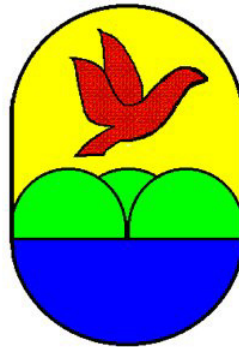


SECOND RESTATED DECLARATION of COVENANTS, CONDITIONS, and RESTRICTIONS

of AUBURN LAKE TRAILS
PROPERTY OWNERS
ASSOCIATION



If this document contains any restriction based on race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.2 of the Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

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SECOND RESTATED DECLARATION OF
 COVENANTS, CONDITIONS AND RESTRICTIONS
 OF
 AUBURN LAKE TRAILS

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SECOND RESTATED DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF
AUBURN LAKE TRAILS

THAT CERTAIN DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS executed by Auburn Lake Trails Property Owners Association, a California nonprofit mutual benefit corporation (the "Association") entitled "First Restated Declaration of Covenants, Conditions and Restrictions of Auburn Lake Trails" and recorded in Book 2145, Page 247 of the Official Records of El Dorado County, California (the "First Restated Declaration"), which affects all of the Properties located within the common interest development known as "Auburn Lake Trails" is hereby amended and restated in its entirety to read as follows:

RECITALS

A. The Association is a nonprofit corporation organized to own, maintain, repair, and replace the Common Areas and Common Facilities located within the real property more particularly described in exhibit A (the "Properties"). The Association's membership is comprised of the Owners of Lots within the Properties and pursuant to California Civil Code Section 1355 the Association has executed and recorded this Second Restated Declaration on behalf of said Owners.

B. The Properties were originally subdivided, developed and sold by the Declarant and its predecessors in interest in a series of phases, as evidenced by the Subdivision Maps listed in exhibit "A" which were recorded with respect to each phase. Each phase of development was subjected to a Declaration of Covenants and Restrictions recorded in furtherance of the common plan and scheme of development, which Declarations are listed in exhibit "B", attached hereto (the "Original Declarations"). The First Restated Declaration amended, restated, and consolidated the Original Declarations into a single document and incorporated other technical revisions required to conform the Declaration to the then existing law.

C. On March 5, 1990, by order of the El Dorado County Superior Court (attached hereto as exhibit C), the Members of the Association adopted this First Restated Declaration of Covenants, Conditions and Restrictions by written ballot vote sufficient to amend and restate the Original Declaration, in accordance with California Civil Code section 1356. As so amended and restated, these easements, covenants, restrictions and conditions shall run with the Properties and shall be binding on all parties having or acquiring any right, title or interest in the Properties or any portion thereof, and shall inure to the benefit of each Owner thereof.

ARTICLE I
DEFINITIONS

Section 1. "Articles" means the Articles of Incorporation of Auburn Lake Trails Property Owners Association, a California nonprofit corporation, which are filed in the Office of the Secretary of the State of California.

Section 2. "Assessment" means any Regular, Special or Special Individual Assessment made or assessed against an Owner and his Lot in accordance with the provisions of Article IV of this Declaration.

Section 3. "Association" means and refers to AUBURN LAKE TRAILS PROPERTY OWNERS ASSOCIATION, a California nonprofit mutual benefit corporation, its successors and assigns.

Section 4. "Association Rules" mean the rules, regulations and policies adopted by the Board of Directors of the Association, as the same may be in effect from time to time pursuant to Article III, Section 8 of this Declaration.

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

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

Section 7. "Common Area" means all real property owned by the Association for the common use and enjoyment of the Owners and the Common Facilities located thereon. The Common Areas owned by the Association, as of the date of this Declaration, are more particularly described in exhibit "D".

Section 8. "Common Facilities" means the buildings, trails, recreation improvements, parks, roads, trees, hedges, plantings, lawns, shrubs, landscaping, fences, utilities, berms, pipes, lines, lighting fixtures, structures and other facilities constructed or installed, or to be constructed or installed, or currently located on the Common Area and owned by the Association. The term "Common Facilities" also includes vehicles and other items of personal property, owned or leased by the Association.

Section 9. "Common Funds" means all funds collected or received by the Association for use (i) in the maintenance, management, administration, insurance, operation, replacement, repair, addition to, alteration or reconstruction of, all or any portion of the Common Areas and Common Facilities and (ii) in discharging any and all of its functions as provided in the Governing Documents.

Section 10. "Common Expense" means any use of Common Funds authorized by Article IV hereof and Article IX of the Bylaws and includes, without limitation: (i) all expenses or charges incurred by or on behalf of the Association for the management, maintenance, administration, insurance, operation, repairs, additions, alterations

or reconstruction of the Common Areas and Common Facilities, as incurred or as may be estimated from time to time by the Association's Board of Directors, (ii) any amounts reasonably required to be set aside as reserves for maintenance, repair and replacement of Common Areas and Common Facilities and for the nonpayment of any assessments, and (iii) the use of such funds to defray any costs and expenses incurred by the Association in the performance of its functions or in the proper discharge of the responsibilities of the Board as provided for in the Governing Documents. As more particularly provided in Article IV, Section 2(a) of this Declaration and Article XII of the Bylaws, the Association shall establish reserves, and shall budget for the funding of said reserves, as a portion of the Association's Regular Assessment.

