annexing party promptly after the rescission.

Section 15.08. Taxes and Assessments. All taxes and other assessments relating to property to be annexed under Sections 15.02 and 15.03, above, covering any period prior to the annexation of such property, shall be paid or otherwise satisfactorily provided for by the annexing party prior to annexation.

Section 15.09. Improvements. Unless otherwise authorized by the Design Review Committee, all existing improvements or intended infrastructure improvements in property to be annexed under Sections 15.02 and 15.03, above, shall be substantially completed or bonded to the satisfaction of the local governmental agency with authority therefor prior to annexation, and shall be consistent with the Design Guidelines for the property.

Section 15.10. Effect of Annexation. The Recordation of a Declaration of Annexation shall constitute and effectuate the annexation of the Annexable Property described therein, and thereupon the Annexable Property shall become and constitute a part of the Overall Development, and be subject to, and encompassed within, the general plan and scheme of this Master Declaration. Separate Interests and Sites within the annexed property shall thereupon become subject to assessment by the Master Association and to the functions, powers and jurisdiction of the Master Association, and the Owners of Separate Interests or Sites within the annexed real property shall automatically become Members of the Master Association.

Section 15.11. Deannexation. Portions of the Overall Development may be deleted from the coverage of this Master Declaration and the jurisdiction of the Master Association so long as: (i) the Board of Directors approves the deannexation; (ii) a Notice of Deletion of Territory is Recorded; and (iii) the deannexation will not cause a substantial increase in the Master Association's Annual Assessments, as determined by the Board of Directors, unless the deannexed portion's assessment obligations to the Master Association are otherwise provided for by a written agreement approved by the Board of Directors. To deannex a portion of the Overall Development, the Owner thereof and the Master Association shall execute, acknowledge and Record a Notice of Deletion of Territory, containing a legal description of the portion and recitals attesting to satisfaction of the requirements of this Section 15.11.

Section 15.12. All Annexed Property Subject to the Covenants. All property which becomes part of The Village at Gray's Crossing by way of annexation, shall, as a condition to such annexation, become subject to the Covenants, pursuant to a recorded amendment to the Covenants, subjecting such annexed property to the Covenants, in form prescribed by the Board of Directors.

ARTICLE XVI DECLARANT AND MERCHANT BUILDER PRIVILEGES AND EXEMPTIONS

Section 16.01. Interest of the Declarant: Material Actions Requiring Declarant Approval. The Initial Covered Property, subject to this Master Declaration, constitutes a portion of The Village at Gray's Crossing, which the Declarant is causing to be developed. Each Owner of a Separate Interest or Site that is part of the Overall Development acknowledges by acceptance of a deed or other conveyance therefore, whether or not it shall be so expressed in any such deed or other instrument, that the Declarant has a substantial interest to be protected with regard to

assuring compliance with and enforcement of, the covenants, conditions, restrictions and reservations contained in this Master Declaration and any amendments thereto and any Supplemental Declarations recorded pursuant to this Master Declaration. Notwithstanding any other provisions of the Governing Documents, until such time as the Declarant is no longer entitled to unilaterally annex property to the Overall Development, the following actions, before being undertaken by the Members or the Master Association, shall first be approved in writing by the Declarant:

(a) Specified Approvals. Any amendment or action requiring the approval of the Declarant pursuant to this Master Declaration, and any amendment or action requiring the approval of first Mortgagees pursuant to this Master Declaration (the Master Association shall provide the Declarant with all notices and other documents to which a Mortgagee is entitled pursuant to this Master Declaration, provided that the Declarant shall be furnished such notices and other documents without making written request);

(b) Special Assessments. The levy of a Special Assessment for the construction of new facilities by the Master Association not originally included in the Common Areas;

(c) Service/Maintenance Reductions. Subject to Section 4.02(e), above, regarding limitations on Regular Assessment increases without Member approval, any significant reduction of Common Area maintenance or other services or entering into contracts for maintenance or other goods and services benefiting the Master Association or the Common Area at contract rates which are fifteen percent (15%) or more below the reasonable cost for such maintenance, goods or services; or

(d) Design Guidelines. Any supplement or amendment to the Design Guidelines, including Design Guidelines applicable to a particular Phase within the Overall Development (see Section 5.05, above).

Section 16.02. Exemptions From Restrictions Otherwise Applicable. Nothing in the Governing Documents shall limit and no Owner, Project Association or the Master Association shall do anything to interfere with: (i) the right of Declarant and Merchant Builders, either directly or through their respective agents and representatives, to subdivide, re-subdivide, sell, resell, rent or re-rent any portion of The Village at Gray's Crossing, or the right of Declarant or a Merchant Builder as to any Phase that a Merchant Builder is developing to complete excavation, grading, construction of Improvements or other development activities to and on any portion of The Village at Gray's Crossing owned by Declarant or a Merchant Builder or to alter the foregoing and its construction plans and designs, or to construct such additional Improvements as Declarant or the Merchant Builder deems advisable in the course of development of The Village at Gray's Crossing so long as any Separate Interest or any portion of The Village at Gray's Crossing is owned by Declarant or a Merchant Builder.

The rights reserved to the Declarant and to Merchant Builders pursuant to this Section 16.02 shall include, but shall not be limited to, carrying on by Declarant or any Merchant Builder and their respective agents and representatives of such grading work as may be approved by the County of Placer or other agency having jurisdiction, and erecting, constructing and maintaining on or within The Village at Gray's Crossing such structures (including, without limitation,

temporary sales and construction offices or trailers, sales offices or model homes), signs and displays as may be reasonably necessary for the conduct of its business of completing the work and disposing of the same by sale, lease or otherwise. Notwithstanding the foregoing, any signage, banners, model homes and other marketing programs or activities of a Merchant Builder within The Village at Gray's Crossing must be approved in advance by the Declarant and be consistent with the rights and obligations of the Declarant and its successors in interest. Said approval may be included in the documentation by which a Merchant Builder acquires a Phase from the Declarant for development and resale.

Each Owner, by accepting a deed to a Separate Interest, hereby acknowledges that any construction or installation by Declarant or by a Merchant Builder may impair the view of such Owner, and hereby consents to such impairment. Merchant Builders shall have the right to apply to the County of Placer for special use permits needed in connection with their Separate Interest sales activities.

Section 16.03. Rights to Use Common Areas and Common Facilities in Connection With Development and Sales Activities. Declarant and any Merchant Builder who is given permission by the Declarant may enter upon the Common Area, for the benefit of Declarant, for the benefit of the authorized Merchant Builder, or for the benefit of portions of the Overall Development whether or not then annexed, or any combination of them, to complete the development, improvement and sale of Separate Interests and the construction of any landscaping or other Improvement to be installed on the Common Area, as well as the right of nonexclusive use of the Common Areas and the Common Facilities, without charge, for sales, display, access, ingress, egress, exhibition and occasional special events for promotional purposes, which right Declarant hereby reserves; provided, however, that such use rights shall terminate on the date on which Declarant or any authorized Merchant Builder no longer owns any Separate Interests within The Village at Gray's Crossing and Declarant's unilateral right to annex portions of the Annexable Property has expired. Such use shall not unreasonably interfere with the rights of enjoyment of the other Owners as provided herein, and all direct costs and expenses associated with Declarant and/or Merchant Builder sales and promotional activities shall be borne solely by the sponsor of the activity or event. The rights reserved to the Declarant and to Merchant Builders by this Section shall extend to any employee, sales agents, prospective purchasers, customers and/or representatives of the Declarant or any Merchant Builder.

Section 16.04. Amendment of Plans. Subject to approval, as necessary, by the County of Placer, Declarant may, from time to time as it deems fit, amend its plans for The Village at Gray's Crossing, combine or split Separate Interests or Parcels, and apply for changes in any or all of the Entitlement Documents, changes in zoning, use and use permits, for any property within The Village at Gray's Crossing. Notwithstanding the anticipated development of the Initial Covered Property, nothing in this Master Declaration shall be construed or interpreted to commit the Declarant to the development of any portion of the Initial Covered Property, or to the annexation of all or any part of the Annexable Property to this Master Declaration or the Overall Development, whether or not it is so developed.