Section 11. "County" means the County of El Dorado, State of California.

Section 12. "Covenants Committee" means the Committee named in Article X, Section 1 of the Bylaws and described in Article XIII, Section 6 of this Declaration.

Section 13. "Declarant" means Transamerica Development Company, a California corporation, its successors and assigns, if such successors in interest should acquire more than five undeveloped Lots from the Declarant for the purpose of development and resale. The term "Original Declarant" refers to Trans-Land Co., a co-partnership.

Section 14. "Declaration" means this Second Restated Declaration, as it may, from time to time, be amended, modified or changed. The "First Restated Declaration" shall mean that document referenced in the preamble to this Declaration and the "Original Declarations" shall mean those documents described in exhibit "B" attached hereto.

Section 15. "Design Committee" shall mean the Committee created in accordance with Article VI of this Declaration.

Section 16. "Design Committee Rules" shall mean the rules and procedures promulgated by the Design Committee in accordance with Article VI, Section 6 of this Declaration.

Section 17. "Excavation" means any disturbance of the surface of any parcel of land within the Properties (except to the extent reasonably necessary for planting) which destroys any vegetation, changes the natural contour of the parcel or results in the removal of earth, rock, sand or other natural substances.

Section 18. "Family" shall mean one or more persons, each related to the other by blood, marriage or legal adoption, or a group of not more than four persons not so related who maintain a common household in a Residence.

Section 19. "Governing Documents" is a collective term that refers to this Declaration, the Articles of Incorporation and Bylaws

of the Association and the Association Rules (including the rules of any Committee constituted hereunder or created by the Board in accordance with Article X of the Bylaws), and to any duly adopted amendments to any Governing Document.

Section 20. "Fill" means any addition of rock or earth materials to the surface of the land which increases the natural elevation of said surface by more than 18 inches.

Section 21. "Lot" means any parcel of real property designated by a number on the Subdivision Map for any portion of the Properties. The term "Lot" shall also include any portion of a Lot, including without limitation, the Residences, out buildings and other improvements constructed or to be constructed on any Lot but excluding the Common Areas. Unless otherwise specifically provided herein, the term "Lot" shall be a collective term that includes both Residence Lots, as defined in Section 29 of this Article I, and Restricted Lots, as defined in Section 30 of this Article I.

Section 22. "Member" shall mean and refer to every person or entity who holds a membership in the Association and whose rights as a Member have not been suspended pursuant to Article XIII, Section 6 hereof.

Section 23. "Mortgage" means any security device encumbering all or any portion of the Properties, including any deed of trust. "Mortgagee" means and refers to a beneficiary under a deed of trust as well as a mortgagee in the conventional sense.

Section 24. "Owner" means any person, firm, corporation or other entity which owns a fee simple interest in any Lot (including contract sellers, but excluding any person or entity holding such interest merely as security for the payment of a debt or the performance of an obligation) and includes (except when the context otherwise requires) the family, guests, tenants and invitees of such Owner.

Section 25. "Owner of Record" and "Member of the Association" include an Owner and mean any person, firm, corporation or other entity in which title to a Lot is vested as shown by the Official records of the Office of the County Recorder.

Section 26. "Properties" means the parcels of real property (Common Area and Lots) included within the Subdivision Maps listed in exhibit "A" hereof, together with all buildings, structures, utilities, Common Facilities, and other improvements now located or hereafter constructed or installed thereon and all appurtenances thereto. Any reference herein to "Auburn Lake Trails" shall be synonymous with "Properties."

Section 27. "Regular Assessment" means an assessment levied on Owner and his or her Lot in accordance with Article IV, Section 2 hereof.

Section 28. "Residence" means a private single-family dwelling constructed or to be constructed on any Residence Lot.

Section 29. "Residence Lot" means any Lot within the Properties other than Restricted Lots or Common Areas.

Section 30. "Restricted Lot" means any of the numbered Lots designated in exhibit "E" attached hereto unless any such Lot is legally combined with an adjacent Residence Lot so as to create a single Residence Lot. Restricted Lots are so designated because they have been evaluated by the Georgetown Divide Public Utility District and determined to be incapable of sustaining an on-site sewage waste disposal system or of serving as a Residence Lot by utilization of adjoining Common Area for septic tank or septic leach field purposes when authorized pursuant to Article IX, Section 4 hereof. In addition to compliance with other covenants, restrictions and conditions contained herein, Restricted Lots shall be subject to assessment to the extent provided in Article IV, Sections 2(j) and 4(a) hereof and the land use restrictions set forth in Article VIII, Section 2 hereof.

Section 31. "Single Family Residential Use" means occupation and use of a Residence for single family dwelling purposes in conformity with this Declaration and the requirements imposed by applicable zoning laws or other state or municipal rules and regulations.

Section 32. "Special Assessment" means an assessment levied on an Owner and his or her Lot in accordance with Article IV, Section 3 hereof.

Section 33. "Special Individual Assessment" means an assessment levied against an Owner in accordance with Article IV, Section 4 hereof.

Section 34. "Subdivision Maps" means the maps set forth in exhibit A attached hereto.

ARTICLE II DECLARATION AND PROPERTY RIGHTS

Section 1. Declaration Regarding Properties. In the Original Declaration the Original Declarant declared, and in adopting this Declaration the Owners and the Association affirm, that:

(a) The Properties included within Auburn Lake Trails shall be held, conveyed, divided, encumbered, hypothecated, leased, rented, used, occupied and improved only upon and subject to the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges and equitable servitudes set forth in this Declaration, all of which are hereby declared, established, expressed and agreed to: (i) be in furtherance of a general plan for the subdivision, development, sale,

and use of the Properties as a planned development as that term is defined in California Civil Code Section 1351(k), (ii) be for the benefit and protection of the Properties and the desirability, value and attractiveness of each parcel of property located therein, (iii) run with the land and be binding upon all parties having or acquiring any right, title or interest in the Properties or any portion thereof, (iv) inure to the benefit of every portion of the Properties and any interest therein, and (v) to inure to the benefit of and be binding upon each Owner, and each successor in interest of Declarant and of each Owner;

(b) Each conveyance, transfer, sale, assignment, lease or sublease made by Declarant of the Common Area and of any Lot shall be deemed to incorporate by reference all of the provisions of this Declaration (including, but not limited to, the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, lines, charges and equitable servitudes herein provided for); and that

(c) This Declaration shall be enforceable by each Owner and each successor in interest of each Owner, and also by the Association, its Board of Directors, and each person, firm, corporation or other entity duly authorized by the Association or its Board of Directors all as more particularly set forth in Article XIII hereof.

Section 2. Title to Common Area.

(a) Fee Title in Association. Fee simple title to the Common Area and the Common Facilities affixed thereto are vested in the Association.

(b) Rights of Owners in Common Areas. The interest of each Lot Owner in and to the use and enjoyment of the Common Areas and the Common Facilities shall be appurtenant to the Residence Lot owned by the Owner and shall not be sold, conveyed or otherwise transferred by the Owner separately from the ownership interest in such Residence Lot. Any sale, transfer or conveyance of a Residence Lot shall operate to transfer the appurtenant right to use and enjoy the Common Areas and Common Facilities, and the transferee shall thereupon be permitted to use and benefit of the Common Area and the Common Facilities located thereon. There shall be no judicial partition of the Common Area 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 and does further covenant that no action for such judicial partition shall be instituted, prosecuted or reduced to judgment. The rights of all Owners in the Common Areas and Common Facilities shall be further subject to the requirements and limitations set forth in Section 3 of this Article II.

Section 3. Owners' Nonexclusive Easements of Use Enjoyment in Common Areas. Every Owner shall have a nonexclusive right and

easement of enjoyment in and to the Common Area, including ingress and egress to and from his or her Lot, which shall be appurtenant to and shall pass with the title to every Residence Lot, subject to the following:

(a) The right of the Association to charge reasonable admission and other fees for the use of any recreational Common Facility situated upon or with the Common Area. Furthermore, the Association shall be entitled to lease or otherwise grant permission to utilize portions of the Common Facilities or Common Areas to be operated by the lessee for the benefit of the Association and its Members; provided that no lease of any Common Area or Common Facilities shall exceed three years without the prior approval of a majority of a quorum of the Members.

(b) The right of the Association to suspend the voting rights and right to use the Common Area and Common Facilities by an Owner for any period during which any assessment against the Owner's Lot remains unpaid. The Association's Rules shall specify uniform rules for when such a suspension shall become effective in the event that an Owner is delinquent in the payment of any assessment.

(c) The right of the Association to adopt uniform rules and regulations as provided in Article III, Section 8 hereof, regulating the use and enjoyment of the Properties for the benefit and well-being of the Owners in common, and, in the event of a breach of such Rules or of any provision contained in any other Governing Document, to temporarily suspend the voting rights and rights of use and enjoyment of recreational Common Areas and Common Facilities by any Owner, the Owner's family members, tenants and guests so long as the accused Owner is first given notice and the opportunity to be heard before the Covenants Committee established by the Board of Directors, as more particularly provided in Article XIII, Section 6 hereof.

(d) The right of the Association, to the extent reasonably necessary to protect the rights, privileges, benefits, uses and enjoyment of the Members, to limit the number of guests of Members who may use the Common Areas and Common Facilities.

(e) The right of the Association, or its agents, when necessary, to enter any Lot to (i) perform its obligations under this Declaration, including the enforcement of any restrictions contained herein or, any obligations of the Lot Owner with respect to construction, maintenance and repair of improvements as necessary for the benefit of the Common Area, the Common Facilities or the Owners in common, or (ii) to undertake necessary repairs or Lot maintenance (including weed abatement and similar fire control measures) that an Owner has failed to perform which, if left undone, will pose a threat to, or cause an unreasonable interference with, Association property or the property of any neighboring Owner.