Section 16.05. Right to Enforce Design Review and Approval Requirements. For so long as the Declarant has the right to appoint any members of the Design Review Committee, the Declarant shall have the right to initiate action to correct or prevent any activity, condition or

Improvement that is not in substantial compliance with approved plans and specifications to the same extent as the Master Association if: (a) the Committee has issued a Notice of Noncompliance; and (b) the Master Association, after having a reasonable opportunity to do so, is unable or unwilling to initiate enforcement action. In the event that such action is initiated by the Declarant and it is later determined by an arbitrator or a court of competent jurisdiction that the Owner of the subject Separate Interest was, in fact, proceeding in violation of the approved plans and specifications, any reasonable costs incurred by the Declarant in initiating enforcement action, including reasonable attorneys fees, which are not the subject of an award of fees and/or costs against the offending Owner may be charged to the Master Association pursuant to Section 5.10, above. If a Supplemental Declaration establishes a separate design or architectural review committee with jurisdiction within the Phase covered by the Supplemental Declaration (see Section 15.06(b)(iii), above) and a Merchant Builder has authority to appoint any members of the separate committee, the Merchant Builder shall also enjoy the rights and powers conferred by this section with respect to architectural or design compliance within the Phase.

Section 16.06. Grants and Relocations of Easements. Declarant shall have the right at any time prior to acquisition of title by a grantee to establish additional easements, reservations and rights-of-way to itself, its successors and assigns in any conveyance of the Overall Development or any portion thereof. Declarant or the organization for whose benefit easements, reservations and rights-of-way have been established shall have the right at any time to cut and remove any trees or branches or any other unauthorized object from such easements, reservations or rights-of-way. Any Common Area comprising easements over real property the fee title to which has not been made subject to this Master Declaration (“Interim Easement Area”) shall be subject to relocation, modification or termination by Declarant in order to accommodate the final plan of development for the future Phase in which the Interim Easement Area is located. Such relocation, modification or termination shall be set forth in the Recorded instrument annexing fee title to the Interim Easement Area to this Master Declaration and may include the reservation of easements of access, ingress and egress in favor the Master Association to permit access to Association facilities. Notwithstanding the foregoing, no such relocation, modification or termination shall prevent access to any Separate Interest, Site, Lodge or Parcel, or within The Village at Gray’s Crossing.

Section 16.07. Termination of Any Responsibility of Declarant. In the event the Declarant conveys all of its rights, title and interest to any partnership, limited liability company, individual or individuals, corporation or corporations, in and to the Overall Development, and the acquiring person or entity is designated as a successor Declarant as to all the property conveyed, then and in such event, Declarant shall be relieved of the performance of any further duty or obligation hereunder, and such partnership, individual or individuals, corporation or corporations, shall be obligated to perform all such duties and obligations of Declarant. The provisions of this Article XVI shall not terminate any responsibility of Declarant for acts or omissions occurring prior to the conveyance to such partnership, individual or individuals, corporation or corporations. However, this shall not limit Declarant’s right to enter into a contract or agreement dealing with such acts or omissions provided the contract or agreement is enforced by Declarant, if necessary.

Section 16.08. No Amendment or Repeal. So long as Declarant owns any Separate Interests within The Village at Gray’s Crossing, the provisions of this Article XVI may not be

amended or repealed without the prior written consent of Declarant. In addition, as to Merchant Builders, no amendments may be made to this Article XVI which will adversely affect any Merchant Builder who owns property subject to this Master Declaration at the time the amendment or modification is proposed, unless such Merchant Builder consents, in writing, to the amendment.

ARTICLE XVII THE GOLF COURSE

The following provisions of this Article XVII are included in this Master Declaration in anticipation that a Golf Course and related Golf Club facilities are planned for construction and operation on lands that are adjacent to the eastern boundary of The Village at Gray's Crossing. Although it is not the present intention of the Declarant to annex any future Golf Course property to this Master Declaration, the provisions of this Article XVII are for the benefit of the owner or owners and operators of any future adjacent Golf Club or Golf Course property:

Section 17.01. Separate Interests/Parcels Abutting Golf Courses. The provisions of this section shall be subject to modification by Supplemental Declarations affecting any Separate Interests which abut property used or intended for use as a Golf Course. Except as so modified, Separate Interests which abut property used or intended for use as a Golf Course may contain a nondevelopment area extending into the Separate Interest from its boundary with the property used or intended for use as a Golf Course. Such areas shall serve primarily to buffer Golf Course areas from development. Where such nondevelopment area exists, it will be owned by the Owner of the Separate Interest in question, but it shall be subject to restrictions prohibiting structural improvement (including fences) and other uses or activities that would interfere with the visual or practical advantage of such buffer areas. The existence and dimensions of all such non-development areas within a Separate Interest may be shown or noted in a Supplemental Declaration or in Design Guidelines promulgated pursuant to Article V, above, or in connection with any Subsequent Phase. Specific obligations or prohibitions to be observed by an Owner of such Separate Interest may be noted on the recorded Subdivision Map, or in the Declaration of Annexation, or Design Guidelines, or may be established by Rules of the Board to supplement (but not to contravene) this Master Declaration, or may be established in a Supplemental Declaration applicable to a particular Separate Interest(s) in a Phase.

Section 17.02. Resulting from Proximity to Golf Course. Portions of the Overall Development are presently intended for Golf Course and other recreational use and the following matters arise from the proximity of Separate Interests to such facilities. Each Owner who acquires a Separate Interest acknowledges, accepts and assumes the risk of the special benefits and burdens associated with such facilities. The owner of any Golf Course or country club within or adjacent to any Phase of Gray's Crossing, and each and every member, guest, golfer, employee or agent of any Golf Course or country club, disclaims any liability for personal injury or property damage resulting in any way, all or in part, from any of the following items set forth in subparagraphs (a) through (h), inclusive, and each Owner accepts such disclaimer and agrees to release and waive any claims that the Owner, or any guest, invitee, employee or contractor of Owner, may have as a result of any of the following items:

(a) Errant Golf Balls. Owners of Separate Interests, particularly Separate Interests abutting a Golf Course, acknowledge the inherent risk of errant golf balls and assume and accept such risk. Owners acknowledge and accept the risk that golfers may attempt to retrieve errant golf balls from any Separate Interest and each Owner agrees to release and waive any claims Owner may have as a result of such retrieval.

(b) View Impairment/Privacy. Owners of Separate Interests, including Owners of Separate Interests abutting a Golf Course, have no guarantee that their view over and across the Golf Course will be forever preserved without impairment or that the view from the Golf Course will not be impaired. The owner of any Golf Course adjacent to any portion of Gray's Crossing has no obligation to prune or not prune trees or other landscaping and the owner of any Golf Course has reserved the right, at its sole and absolute discretion, to add, change or reconfigure the Golf Course, including any trees, landscapes, tees, bunkers, fairways and greens.

(c) Pesticides and Fertilizers. Pesticides, fertilizers and other chemicals will be utilized in connection with the Golf Course and the Owners acknowledge, accept the use and assume the risk of such pesticides, fertilizers and chemicals.

(d) Overspray. Owners of Separate Interests, particularly Owners of Separate Interests abutting any Golf Course, may experience "overspray" from the Golf Course irrigation system, and the Owners acknowledge, accept and assume the risk of such "overspray."

(e) Noise and Light. Owners of Separate Interests, particularly Owners of Separate Interests in proximity to any clubhouse or maintenance facility, may be exposed to lights, noise or activities resulting from use of the clubhouse for dining and entertainment and use of the parking lot, and the Owners acknowledge, accept and assume the risk of such light, noise or activities.

(f) No Access. Notwithstanding the proximity of any Golf Course to any Separate Interest, and notwithstanding that the Owner of any Separate Interest may have a right to use the Golf Course facilities as a result of membership or other rights acquired separately from ownership of a Separate Interest or membership in the Master Association, no owner, resident or occupant of a Separate Interest has a right of access to any Golf Course directly from their Separate Interest.

(g) Maintenance. Golf Courses require daily maintenance, including mowing, irrigation and grooming, during early morning and evening hours, including without limitation the use of tractors, blowers, pumps, compressors and utility vehicles. Owners of Separate Interests, particularly Owners of Separate Interests in proximity of the Golf Course, will be exposed to the noise and other effects of such maintenance, and the Owners acknowledge, accept and assume the risk of such noise and effects.