The Association's rights under this subparagraph (e) shall be immediate in case of an emergency originating in or threatening such Lot or any adjoining Lots or Common Area, and the Association's work

may be performed under such circumstances whether or not the Owner or other occupant of the Lot is present. In all nonemergency situations the Association, or its agents, shall furnish the Owner or his or her lessee with at least 24 hours' written notice of the Association's intent to enter the Lot, specifying the purpose and the estimated time of such entry and shall make every reasonable effort to perform its work and schedule its entry in a manner that respects the privacy of the persons residing on the Lot.

(f) The right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Areas and Common Facilities and in aid thereof to mortgage said property; provided, the rights of any such mortgage in said properties shall be subordinate to the rights of the Owners hereunder; and provided further that any such indebtedness shall be considered as an expense of the Association for purposes of the Special Assessment provisions of Article IV, Section 3 hereof.

(g) The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed upon by the Owners; provided, however that no such dedication or transfer shall be effective unless an instrument, signed by at least two-thirds of the voting power of the Members, and their first mortgagees consenting to such dedication or transfer has been recorded. Furthermore, no dedication shall be permitted that impairs the ingress and egress to any individual Lot. Said instrument may be executed in counterpart so long as each counterpart is in recordable form.

(h) Such easements as have been dedicated and/or granted at the time of recordation of any Subdivision Map, including the easements described in Article IX hereof.

(i) Such easements as may now exist or hereafter be granted to any Owner by the Association or the Declarant, pursuant to Article IX, Section 4 hereof, for the location, construction, maintenance and repair of a septic tank, leach field, leach line, and/or other sewage facilities to service the Owner's Residence Lot when the Design Committee, with the consent of the Board, has determined that it is not reasonably possible to properly serve said Residence Lot by location of the septic tank, leach field, leach line or other sewage facility on the Residence Lot, itself.

(j) The right of the Association, by a two-thirds vote of its Board of Directors, to convey a fee interest in any portion of the Common Area encumbered by a septic facility easement (established in accordance with Article IX, Section 4 hereof) to the Owner-grantee(s) of such easement if (i) all the Owner-grantees consent to accept conveyance of a fee interest in the property encumbered by the septic facility easement; and (ii) the Board of Directors determines, by resolution set forth in the minutes of the Association, that: (A) it is to the advantage and in the best interest of the Association and its members that the conveyance occur; (B) neither the property

interests of any Owner nor the recreational or Road use of any Common Area or Common Facility will be adversely affected or impaired in any material respect by such conveyance; (C) the conveyance is otherwise proper under Sections 66410 et. seq. of the California Government Code; and (D) that all the requirements of Article IX, Section 4 of this Declaration have been satisfied.

(k) The right of the Association, in accordance with Article VII, Section 2 of this Declaration, to construct further Common Facilities on any undeveloped portions of the Common Areas that are not dedicated to use as Roads.

(l) The right of the Association to use the Common Areas and/or grant to others an easement to use the Common Areas for the purpose of constructing, maintaining and operating thereon and therein such pipes, poles, wires, conduits, equipment and attachments in connection with a cable television system, or similar facility, to serve the Properties.

(m) The restrictions set forth in Article VIII, Section 2(b) on the rights of Owners of Restricted Lots to use and enjoy recreational Common Facilities.

Section 4. Delegation of Use.

(a) Delegation Generally. Any Owner may delegate, in accordance with, and subject to, the Governing Documents, the Owner's rights in and to the use and enjoyment to the Common Area and Common Facilities to the members of the Owner's family, or to the Owner's tenants or contract purchasers who reside on the Owner's Residence Lot; provided that any rental or lease of the Owner's Residence Lot may only be to a single family for Single Family Residential Use.

Any rental or lease of a Residence shall be subject to all provisions of the Governing Documents, each of which shall be deemed to be incorporated by reference in any lease or rental agreement. Every Owner-lessor shall be obligated to furnish his or her tenant or lessee with a copy of this Declaration, together with a current copy of the Association Rules. The Owner-lessor shall at all times be responsible for compliance of Owner's tenant or lessee with all applicable Governing Document provisions during the tenant's/lessee's occupancy and use of the Owner-lessor's Residence.

(b) Discipline of Lessees. In the event that any lessee fails to honor any provision of the Governing Documents or engages in conduct that constitutes a nuisance or an unreasonable interference with the rights of quiet enjoyment of neighboring Owners, the Association shall so notify the Owner in accordance with subparagraph (c) below. If, within a reasonable time following receipt of such notice, the Owner fails to take necessary corrective action with respect to the tenant or lessee or, in the alternative, fails to request a hearing on the matter, the Board shall be entitled to take such corrective action as it deems appropriate under the circumstances, which action may include suspension of the tenant's

privileges to use Common Areas and/or Common Facilities (other than Roads) or the imposition of fines and penalties against the Owner.