(h) Risk of Injury. Each Owner expressly assumes the above detriments and risks of owning property adjacent to a Golf Course and agrees that neither Declarant, the owner or manager of the Golf Course, nor any of their successors or assigns shall be liable to the Owner or to anyone claiming any loss, damage or personal injury, destruction of property, trespass or any other alleged wrong or entitlement to remedy based upon or arising out of the proximity of the

Owner's Separate Interest to the Golf Course. Each Owner of a Separate Interest adjacent to the Golf Course hereby agrees to indemnify and to hold harmless the Declarant and the owner and manager of the Golf Course and their successors and assigns against any and all such claims by the Owner or his or her invitees.

Section 17.03. No Right of Entry of Golf Course Property. Except as provided in Section 2.05, above, neither the Master Association, nor any Owner or Project Association shall have any right of entry on to the Golf Course without the prior written consent of the owner of the Golf Course. Neither the Master Association nor any Owner or Project Association may permit any irrigation water to overspray or drain from their Common Area or Separate Interests onto any portion of the Golf Course, except through storm drainage Improvements constructed by the Declarant. Neither the Master Association nor any Owner or Sub- Association may permit any fertilizer, pesticides or other chemical substances to overspray, drain, flow or be disposed of in any manner upon the Golf Course. If the Master Association or any Owner or Project Association violates the provisions of this subparagraph, they shall be liable to the owner of the Golf Course for all damages to the turf resulting from their violation and shall indemnify and hold harmless the owner of the Golf Course for any fines, penalties or other damages related to water quality enforcement activities by any governmental agency with jurisdiction over such matters.

Section 17.04. No Representations or Warranties. Ownership or operation of the Golf Course may change at any time. The consent of the Master Association or any Owner is not required to effect any change in the ownership or operation of the Golf Course. All Owners are hereby advised that no representations or warranties have been made or are made by Declarant or the owner of the Golf Course regarding the continuing existence, ownership or operation of the Golf Course.

Section 17.05. Right to Membership In or Use of the Golf Course. Neither being an Owner of a Separate Interest within Gray's Crossing or being a Member of the Master Association confers any ownership interest in or right to use the Golf Course. The owner of the Golf Course shall grant memberships in the Golf Course and manage the use of the Golf Course as such Owner sees fit. Except as provided in Section 2.05, above, rights to use the Golf Course are within the exclusive control of the owner of the Golf Course, and will be given to such persons and on such terms and conditions as the owner of the Golf Course may determine from time to time. The owner of the Golf Course may amend or waive its determinations and policies with respect to use of the Golf Course or membership in the Golf Club at any time.

Section 17.06. Amendment. After the expiration of Class B membership (as defined in the Bylaws), the provisions of this article may not be amended without the written consent of the owner of the Golf Course and the written consent of the Declarant; provided, however, that the requirement for prior consent of the Declarant shall terminate when all Annexable Property has been annexed to Gray's Crossing and all of the Separate Interests in Gray's Crossing owned by Declarant have been sold.

**ARTICLE XVIII
NOTICES**

Section 18.01. Mailing Addresses. Any communication or notice of any kind permitted or required herein shall be in writing and may be served, as an alternative to personal service, by mailing the same as follows:

- | | |
|-------------------------------|---|
| If to the Declarant: | The Village at Gray's Crossing, LP, P.O. Box 7270, Avon, Colorado 81620 (or to such other address as the Declarant may from time to time designate in writing to the Master Association). |
| If to any Owner: | To the street address of his or her Lot or to such other address as he or she may from time to time designate in writing to the Master Association for purposes of notice. |
| If to the Master Association: | Village at Gray's Crossing Master Association, at the principal office of the Master Association (or to such other address as the Master Association may from time to time designate in writing to the Owners). |

Section 18.02. Personal Service Upon Co Owners and Others. Personal service of a notice or demand to one of the co Owners of any Site, to any general partner of a partnership which is the Owner of Record of a Site, or to any officer or agent for service of process of a corporation which is the Owner of Record of a Site, shall be deemed delivered to all such co Owners, to such partnership, or to such corporation, as the case may be.

Section 18.03. Deposit in United States Mails. All notices and demands served by mail shall be by first-class or certified mail, with postage prepaid, and shall be deemed delivered four (4) days after deposit in the United States mail in the County.

**ARTICLE XIX
AMENDMENTS**

Section 19.01. By the Declarant. Prior to the first close of escrow for the sale of a Separate Interest or Site to a member of the public pursuant to a transaction requiring the issuance of a Public Report, the provisions of this Master Declaration may be amended or terminated by Recordation of a written instrument signed by the Declarant setting forth such amendment or termination. Notwithstanding any other provisions of this Master Declaration, for so long as the Declarant owns any portion of The Village at Gray's Crossing, the Declarant may unilaterally amend this Master Declaration (i) to conform this Master Declaration to the requirements of DRE, FNMA, GNMA or FHLMC, or the provisions of the Specific Plan or local laws of ordinances then in effect, or (ii) to amend Exhibit "C" hereof to add additional Common Area conveyed to the Master Association, or used, operated and maintained by the Master

Association by easement, by or from the Declarant or in connection with annexation of an additional portion of the Annexable Property, by Recording a written instrument signed solely by the Declarant.

Section 19.02. By a Vote of the Members. This Master Declaration may be amended by Recordation of a certificate, signed and acknowledged by two officers of the Master Association, setting forth the amendment and certifying that such amendment has been approved by (a) Members representing a majority of the voting power of both classes of Membership prior to the Class B termination date, or thereafter a majority of the voting power of the Members of the Master Association other than the Declarant, and (b) the requisite percentage of holders of first Mortgagees as set forth in Article XIV, in the case of those amendments which this Master Declaration requires to be approved by first Mortgagees, and such an amendment shall be effective upon Recording of the amendment. However, if any provision of this Master Declaration requires a greater or lesser percentage of the voting power of the Members or any Class of Members in order to take affirmative or negative action under such provision, the same percentage of such Members shall be required to amend or revoke such provision.

Section 19.03. Approval of First Mortgagees. Any approval by a holder of a first Mortgage required under this Article XVIII or required pursuant to any other provisions of this Master Declaration, shall be given in writing, or shall be deemed to have been given if, within thirty (30) days after receipt of written notice of the proposed action sent via registered or certified mail, return receipt requested, said holder does not submit a written response.

Section 19.04. Other Required Consents. The following provisions of this Master Declaration may only be amended with the prior written approval of the parties listed below:

(a) Amendments Requiring Declarant Approval. For so long as the Declarant owns any Separate Interests in the Overall Development or any annexable Property, the following provisions of this Master Declaration may only be amended or deleted with the prior written consent of the Declarant: Sections 1.20, 1.34, 1.35, 1.65, 2.02, 2.03, 2.05(f), 3.04, 3.11, 5.02(b), 5.03, 5.13, 5.14, 8.15, 8.17, 9.10, 13.08, Article XV, Article XVI, Article XVII, Section 19.01, Section 20.04, and this subparagraph (a).

(b) Amendments Requiring Town of Truckee Approval. Sections 6.02, 6.07, 6.08, 6.09, 7.01(a), 7.01(b), 8.02, 8.18, 8.20, 20.09, 21.11, 21.13 and this subparagraph 19.04(b) and any other section that references the Conditions of Approval imposed by the Town of Truckee.

(c) Amendments Requiring Mortgagee Approval. See Section 14.06(e) and 14.07 and this subparagraph 19.04(c).

Section 19.05. Effective Date of Amendments. Amendments of this Master Declaration shall become effective upon Recordation of the amendment(s) together with a certificate executed by either the president or secretary of the Master Association attesting to the fact that the required percentage of the Members approved the amendment. If an additional party or parties must approve the amendment pursuant to Section 19.04, above, that party or those parties shall also execute the certificate. When recorded, the officer's certificate shall be conclusive evidence of that fact. The certificate reflecting any termination or amendment requiring the

Declarant's consent shall be signed and acknowledged by the Declarant. The Master Association shall maintain in its files the record of all such votes and Mortgagee consent solicitations and disapprovals for a period of at least four (4) years.

ARTICLE XX GENERAL PROVISIONS

Section 20.01. Project Association Enforcement/Owner Enforcement. Any Project Association that may be formed within any Phase of the Overall Development shall cooperate with the Master Association in enforcing the provisions of this Master Declaration with respect to matters and conditions occurring within the Project Lot. Each Owner shall have the right to seek enforcement of the provisions of this Master Declaration.

Section 20.02. Construction.

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

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

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

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

(e) Exhibits. All Exhibits referred to herein are deemed to be incorporated herein by reference, whether or not actually attached.

(f) References to the Declarant and the Master Association. Any reference in this Master Declaration to the Declarant or the Master Association shall include any successors or assignees of such entities' rights and powers hereunder subject, however, to the limitation on the definition of Declarant's successors (see Section 1.21, above).

Section 20.03. References to Statutes and Regulations. This Master Declaration contains many references to California and federal statutes and/or State regulations that are applicable to the property comprising The Village at Gray's Crossing, the Master Association and the Owners of Separate Interests or Sites that are in effect as of the date that this Master Declaration is

Recorded. In the event that any referenced statute or regulation is subsequently amended or superseded, all such references shall thereupon mean and refer to the referenced statute or regulation as so amended, modified or superseded, so long as the amended statute or regulation continues to regulate or pertain to the same subject matter. The Board of Directors, by unanimous vote, shall be entitled to adopt an amendment to this Master Declaration, without necessity of further Member approval, that is limited solely to correct any statutory reference that has changed as the result of a subsequent change in applicable law, so long as the Board (i) receives a written opinion from legal counsel confirming that the proposed amendments are limited to changes required to reflect changes in underlying statutory law that the Association must observe; and (ii) the text of the proposed amendment(s) has been distributed to the Members in accordance with Section 3.08(c), above.

Section 20.04. Termination of the Declarant Responsibilities. In the event the Declarant shall convey all of its rights, title and interest in and to the property comprising The Village at Gray's Crossing to any partnership, individual or individuals, corporation or corporations, then and in such event, the Declarant shall be relieved of the performance of any further duty or obligation hereunder, and such partnership, individual or individuals, corporation or corporations, shall be obligated to perform all such duties and obligations of the Declarant. This Section shall not terminate any responsibility of the Declarant for acts or omissions occurring prior to the conveyance to such partnership, individual or individuals, corporation or corporations. However, this Section shall not limit the Declarant's right to enter into a contract or agreement dealing with such acts or omissions provided the contract or agreement is enforced by the Declarant, if necessary.

Section 20.05. Term. The conditions, covenants and restrictions of this Master Declaration shall run with and bind the land, for a term of sixty (60) years from the date this Master Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years unless extinguished by a written instrument executed by at least seventy-five percent (75%) of the Owners of Sites and such instrument is Recorded. For purposes of determining whether the percentage requirement in the preceding sentence has been met, the total number of Owners shall be equal to the number of votes that could be cast by all Master Association Members after Class B Membership had been converted to Class A Membership.

Section 20.06. Financing Improvement of the Common Area and Common Facilities. The Master Association, through the Board of Directors, shall have the right, in accordance with the Articles and the Bylaws, to borrow money for the purpose of improving the Common Area and Common Facilities, and to mortgage Common Area and Common Facilities owned by it. The lien of such mortgage in the Common Area or Common Facilities shall be subordinate to the rights of the Owners hereunder.

Section 20.07. Rule Against Perpetuities. If any interest purported to be created by this Master Declaration is challenged under the Rule Against Perpetuities or any related rule of law, the interest shall be construed as becoming void and of no effect as of the end of the applicable period of perpetuities computed from the date when the period of perpetuities starts to run on the challenged interest; the "lives in being" for computing the period of perpetuities shall be: (a) those which would be used in determining the validity of the challenged interest; plus (b) those

of the issue of the Board who are living at the time the period of perpetuities starts to run on the challenged interest.

Section 20.08. Change of Circumstances. No change of conditions or circumstances shall operate to extinguish, terminate or modify any of the provisions of this Master Declaration.

Section 20.09. Declarant's Disclaimer of Representations. Anything to the contrary in this Master Declaration notwithstanding, and except as otherwise may be expressly set forth in a Recorded instrument, Declarant makes no warranties or representations whatsoever that the plans presently envisioned for the complete development of The Village at Gray's Crossing can or will be carried out, or that any land now owned or hereafter acquired by it is or will be subjected to this Master Declaration, or that any such land (whether or not it has been subjected to this Master Declaration) is or will be committed to or developed for a particular (or any) use, or that if such land is once used for a particular use, such use will continue in effect.

Section 20.10. Notice of Airport in Vicinity of The Village at Gray's Crossing. As required by the Act, Owners are hereby notified that The Village at Gray's Crossing is located in the vicinity of the Truckee-Tahoe Municipal Airport and is therefore within what is known as an airport influence area. For that reason, the lands comprising The Village at Gray's Crossing may be subject to some of the annoyances or inconveniences associated with proximity to airport operations (for example: noise, vibration, or odors). Individual sensitivities to those annoyances can vary from person to person. You may wish to consider what airport annoyances, if any, are associated with the property before you complete your purchase and determine whether they are acceptable to you. For purposes of this Section, an "airport influence area," also known as "airport referral area," is the area in which current or future airport-related noise, overflight, safety, or airspace protection factors may significantly affect land uses or necessitate restrictions on those uses as determined by an airport land use commission. This statement, which is required by law to be included in the Master Declaration that The Village at Gray's Crossing is located in an airport influence area does not constitute a title defect, lien or encumbrance.

Section 20.11. Notice of Obligation to Join Truckee-North Tahoe Transportation Management Association. As required by Condition of Approval No. 43, the Declarant shall join the Truckee-North Tahoe Transportation Management Association and maintain such membership in perpetuity. The Master Association, upon a transfer of any portion of The Village at Gray's Crossing from the Declarant to the Master Association, shall maintain such membership on behalf of its Members, including the Declarant.

Section 20.12. Notice of Existence of Community Benefit Fee Agreement.

(a) Description and Purpose of Community Benefit Fee Agreements. Owners are hereby notified of the existence of the Community Benefit Fee Agreements that are more particularly described in subparagraph (b), below (each a "Community Benefit Fee Agreement"). Each Community Benefit Fee Agreement requires the payment of a Community Benefit Fee (each a "Community Benefit Fee") upon the sale or exchange of a Residential Separate Interest within The Village at Gray's Crossing. The obligation to pay each Community Benefit Fee upon each such sale or exchange of a Residential Separate Interest is a joint and several obligation of the transferor and the transferee in each transaction and not an obligation of any other Owner that

may be subject to a Community Benefit Fee Agreement. Each Community Benefit Fee derived from the sale or exchange of a Residential Separate Interest shall be paid to the nonprofit public benefit corporation that is a party to the corresponding Community Benefit Fee Agreement. The Community Benefit Fee Agreements create equitable servitudes and covenants running with the lands, within the meaning of Civil Code section 1468, that burden all Residential Separate Interests now located in or hereafter annexed to the Overall Development.

(b) Identification of Community Benefit Fee Agreements. The Community Benefit Fee Agreements referenced in subparagraph (a), above, are more particularly identified as follows:

(i) Community Benefit Fee Agreement in Favor of the Gray's Crossing Community Foundation. Community Benefit Fee Agreement, dated as of December 22, 2003, by and between the Gray's Crossing Community Foundation, a California nonprofit public benefit corporation and Truckee Land, LLC, a Delaware limited liability company, and Recorded on December 30, 2003 as Document No. 2003-0067690-00, and as may be amended from time to time.

(ii) Community Benefit Fee Agreement in Favor of the Tahoe Mountain Resorts Foundation. Community Benefit Fee Agreement, dated as of December 22, 2003, by and between the Tahoe Mountain Resorts Foundation, a California nonprofit public benefit corporation and Truckee Land, LLC, a Delaware limited liability company, and Recorded on December 30, 2003 as Document No. 2003-0067692-00, and as may be amended from time to time.

(iii) Community Benefit Fee Agreement in Favor of the Tahoe Mountain Resorts Environmental Fund. Community Benefit Fee Agreement, dated as of December 22, 2003, by and between the Tahoe Mountain Resorts Environmental Fund, a California nonprofit public benefit corporation and Truckee Land, LLC, a Delaware limited liability company, and Recorded on December 30, 2003 as Document No. 2003-0067691-00, and as may be amended from time to time.

Dated: _____, 2008.

THE VILLAGE AT GRAY'S CROSSING, LP,
a Delaware limited partnership

By: RW Development, Inc.,
a Colorado corporation,
Its: General Partner

By: 
Willis J. Wright, President

EXHIBIT "A"
LEGAL DESCRIPTION OF INITIAL COVERED PROPERTY
VILLAGE AT GRAY'S CROSSING

Lots A1 through A8, inclusive, Lots B1 through B5, inclusive, Lots C1 through C4, inclusive, and Lots "A", "B", "C", "S", "T", "U", "V" and "W", as shown on the final Subdivision Map for "The Villages at Gray's Crossing, Phase 1", filed in the Official Records of Nevada County, California on December 5, 2008 at Book 8 of Maps, Page 182.