(c) Due Process Requirements for Disciplinary Action. Except in those instances where the Association is authorized to undertake immediate corrective or disciplinary action as provided in Article XIII, Section 6(d)(iii), the Association shall have no right to initiate disciplinary action against an Owner (or the Owner's lessee or tenant) on account of the misconduct of the Owner's lessee or tenant unless and until the following conditions have been satisfied:

(i) the Owner has received written notice from the Board, the Association's general manager or an authorized committee of the Board detailing the nature of the lessee's/tenant's alleged infraction or misconduct and advising the Owner of his or her right to a hearing; (ii) the Owner has been given a reasonable opportunity to take corrective action on a voluntary basis or to appear at a hearing (conducted in accordance with Article XIII, Section 6 hereof), to present arguments as to why disciplinary action is unnecessary or unwarranted; and (iii) the Owner has failed to prevent or correct the tenant's objectionable actions or misconduct.

(d) Owner's Duty to Notify Association of the Identity of Tenants and Contract Purchasers. Each Owner shall notify the Association's general manager of the names of any contract purchaser, lessee or tenant residing within the Owner's Residence. Each Owner, contract purchaser, lessee or tenant shall also notify the general manager of the names of all persons residing on the Owner's Residence Lot to whom such Owner, contract purchaser, lessee or tenant has delegated any rights of use and enjoyment in the Properties and the relationship that each such person bears to the notifying person.

Section 5. Notification Regarding Governing Documents.

(a) As more particularly provided in Section 1368 of the California Civil Code, as soon as practicable before transfer of title or the execution of a real property sales contract with respect to any Lot, the Owner thereof must give the prospective purchaser a current copy of the Articles, Bylaws and this Declaration (together with all amendments thereto) and a true statement in writing from the Association ("delinquency statement") as to the amount of any delinquent Assessments, together with information relating to penalties, attorneys' fees and other charges due with respect to the Lot as of the date the statement is issued and a copy of the Association's most current financial statements.

(b) The Association shall, within 10 days of the mailing or delivery of a written request therefor, provide the Owner with a copy of the current Association Governing Documents, together with the delinquency statement referred to in the immediately preceding paragraph. The Association shall be entitled to impose a fee for providing the Governing Documents and delinquency statement equal to (but not more than) the Association's reasonable cost of preparing and reproducing the materials.

ARTICLE III
PROPERTY OWNER'S ASSOCIATION

Section 1. Formation of Association. The Association was formed and presently exists as a California nonprofit mutual benefit corporation that owns, operates, manages and maintains the Common Areas and Common Facilities within Auburn Lake Trails. The Association also discharges the other duties and responsibilities enumerated in its Articles of Incorporation and Bylaws and in this Declaration.

Section 2. One Class of Membership.

(a) The Association shall have one class of voting membership consisting of the owners of Residence Lots. The rights, duties, obligations and privileges of the Members shall be as set forth in the Governing Documents.

(b) An Owner shall hold one membership in the Association for each Residence Lot owned. Ownership of a Residence Lot, or any interest therein, shall be the sole qualification for membership in the Association. Each Owner shall remain a Member of the Association until his or her ownership interest in all Residence Lots within the Properties ceases, at which time the Owner's membership in the Association shall automatically cease. Persons or entities who hold an interest in a Residence Lot merely as security for performance of an obligation are not to be regarded as Members. Ownership of Restricted Lots shall not give rise to any Association membership rights.

(c) To avoid an overburdening of Common Areas and Common Facilities, the membership that is appurtenant to any Residence Lot shall entitle the Lot Owner(s) only to the following user privileges with respect to Association recreation facilities:

(i) Any membership appurtenant to a Residence Lot owned by a corporation, partnership or other group of three or more individuals holding the Lot for investment, rather than as their principal residence, shall confer privileges to use and enjoy recreational Common Facilities on no more than two adult co-Owners.

(ii) The membership appurtenant to an improved Residence Lot shall confer recreational Common Facility user privileges, without payment of guest fees, upon those individuals residing within the Residence in accordance with the limitations of Article VIII, Section 1(a). If those individuals are not Owners, the Owners but not the members of the Owners' family shall also have full recreational Common Facility user privileges.

Section 3. Membership Voting. The voting rights of the Members shall be as set forth in Article IV of the Bylaws and shall be subject to suspension in the event of non-payment of assessments or fines or an infraction of the Governing Documents in accordance with

Article XIII, Section 6 hereof. To be eligible to vote an Owner must be current in the payment of Assessments. No Association voting rights shall arise by virtue of the ownership of any Restricted Lots.

Section 4. Assessments. The Association shall have the power to establish, fix and levy assessments against the Owners of Lots within the Properties and to enforce payment of such assessments, as more particularly provided in Article IV hereof. Any assessments levied by the Association on its Members shall be levied in accordance with and pursuant to the provisions of this Declaration.