EXHIBIT "B"
LEGAL DESCRIPTION OF ANNEXABLE PROPERTY

Lots "D", "E", "F", "G", "H", "I", "J", "K", "L", "M", "N", "O", "P", "Q", and "R", , as shown on the final Subdivision Map for "The Village at Gray's Crossing, Phase 1", filed in the Official Records of Nevada County, California on December 15, 2008 at Book 8 of Maps, Page 18



Nevada County Recorder

Gregory J. Diaz

DOC- 2009-0013606-00

Check Number 2678

Thursday, MAY 28, 2009 15:01:29

REC \$9.00:CCF \$2.00:SBS \$4.00

SSR \$1.00:MIC \$1.00:AUT \$5.00

Ttl Pd \$22.00

Nbr-0000593783

ALB/AB/1-5

**RECORDING REQUESTED BY, AND
WHEN RECORDED, MAIL TO:**

SPROUL - TROST, LLP
Attn: Curtis C. Sproul, Esq.
3721 Douglas Boulevard, Suite 300
Roseville, California 95616

(Space Above For Recorder's Use)

COPY

**FIRST AMENDMENT OF
MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR THE VILLAGE AT GRAY'S CROSSING**

**FIRST AMENDMENT OF THE MASTER DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR THE VILLAGE AT GRAY'S CROSSING**

The Village at Gray's Crossing, LP, a Delaware limited partnership (the "Declarant"), hereby declares as follows:

RECITALS

A. Previously, on December 15, 2008 the Declarant recorded in the Official Records of Nevada County, California, as Document No. 2008-0029832-00, that certain document entitled "Master Declaration of Covenants, Conditions and Restrictions for the Village at Gray's Crossing" (the "Master Declaration").

B. The Master Declaration affects that certain common interest development situated within the County of Nevada, State of California, that is more particularly described in Exhibit "A", attached hereto and incorporated herein by reference (the "Initial Covered Property"). The Initial Covered Property is the first phase of a multi-phased planned development known as The Village at Gray's Crossing.

C. The Declarant is the sole owner of all of the real property comprising the Initial Covered Property.

D. Accordingly, pursuant to Section 19.01 of the Master Declaration, the Declarant hereby acts to amend the Master Declaration in the following respects. The sole purpose of this First Amendment is to revise the definitions of the real property constituting the "Initial Covered Property" and the "Annexable Property":

AMENDMENT

1. Exhibit "A" of the Master Declaration (which defines the real property comprising the "Initial Covered Property") is hereby amended in full to read as set forth in Exhibit "A" of this First Amendment.

2. Exhibit "B" of the Master Declaration (which defines the real property comprising the "Annexable Property") is hereby amended in full to read as set forth in Exhibit "B" of this First Amendment.

3. Except as amended herein, the Master Declaration referenced in Recital "A", above is confirmed and remains in full force and effect.

Dated: May 20, 2009

THE VILLAGE AT GRAY'S CROSSING, LP,
a Delaware limited partnership

By: RW Development, Inc.,
a Colorado corporation,

Its: General Partner

By: 
Willis J. Wright, President

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Placer }

On 5/26/09
Date

before me, Virginia Allee, Notary Public
Here Insert Name and Title of the Officer

personally appeared

Willis J. Wright
Name(s) of Signer(s)

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

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

Virginia Allee
Signature of Notary Public

Place Notary Seal Above



OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: 1st Amendment of Master Declaration of

Covenants

Document Date: _____

Number of Pages: Covenants

Signer(s) Other Than Named Above: _____

Village @ Gray's Crossing

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer Is Representing: _____

Signer's Name: _____

- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer Is Representing: _____

EXHIBIT "A"
LEGAL DESCRIPTION OF INITIAL COVERED PROPERTY
VILLAGE AT GRAY'S CROSSING

Lots B1 through B5, inclusive, and Lots "S", "T", and "W", as shown on the final Subdivision Map for "The Villages at Gray's Crossing, Phase 1", filed in the Official Records of Nevada County, California on December 15, 2008 at Book 8 of Maps, Page 182.

EXHIBIT "B"
LEGAL DESCRIPTION OF ANNEXABLE PROPERTY

Lots A1 through A8, inclusive, Lots c1 through C4, inclusive, "A", "C", "D", "E", "F", "G", "H", "I", "J", "K", "L", "M", "N", "O", "P", "Q", and "R", as shown on the final Subdivision Map for "The Village at Gray's Crossing, Phase 1", filed in the Official Records of Nevada County, California on December 15, 2008, at Book 8 of Maps, Page 182.

**RECORDING REQUESTED BY
FIDELITY NATIONAL TITLE CO**

HS4762

**RECORDING REQUESTED BY, AND
WHEN RECORDED, MAIL TO:**

SPROUL - TROST, LLP
Attn: Curtis C. Sproul, Esq.
3721 Douglas Boulevard, Suite 300
Roseville, California 95616

Nevada County Recorder
Gregory J. Diaz
Document#: 20100015803
Friday July 09 2010, at 08:00:00 AM
Rec Fee: \$49.00
Paid: \$49.00
Recorded By: CP
Fidelity National Title Co Inc

J²
DD

(Space Above For Recorder's Use)

**SECOND AMENDMENT OF
MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR THE VILLAGE AT GRAY'S CROSSING**

**SECOND AMENDMENT OF THE MASTER DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR THE VILLAGE AT GRAY'S CROSSING**

The Village at Gray's Crossing, LP, a Delaware limited partnership (the "Declarant"), with the consent of Gray's Fairway Townhomes, #12, LLC, a Colorado limited liability company (the "Consenting Landowner"), hereby declares as follows:

RECITALS

A. Previously, on December 15, 2008 the Declarant recorded in the Official Records of Nevada County, California, as Document No. 2008-0029832-00, that certain document entitled "Master Declaration of Covenants, Conditions and Restrictions for the Village at Gray's Crossing" and subsequently on May 28, 2009 the Declarant recorded that certain First Amendment of the Master Declaration of Covenants, Conditions and Restrictions for the Village at Gray's Crossing as Document No. 2009-0013606-00, Official Records of Nevada County (collectively the "Master Declaration").

B. The Master Declaration affects that certain common interest development situated within the County of Nevada, State of California, that is more particularly described in Exhibit "A", attached hereto and incorporated herein by reference (the "Initial Covered Property"). The Initial Covered Property is the first phase of a multi-phased planned development known as The Village at Gray's Crossing.

C. The Declarant is the sole owner of all of the real property comprising the Initial Covered Property within the Fairway Townhomes development other than Lot B-4 which is owned by the Consenting Landowner.

D. Accordingly, pursuant to Section 19.01 of the Master Declaration, the Declarant, with the consent of the Consenting Landowner, hereby acts to amend the Master Declaration in the following respects. The sole purpose of this Second Amendment is to revise the definitions of the real property constituting the "Initial Covered Property" and the "Annexable Property":

AMENDMENT

1. Exhibit "A" of the Master Declaration (which defines the real property comprising the "Initial Covered Property") is hereby amended in full to read as set forth in Exhibit "A" of this Second Amendment.

2. Exhibit "B" of the Master Declaration (which defines the real property comprising the "Annexable Property") is hereby amended in full to read as set forth in Exhibit "B" of this Second Amendment.

3. Section 1.09 of the Master Declaration is amended in full to read as follows:

Section 1.09. "Common Area" means all real property owned, controlled or maintained by the Master Association for the common use and enjoyment of the Owners. At the time of the conveyance of the first Separate Interest or Site in the Initial Covered

Property there are no Common Area parcels owned by the Master Association. Unless the context clearly indicates a contrary intent, any reference herein to the "Common Areas" shall also include any Common Facilities located thereon. As future Phases of the Overall Development are annexed in accordance with Article XV, below, the Common Areas that are to be owned, managed and maintained by the Master Association within each annexed Phase shall be identified in the Declaration of Annexation or Supplemental Declaration that pertains to the annexed Phase.

4. Except as amended herein, the Master Declaration referenced in Recital "A", above, as previously amended, is confirmed and remains in full force and effect.

Dated: May 30, 2010

DECLARANT:

THE VILLAGE AT GRAY'S CROSSING, LP,
a Delaware limited partnership

By: RW Development, Inc.,
a Colorado corporation,

Its: General Partner

By: 
Willis J. Wright, President

CONSENTING LANDOWNER:

GRAY'S FAIRWAY TOWNHOMES #12 LLC,
a Colorado limited liability company

By: 
Willis J. Wright, Member

State of Colorado)
) ss
County of Eagle)

On June 21, 2010, before me, Carol Glasson, Notary Public,
[here insert name and title of the officer]

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

WITNESS my hand and official seal.

Signature Carol Glasson
Commission Expiration Date: 2/10/12



EXHIBIT "A"
LEGAL DESCRIPTION OF INITIAL COVERED PROPERTY
VILLAGE AT GRAY'S CROSSING

Lots "B", B1 through B5, inclusive, and Lots "T", "U", and "V", as shown on the final Subdivision Map for "The Villages at Gray's Crossing, Phase 1", filed in the Official Records of Nevada County, California on December 15, 2008 at Book 8 of Maps, Page 182.

EXHIBIT "B"
LEGAL DESCRIPTION OF ANNEXABLE PROPERTY

Lots "A", "A-1" through "A-8", "C", "C-1" through "C-4", "D", "E", "F", "G", "H", "I", "J", "K", "L", "M", "N", "O", "P", "Q", "R", "S", and "W", as shown on the final Subdivision Map for "The Village at Gray's Crossing, Phase 1", filed in the Official Records of Nevada County, California on December 15, 2008, at Book 8 of Maps, Page 182.

8

Nevada County Recorder
Gregory J. Diaz
Document#: 20210030904
Tuesday September 21 2021, at 08:01:00 AM
Rec Fee:\$36.00 CC:\$75.00
Paid: \$111.00
Recorded By:KP

**RECORDING REQUESTED BY, AND
WHEN RECORDED, MAIL TO:**

**SPROUL TROST, LLP
Attention: Kyle C. Sproul, Esq.
3200 Douglas Boulevard, Suite 300
Roseville, CA 95661**

File - 9022000114

(Space Above For Recorder's Use)

**DECLARATION OF ANNEXATION
TO
THE MASTER DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS
FOR
THE VILLAGE AT GRAY'S CROSSING
(Phase 4)**

**DECLARATION OF ANNEXATION
TO
THE MASTER DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS
FOR
THE VILLAGE AT GRAY'S CROSSING
(Phase 4)**

This Declaration of Annexation of Phase 4 (being marketed as "*The Village at Gray's Crossing Townhomes*") to the Master Declaration for the Village at Gray's Crossing ("*Declaration of Annexation*"), is made by Gray's Crossing Investments LLC, a California limited liability company (the "*Declarant*"), in reference to the following facts:

RECITALS

A. The Declarant is the Owner of record of that certain real property located in the County of Nevada, State of California, more particularly described in Exhibit "A, attached hereto and incorporated herein by reference (the "*Annexed Property*").

B. On December 15, 2008, The Village at Gray's Crossing L.P., a Delaware limited partnership (the "*Original Declarant*") recorded in the Official Records of Nevada County, California, a Master Declaration of Covenants, Conditions, and Restrictions for the Village at Gray's Crossing, as Document No. 2008-0029832-00 (the "*Master Declaration for the Village*"). The Master Declaration for the Village was subsequently amended on May 28, 2009, by that certain "First Amendment of the Master Declaration of Covenants, Conditions and Restrictions for the Village at Gray's Crossing" which was recorded in said Official Records as Document No. 2009-0013606-00 (the "*First Amendment to the Master Declaration for the Village*") and by that certain "Second Amendment of Master Declaration of Covenants, Conditions and Restrictions for the Village at Gray's Crossing" which was recorded in said Official Records as Document No. 2010-0015803. In the First and Second Amendments to the Master Declaration for the Village the Annexed Property is identified as being future annexable property. Among other things, the Master Declaration for the Village provides for the formation of an association, comprised of the owners of Separate Interests or Sites that are subject to the Master Declaration for the Village. That association is called The Village at Gray's Crossing Master Association (the "*Master Association*").

C. Section 15.02 of the Master Declaration for the Village provides that additional land within the area described in Exhibit "B" attached to the First and the Second Amendments to the Master Declaration for the Village may be annexed to the Village at Gray's Crossing and subjected to the Master Declaration for the Village by the Declarant without the consent of the Owners of other land subject to the Master Declaration for the Village by recording a Declaration of Annexation describing the property that is being annexed. The Annexed Property is included in the lands that are described in Exhibit "B" attached to the Master Declaration for the Village, as amended. The Declarant now desires to annex the Annexed Property to the Master Development, thereby making it subject to the terms, conditions and restrictions of the

Master Declaration for the Village.

NOW, THEREFORE, the Declarant declares as follows:

1. Annexation.

1.01. Annexation of the Annexed Property. The Declarant declares that the Annexed Property is hereby annexed to and made a part of the Village at Gray's Crossing common interest development. This Declaration of Annexation constitutes a "Declaration of Annexation" as described in Section 15.05 of the Master Declaration for the Village. The Annexed Property, and each part thereof, shall be held, sold leased, transferred, occupied and conveyed subject to the terms, provisions, covenants, conditions, restrictions, easements and equitable servitudes of the Master Declaration for the Village and this Declaration of Annexation.

1.02. Phases. For purposes of determining when the obligation to pay Regular Assessments to the Master Association shall commence with respect to the Annexed Property in accordance with Section 4.02(g) of the Master Declaration for the Village, the Annexed Property shall constitute a Phase (as that term is defined in Section 1.47 of the Master Declaration for the Village).

1.03. Commencement of Assessment Obligations; Notice of Commencement of Assessments. In accordance with Section 4.02(g) of the Master Declaration for the Village, the Declarant hereby elects to commence the payment of Regular Assessments with respect to the Annexed Property on the first day of the calendar month following the date of the first conveyance by Declarant of a Lot within the Annexed Property. Accordingly, this Declaration of Annexation shall constitute a Notice of Commencement of Assessments, as defined in that Section of the Master Declaration for the Village.

1.04. Equitable Servitudes. The covenants, conditions and restrictions of this Declaration of Annexation and the Master Declaration for the Village are imposed as equitable servitudes upon the Annexed Property, as a servient tenement for the benefit of each and every other Lot or Common Area located in the Village at Gray's Crossing, as the dominant tenement.

1.05. Covenants Appurtenant. The covenants, conditions and restrictions of this Declaration of Annexation and the Master Declaration for the Village shall run with, and shall inure to the benefit of, and shall be binding upon all of the Annexed Property, and shall be binding upon and inure to the benefit of all persons (and such persons' heirs, personal representatives, successors and assigns) having, or hereafter acquiring, any right, title or interest in all or any portion of the Annexed Property.

1.06. Membership in the Master Association; Commencement of Voting Rights. The Owners of Lots in the Annexed Property shall also automatically be Members of the Master Association, with a separate membership being appurtenant to each Lot owned and the voting rights in the Master Association that arise from that membership shall commence upon commencement of the obligation to pay Regular Assessments to the Master Association in accordance with Section 1.03(b), above.

2. Reservation of Easements.

2.01. Easements in the Master Declaration for the Village. The Declarant hereby reserves easements over the Annexed Property, as appropriate, for the purposes set forth in Article IX of the Master Declaration for the Village.

2.02. Other Easements. The Annexed Property is hereby declared to be subject to all the easements, dedications and rights-of-way granted or reserved in, on, over and under the Annexed Property as shown on the Subdivision Map for the Annexed Property.

3. Supplemental Declaration. The Master Association shall assume the duty of and provide for the care, operation, management, maintenance, repair and replacement of Lots "G", "H", "I", "K" and "L" within the Annexed Property as if each is considered "Common Area" or "Common Facility" as described in Section 7.01 of the Master Declaration. As provided for in the Subdivision Map for the Annexed Property, Lot "M" (the interior private road commonly known as "Jake's Way") is dedicated in fee to the Town for public purposes, but is not being accepted for maintenance by the Town. Additionally, Lot "W" as shown on that certain map entitled "Final Map No. 02-007, The Village at Gray's Crossing, Phase 1", which Map was filed for record in the Office of the Nevada County Recorder December 15, 2008, in Book 8 of Subdivisions, at Page 182 (the interior private road commonly known as "Edwin Way"), has been dedicated in fee to the Town for public purposes, but is not being accepted for maintenance by the Town.