Section 5. Transfer of Memberships. Memberships in the Association shall not be transferred, encumbered, pledged or alienated in any way, except upon the sale or encumbrance of the Residence Lot to which it is appurtenant, and then only to the purchaser, in the case of a sale, or mortgagee, in the case of an encumbrance of such Lot. The Association membership appurtenant to a Residence Lot passes automatically to the purchaser thereof upon transfer of title to said Residence Lot. A mortgagee does not have membership rights until the mortgagee becomes an Owner of a Residence Lot by foreclosure or deed in lieu thereof. Any attempt to make a prohibited transfer of a membership is void. In the event the Owner of any Residence Lot should fail or refuse to transfer the Membership registered in his or her name to the purchaser of the Owner's Lot, the Association shall have the right to record the transfer upon its books and thereupon any other membership outstanding in the name of the seller shall be null and void.

Section 6. Rights and Duties of the Association Board of Directors. The rights, duties and obligations of the Board of Directors of the Association shall be as set forth in this Declaration and the Bylaws of the Association (particularly Article IX of the Bylaws).

Section 7. Powers and Authority of the Association. The Association and its Board of Directors shall have all of the powers of a nonprofit mutual benefit corporation organized under the laws of the State of California in owning and managing its properties and otherwise discharging its responsibilities hereunder for the benefit of its Members, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Governing Documents. The Association, acting through its Board and its duly constituted committees, shall have the power to do any and all lawful things which may be authorized, required or permitted to be done under and by virtue of the Governing Documents, and to do and perform any and all acts which may be necessary or proper for, or incidental to, the exercise of any of the express powers of the Association for the peace, health, comfort, safety or general welfare of the Owners in common. The specific powers of the Association Board and the limitations thereon, shall be as set forth in Article IX of the Bylaws.

Section 8. Association Rules.

(a) Rulemaking Power. The Board may, from time to time and subject to the provisions of this Declaration, propose, enact and amend rules and regulations of general application to the Owners of Lots within Auburn Lake Trails. Notwithstanding the foregoing, no Rules may be adopted which materially affect the rights, preferences or privileges of any Owner as specifically set forth herein. In the event that the provisions of this Declaration and any rule adopted by the Association are in conflict, the provisions of this Declaration shall be deemed to prevail.

(b) Distribution of Rules. A copy of the 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. Association Rules may be adopted, amended or supplemented from time to time by a majority vote of the Board of Directors. Except in the case of Rules adopted in response to an emergency or to correct or prevent some condition or activity that involves a threat to the health or safety of any Owner or the Owners in common, no Association Rule or amendment to an existing Association Rule shall be adopted by the Board until at least 45 days after the proposed Rule or amendment thereto has been published in the Association newsletter or is otherwise communicated to the Owners in writing and posted in the principal office of the Association. New Rules and amendments to existing Rules shall be distributed to the Owners by mail.

So long as any proposed Rule or amendment has been published in accordance with this subparagraph (c), any duly adopted Rule or Rule amendment shall become effective immediately upon adoption thereof by the Board, or at such later date as the Board may deem appropriate under the circumstances (i.e., if greater notice is necessary to afford Owners the opportunity for voluntary compliance).

(d) Breach of Rules or Restrictions. Any breach of the Association Rules or other Governing Document provision shall give rise to the rights and remedies set forth in Article XIII hereof.

Section 9. Limitation on Liability of Association and Its Board of Directors and Officers.

(a) No director, officer, committee member or employee of the Association (collectively "Released Parties") shall be personally liable to any of the Association's members or to any other person, for any error or omission of any such person, their agents, representatives and employees, or the Design Committee in the discharge of their duties and responsibilities in accordance with the Governing Documents, or for their failure to provide any service required by any Governing Document, provided that such Released Party has, upon the basis of such information as may be possessed by him, acted reasonably and in good faith. Without limiting the generality of the foregoing, this limitation on liability shall extend to such matters as the establishment of the Association's annual financial budget and the funding of Association capital replacement and reserve

accounts.

(b) Neither the Association nor any Released Party shall be responsible to any owner or to any member of his or her family or any of his guests, servants, employees, licensees, invitees or any others for any loss or damage suffered by reason of theft or otherwise of any article, vehicle or other item of personal property which may be stored by such owner or other person on any Lot or on any Common Area or for any injury to or death of any person or loss or damage to the property of any person caused by fire, explosion or the elements or any other Owner or person within the Properties, or by any other cause, unless the same is attributable to its or his own willful misconduct or negligence.

ARTICLE IV ASSESSMENTS

Section 1. Assessments Generally.

(a) Each Owner of a Lot by acceptance of a deed therefor (whether or not it shall be so expressed in such deed), covenants and agrees, to pay to the Association the Regular Assessments and Special Assessments hereinafter provided for. Restricted Lots (as defined in Article I, Section 30 hereof) shall be liable for Regular and Special Individual Assessments under the circumstances described in Sections 2(j) and 4(a), below.

(b) Any unpaid Assessment of a previous Owner shall remain the debt of such previous Owner against whom assessed and any lien created pursuant to the provisions of this Article IV by reason of such unpaid Assessment shall remain in force and effect as a lien on the Lot sold and may be subject to foreclosure as provided in Section 9 hereof.

(c) Each installment payment of any Regular Assessment and each lump sum or installment payment of any Special Assessment or Special Individual Assessment, together with any interest charge or late payment penalty provided for in subparagraph (d) hereof and costs (including reasonable attorneys' fees) attributable thereto or incurred in the collection thereof, shall be a separate debt of the Owner against whom the same has been assessed and is hereby declared and agreed to be a lien upon and against the Lot so assessed in the nature of a mortgage with a power of sale in accordance with California Civil Code Section 1367 (or comparable superseding statute), all as more particularly described in Section 9 hereof.

(d) No Owner may exempt himself or herself or the Owner's Lot from liability or charge for his or her share of any Regular, Special or Special Individual Assessment made against the Owner and his or her Lot by waiving or relinquishing, or offering to waive or relinquish, the Owner's right to use and enjoy all or any portion of the Common Area or Common Facilities or by the abandonment or nonuse of his or her Lot.

Section 2. Regular Assessments.

(a) Preparation of Annual Budget; Establishment of Regular Assessments. Not less than 45 nor more than 60 days prior to the beginning of the Association's fiscal year, the Board shall estimate the total amount required to fund the anticipated Common Expenses for the next succeeding fiscal year (including additions to any reserve funds established to defray the costs of future repairs, replacement or additions to the Common Areas and Common Facilities) by preparing and distributing to all Association Members a budget satisfying the requirements of Article XII, Section 5 of the Bylaws.

(b) Establishment of Regular Assessment by Board/Membership Approval Requirements. The total annual Common Expenses estimated in the Association's budget (less projected income from sources other than assessments) shall become the aggregate Regular Assessment for the next succeeding fiscal year; provided, however, that, except as provided in subparagraph (c) below, the Board of Directors may not impose a Regular Assessment that is more than 20 percent greater than the Regular Assessment for the Association's preceding fiscal year without the approval of Owners, constituting a quorum, casting a majority of the votes at a meeting or election by written ballot conducted in accordance with Article IV, Section 6 of the Bylaws. The required quorum for any membership vote pursuant to this subparagraph (b) shall be a majority of the voting power of the Members.

(c) Assessments to Address Emergency Situations. The requirement of a membership vote to approve Regular Assessment increases in excess of 20 percent of the previous year's Regular Assessment shall not apply to assessment increases which are necessary to address emergency situations. For purposes of this subparagraph (c), 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.

(iii) An extraordinary expense necessary to repair or maintain the Common Areas or Common Facilities that could not have been reasonably foreseen by the Board in preparing and distributing the budget pursuant to subparagraph (a) above; 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, and the resolution shall be distributed to the Members with the notice of assessment.

(d) Allocation of Regular Assessment. The total estimated

Common Expenses, determined in accordance with subparagraph (a), shall be allocated among, assessed against, and charged to each Owner according to the ratio of the number of Residence Lots within the Properties owned by the assessed Owner to the total number of Residence Lots subject to Assessments so that each Residence Lot bears an equal share of the total Regular Assessment; provided, however, that said allocation computation shall be adjusted to reflect that portion of the Regular Assessment, if any, payable by Owners of Restricted Lots pursuant to subparagraph (j), below.

(e) Assessment Roll. That portion of the estimated Common Expenses assessed against and charged to each Owner shall be set forth and recorded in an Assessment roll which shall be maintained and available with the records of the Association and shall be open for inspection at all reasonable times by each Owner or his authorized representative for any purpose reasonably related to the Owner's interest as a property Owner or as a Member of the Association. The Assessment roll (which may be maintained in the form of a computer printout) shall show for each Lot the name and address of the Owner of Record, all Regular, Special and Special Individual Assessments levied against each Owner and his Residence Lot, and the amount of such Assessments which have been paid or remain unpaid. The delinquency statement required by article II, section 5 hereof shall be conclusive upon the Association and the Owner of such Lot as to the amount of such indebtedness as of the date of such statement, in favor of all persons who rely thereon in good faith, and such a statement shall be furnished by the Association to any Owner or to any first Mortgagee under a Mortgage encumbering a Lot upon written request therefor at a reasonable fee payable to the Association.

(f) Mailing Notice of Assessment. The Board of Directors shall mail to each Owner at the street address of the Owner's Residence Lot, or at such other address as the Owner may from time to time designate in writing to the Association, a statement of the amount of the Regular Assessment for the next succeeding fiscal year no less than 45 days prior to the beginning of the next fiscal year.

(g) Failure to Make Estimate. If the Board of Directors fails to make an estimate of the Common Expenses for any fiscal year, then the Regular Assessment made for the preceding fiscal year, together with any Special Assessment made pursuant to Section 3(a)(i) of this Article IV for that year, shall be assessed against each Owner and his Residence Lot on account of the then current fiscal year, and installment payments (as hereinafter provided) based upon such automatic Assessment shall be payable on the regular payment dates established by the Association.

(i) Installment Payment. The Regular Assessment made against each Owner shall be due and payable in advance to the Association in equal monthly installments on the first day of each month or on such other date or dates as may be established from time to time by the Association's Board of Directors. Monthly installments of Regular Assessments shall be delinquent if not paid by the 15th day of the

month.