Accordingly, the Master Association shall additionally assume the maintenance, repair, and replacement obligations for Lots "M" and "W" including, without limitation, the removal and disposition of snow from such roadways. This Supplemental Declaration is being recorded pursuant to the authority conferred by Section 15.06 of the Master Declaration.

4. Incorporation by Reference. The provisions of the Master Declaration for the Village are incorporated herein by this reference and are expressly declared to be applicable to the Annexed Property and to the Owner(s) of the Lots therein, as if the Annexed Property was originally encumbered by the Master Declaration for the Village. Except as otherwise provided herein, all capitalized terms used in this Declaration of Annexation shall have the same meanings that are given to those terms in Article I of the Master Declaration for the Village.

5. Effective Date. This Declaration of Annexation has been executed to be effective as of the date of its Recordation in the Official Records of Nevada County, California.

[signature page to follow]

EXHIBIT "A"
LEGAL DESCRIPTION OF THE ANNEXED PROPERTY

All that certain property situated in the Town of Truckee, County of Nevada, State of California, and more particularly described as follows:

Lots 1 through 24, inclusive, as shown on that certain final subdivision map entitled "Final Map - FM 2020-0000029/FM, The Village at Gray's Crossing", filed on Sept 21, 2021 in the Official Records of Nevada County, California, in Book 9 of Subdivisions, at Page 26.

Common Area Lots "G", "K" and "L", as shown on that certain final subdivision map entitled "Final Map - FM 2020-0000029/FM, The Village at Gray's Crossing", filed on Sept 21, 2021 in the Official Records of Nevada County, California, in Book 9 of Subdivisions, at Page 26.

Common Area Lots "H" and "I", as shown on that certain map entitled "Final Map No. 02-007, The Village at Gray's Crossing, Phase 1", which Map was filed for record in the Office of the Nevada County Recorder December 15, 2008, in Book 8 of Subdivisions, at Page 182.

IN WITNESS WHEREOF, Gray's Crossing Investments LLC, in its capacity as the "Declarant", hereby executes this Declaration of Annexation on Sept 21, 2021.

DECLARANT:

GRAY'S CROSSING INVESTMENTS LLC,
a California limited liability company

By: 

John Abbate, Manager

By: 

Jim Abbate, Manager

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not to the truthfulness, accuracy, or validity of that document.

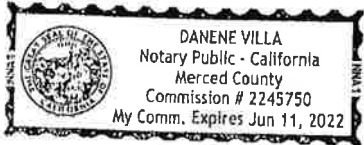
State of California
County of MERCED

On SEPTEMBER 2, 2021 before me, DANENE VILLA, NOTARY PUBLIC
(insert name and title of the officer)

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

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature Danene Villa (Seal)

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not to the truthfulness, accuracy, or validity of that document.

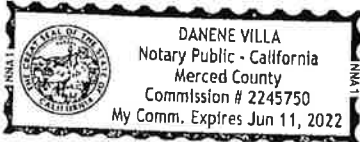
State of California
County of MERCED

On SEPTEMBER 2, 2021 before me, DV DANENE VILLA, JAMES NOTARY PUBLIC
(insert name and title of the officer)

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

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature Danene Villa (Seal)

Village at Grays Crossing Master Association

AP Aging for Ending Date: 9/30/2023

Provider	Current	Over 30	Over 60	Over 90	Total
TAHOE MOUNTAIN RESORTS LODGING Inv # 034729 on 9/30/2023 - Easement Management Fee - Management Fee	165.83	0.00	0.00	0.00	165.83
Total	165.83	0.00	0.00	0.00	165.83

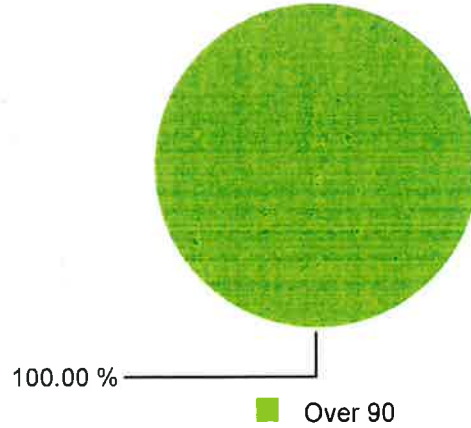
Village at Grays Crossing Master Association

AR Aging - 9/30/2023

SUMMARY

Charge	Balance
Quarterly Easement Cost Sharing Dues (1)	\$10,631.16
Quarterly Village Master Dues (1)	\$4,717.47
Total	\$15,348.63

DISTRIBUTION



Property	0-30	Over 30	Over 60	Over 90	Balance
XTGV17083	-	-	-	\$15,348.63	\$15,348.63
Quarterly Village Master Dues	-	-	-	\$4,717.47	\$4,717.47
Quarterly Easement Cost Sharing Dues	-	-	-	\$10,631.16	\$10,631.16
Total:	\$0.00	\$0.00	\$0.00	\$15,348.63	\$15,348.63
Property Count:	0	0	0	1	

Village at Grays Crossing Master Association

Balance Sheet as of 9/30/2023

	Operating	Reserve	Total
Assets			
Operating Fund Cash			
1000 - Operating Checking Alliance	\$8,167.66		\$8,167.66
Total Operating Fund Cash	\$8,167.66		\$8,167.66
Reserve Fund Cash			
1100 - Reserve Checking Alliance	\$85,272.35		\$85,272.35
Total Reserve Fund Cash	\$85,272.35		\$85,272.35
Receivables			
1200 - Accounts Receivable	\$15,348.63		\$15,348.63
Total Receivables	\$15,348.63		\$15,348.63
Prepays			
1400 - Prepaid Insurance	\$327.24		\$327.24
1410 - Other Prepayments	\$700.00		\$700.00
Total Prepays	\$1,027.24		\$1,027.24
Total Assets	\$109,815.88		\$109,815.88
Liabilities / Equity			
Liabilities			
2000 - Accounts Payable	\$165.83		\$165.83
2300 - Deferred Assessments	\$10,750.98		\$10,750.98
2805 - Due to Village	(\$13,298.52)	(\$3,524.52)	(\$16,823.04)
Total Liabilities	(\$2,381.71)	(\$3,524.52)	(\$5,906.23)
Fund Balances			
3110 - Operating Fund	\$35,907.12		\$35,907.12
3500 - Replacement Fund Balance	\$75,471.92		\$75,471.92
3800 - YTD Net Income	(\$1,655.69)	\$7,049.04	\$5,393.35
3900 - Retained Earnings	(\$1,050.28)		(\$1,050.28)
Total Fund Balances	\$108,673.07	\$7,049.04	\$115,722.11
Total Liabilities / Equity	\$106,291.36	\$3,524.52	\$109,815.88

Village at Grays Crossing Master Association

Bank Account Reconciliation for Period 9/30/2023

Reconciliation Summary

Bank Account	Bank Bal.	Uncleared Items	Adj. Balance	Book Balance	Status
AAB Operating Checking 3207	8,388.49	-220.83	8,167.66	8,167.66	Balanced
AAB Reserve Checking 3911	85,272.35	0.00	85,272.35	85,272.35	Balanced

Unreconciled Items

Date	Description	Check No	Amount
AAB Operating Checking 3207			
9/30/2022	Outstanding Check TMRL		-200.83
9/26/2023	Tahoe Mountain Resorts Lodging	20023	-20.00
Total AAB Operating Checking 3207			-220.83

Reconciled Items

Date	Description	Check No	Amount
AAB Operating Checking 3207			
9/30/2023	September Interest		0.18
8/22/2023	Tahoe Mountain Resorts Lodging - IQW	20020	-690.00
8/23/2023	Tahoe Mountain Resorts Lodging - IQW	20021	-705.00
9/11/2023	Tahoe Mountain Resorts Lodging	20022	-165.83
9/14/2023	McClintock Accountancy Corporation	ACH	-235.00
9/26/2023	Tahoe Mountain Resorts Lodging - IQW	20024	-60.00
Total AAB Operating Checking 3207			-1,855.65
AAB Reserve Checking 3911			
9/30/2023	September Interest		17.52
Total AAB Reserve Checking 3911			17.52

Village at Grays Crossing Master Association

GL Trial Balance For 9/30/2023

	Beginning Balance	Current		Ending Balance
		Debit	Credit	
1000 - Operating Checking Alliance	8,648.31	0.18	480.83	8,167.66
1100 - Reserve Checking Alliance	85,254.83	17.52	-	85,272.35
1200 - Accounts Receivable	15,348.63	-	-	15,348.63
1400 - Prepaid Insurance	654.51	-	327.27	327.24
1410 - Other Prepayments	700.00	-	-	700.00
2000 - Accounts Payable	-480.83	480.83	165.83	-165.83
2300 - Deferred Assessments	-11,373.06	622.08	-	-10,750.98
2805 - Due to Village	15,421.12	1,401.92	-	16,823.04
3110 - Operating Fund	-35,907.12	-	-	-35,907.12
3500 - Replacement Fund Balance	-75,471.92	-	-	-75,471.92
3900 - Retained Earnings	1,050.28	-	-	1,050.28
4010 - Operating Assessments	-6,842.88	-	622.08	-7,464.96
4015 - Reserve Assessments	-6,461.62	-	587.42	-7,049.04
4018 - Commercial Reserve Assessments	-8,959.50	-	814.50	-9,774.00
4020 - Operating Interest Income	-4.35	-	0.18	-4.53
4025 - Reserve Interest Revenue	-188.67	-	17.52	-206.19
6010 - Accounting Fee	617.50	50.00	-	667.50
6020 - Audit & Tax	2,030.00	-	-	2,030.00
6030 - Management Fee	1,206.63	115.83	-	1,322.46
6110 - Board Expenses	20.00	-	-	20.00
6130 - Legal Fees	65.45	-	-	65.45
6655 - R&M Labor	1,715.00	-	-	1,715.00
6666 - Road Maintenance	2,515.00	-	-	2,515.00
6675 - Snow Removal	6,964.25	-	-	6,964.25
7010 - Reserve Interest Expense	-99.39	-	-	-99.39
8010 - Insurance	3,577.83	327.27	-	3,905.10
Net Total	0.00	3,015.63	3,015.63	0.00

Village at Grays Crossing Master Association

Statement of Revenues and Expenses 9/1/2023 - 9/30/2023

	Current Period			Year To Date			Annual Budget
	Actual	Budget	Variance	Actual	Budget	Variance	
Operating Fund Income							
Operating Revenues							
4010 - Operating Assessments	622.08	622.08	-	7,464.96	7,464.96	-	7,464.96
4020 - Operating Interest Income	.18	-	.18	4.53	-	4.53	-
Total Operating Revenues	622.26	622.08	.18	7,469.49	7,464.96	4.53	7,464.96
Total Operating Fund Income	622.26	622.08	.18	7,469.49	7,464.96	4.53	7,464.96
Operating Fund Expense							
Administrative Expenses							
6010 - Accounting Fee	50.00	50.00	-	667.50	600.00	(67.50)	600.00
6020 - Audit & Tax	-	-	-	2,030.00	2,935.00	905.00	2,935.00
6030 - Management Fee	48.33	48.33	-	512.46	579.96	67.50	579.96
6110 - Board Expenses	-	16.67	16.67	20.00	200.04	180.04	200.04
6130 - Legal Fees	-	-	-	65.45	-	(65.45)	-
6150 - Postage	-	2.08	2.08	-	24.96	24.96	24.96
Total Administrative Expenses	98.33	117.08	18.75	3,295.41	4,339.96	1,044.55	4,339.96
Operating Expenses							
8000 - Income Tax	-	70.83	70.83	-	849.96	849.96	849.96
8010 - Insurance	327.27	189.58	(137.69)	3,905.10	2,274.96	(1,630.14)	2,274.96
Total Operating Expenses	327.27	260.41	(66.86)	3,905.10	3,124.92	(780.18)	3,124.92
Maintenance Expensees							
6655 - R&M Labor	-	-	-	1,715.00	-	(1,715.00)	-
6666 - Road Maintenance	-	-	-	2,515.00	750.00	(1,765.00)	750.00
6675 - Snow Removal	-	-	-	6,964.25	4,800.00	(2,164.25)	4,800.00
Total Maintenance Expensees	-	-	-	11,194.25	5,550.00	(5,644.25)	5,550.00
Total Operating Fund Expense	425.60	377.49	(48.11)	18,394.76	13,014.88	(5,379.88)	13,014.88
Net Operating Fund Income (Loss)	196.66	244.59	(47.93)	(10,925.27)	(5,549.92)	(5,375.35)	(5,549.92)

Village at Grays Crossing Master Association

Statement of Revenues and Expenses 9/1/2023 - 9/30/2023

	Current Period			Year To Date			Annual Budget
	Actual	Budget	Variance	Actual	Budget	Variance	
Reserve Income							
Replacement Reserve Revenues							
4025 - Reserve Interest Revenue	17.52	-	17.52	206.19	-	206.19	-
Total Replacement Reserve Revenues	17.52	-	17.52	206.19	-	206.19	-
Total Reserve Income	17.52	-	17.52	206.19	-	206.19	-
Reserve Expense							
Non-Operating Expenses							
7010 - Reserve Interest Expense	-	-	-	(99.39)	-	99.39	-
Total Non-Operating Expenses	-	-	-	(99.39)	-	99.39	-
Total Reserve Expense	-	-	-	(99.39)	-	99.39	-
Net Reserve Income (Loss)	17.52	-	17.52	305.58	-	305.58	-

Village at Grays Crossing Master Association

Statement of Revenues and Expenses 9/1/2023 - 9/30/2023

	Current Period			Year To Date			Annual Budget
	Actual	Budget	Variance	Actual	Budget	Variance	
Easement & Cost Sharing Income							
Operating Revenues							
4018 - Commercial Reserve Assessments	814.50	814.50	-	9,774.00	9,774.00	-	9,774.00
Total Operating Revenues	814.50	814.50	-	9,774.00	9,774.00	-	9,774.00
Total Easement & Cost Sharing Income	814.50	814.50	-	9,774.00	9,774.00	-	9,774.00
Easement & Cost Sharing Expense							
Administrative Expenses							
6030 - Management Fee	67.50	67.50	-	810.00	810.00	-	810.00
Total Administrative Expenses	67.50	67.50	-	810.00	810.00	-	810.00
Operating Expenses							
8010 - Insurance	-	41.67	41.67	-	500.04	500.04	500.04
Total Operating Expenses	-	41.67	41.67	-	500.04	500.04	500.04
Maintenance Expensees							
6655 - R&M Labor	-	41.67	41.67	-	500.04	500.04	500.04
Total Maintenance Expensees	-	41.67	41.67	-	500.04	500.04	500.04
Total Easement & Cost Sharing Expense	67.50	150.84	83.34	810.00	1,810.08	1,000.08	1,810.08
Net Easement & Cost Sharing Income (Loss)	747.00	663.66	83.34	8,964.00	7,963.92	1,000.08	7,963.92

Village at Grays Crossing Master Association

Statement of Revenues and Expenses 9/1/2023 - 9/30/2023

	Current Period			Year To Date			Annual Budget
	Actual	Budget	Variance	Actual	Budget	Variance	
Easement & Cost Sharing Reserve Income							
Replacement Reserve Revenues							
4015 - Reserve Assessments	587.42	587.42	-	7,049.04	7,049.04	-	7,049.04
Total Replacement Reserve Revenues	587.42	587.42	-	7,049.04	7,049.04	-	7,049.04
Total Easement & Cost Sharing Reserve Income	587.42	587.42	-	7,049.04	7,049.04	-	7,049.04
Easement & Cost Sharing Reserve Expense							
Non-Operating Expenses							
7000 - Reserve Assessments	-	587.42	587.42	-	7,049.04	7,049.04	7,049.04
Total Non-Operating Expenses	-	587.42	587.42	-	7,049.04	7,049.04	7,049.04
Total Easement & Cost Sharing Reserve Expense	-	587.42	587.42	-	7,049.04	7,049.04	7,049.04
Net Easement & Cost Sharing Reserve Income (Loss)	587.42	-	587.42	7,049.04	-	7,049.04	-
Net Total	1,548.60	908.25	640.35	5,393.35	2,414.00	2,979.35	2,414.00

Village at Grays Crossing Master Association

Pre Paid Homeowners For 9/30/2023

Account	Property	Owner Name	Credit Amount
----------------	-----------------	-------------------	----------------------

Total

*(*** indicates previous owners)*