(j) Restricted Lot Regular Assessment. In addition to the Regular Assessment obligation of each Owner pursuant to subparagraphs (a) and (b), above, any Owner of a Restricted Lot covenants and agrees to pay a Regular Assessment with respect to each Restricted Lot owned by said Owner in an amount equal to 20% of the annual Regular Assessment established for Residence Lots. In the event that Restricted Lots are sold to adjacent Residence Lot Owners only, the Association Board may, in its discretion, waive this assessment as to all Restricted Lots.

Section 3. Special Assessments.

(a) Purposes for Which Special Assessments May Be Levied. Subject to the membership approval requirements set forth in subparagraph (b) below, the Board of Directors shall levy Special Assessments against the Owners and their Residence Lots for the following purposes:

(i) Regular Assessment Insufficient in Amount. If, at any time, the Regular Assessment for any fiscal year is insufficient in amount due to extraordinary expenses not contemplated in the budget prepared for said fiscal year, then the Board of Directors shall levy and collect a Special Assessment, applicable to the remainder of such year only, for the purpose of defraying, in whole or in part, any deficit which the Association may incur in the performance of its duties and the discharge of its obligations hereunder.

(ii) Capital Improvements. The Board may also levy Special Assessments for additional capital improvements within the Common Area (i.e., improvements not in existence on the date of this Declaration that are unrelated to repairs for damage to, or destruction of, the existing Common Facilities). The Special Assessment power conferred hereunder is not intended to diminish the Board's obligation to plan and budget for normal maintenance, replacement, or repair of the Common Areas or Common Facilities through Regular Assessments (including the funding of reasonable reserves) and to maintain adequate insurance on the Common Areas and Common Facilities in accordance with Article X hereof.

(b) Special Assessments Requiring Membership Approval. No Special Assessment described in subparagraph (a) hereof shall be made in any fiscal year without the vote or assent by written ballot of Members constituting a quorum, casting a majority of the votes at a meeting or election of the Association if such Special Assessment, when added to any other Special Assessment levied in that fiscal year, will exceed 5 percent of the budgeted gross expenses of the Association for that fiscal year; provided, however, that this membership approval requirement shall not apply to any Special Assessment levied to address emergency situations as defined in subsection 2(c) of this Article IV. The required quorum for any membership vote pursuant to this subparagraph (b) shall be a majority of the voting power of the Members.

(c) Allocation and Payment of Special Assessments. When levied by the Board or approved by the Members as provided above, the Special Assessment shall be divided among, assessed against and charged to each Owner and his or her Residence Lot in the same manner prescribed for the allocation of Regular Assessments pursuant to subparagraph 2(d) above. The Special Assessment so levied shall be recorded on the Association's Assessment roll and notice thereof shall be mailed to each Owner.

Special Assessments for purposes described in subparagraph (a) (i) of this Section 3 shall be due as a separate debt of the Owner and a lien against his or her Residence Lot, and shall be, payable to the Association in equal monthly installments during the remainder of the then current fiscal year. Special Assessments for purposes described in subparagraph (a) (ii) shall be due as a separate debt of the Owner and a lien against his or her Residence Lot, and shall be payable in full to the Association within 30 days after the mailing of such notice or within such extended period as the Board shall determine to be appropriate under the circumstances giving rise to the Special Assessment.

Section 4. Special Individual Assessments.

(a) Circumstances Giving Rise to Special Individual Assessments. In addition to the Association's authority to levy Special Assessments pursuant to Section 3 hereof, the Association may also impose Special Individual Assessments against an Owner in any of the circumstances described in subparagraphs (i) through (iv) below; provided that Special Individual Assessments may only be imposed pursuant to this Section 4 after the Owner has been afforded the notice and hearing rights to which the Owner is entitled pursuant to Article XIII, Section 6 hereof, and, when appropriate, has been given a reasonable opportunity to comply voluntarily with the Association's Governing Documents. The acts and circumstances that may give rise to Special Individual Assessment liability include:

(i) Damage to Common Area or Common Facilities. In the event of any damage to or destruction of any portion of the Common Area or the Common Facilities 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 shall cause the same to be repaired or replaced, and all estimated costs and expenses to repair and replace shall be assessed and charged solely to and against such Owner as a Special Individual Assessment. Insurance proceeds received by the Association, if any, in compensation for the damage or destruction shall be repaid to the Owner responsible for the Special Individual Assessment in an amount not to exceed the sums paid by the Owner to the Association in response to the assessment.

(ii) Act Increasing Insurance Premiums. In the event any 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, shall in any way cause or be responsible for any increase in the premiums for any insurance purchased or obtained by the Association in accordance with the provisions of Article X hereof, the amount of such increase shall be assessed and charged solely to and against such Owner as a Special Individual Assessment.

(iii) Expenses Incurred in Gaining Member Compliance. In the event that the Association incurs any costs or expenses, including reasonable title company, accounting or legal fees, to accomplish (A) the payment of delinquent assessments, (B) any repair, maintenance or replacement for which the Owner is responsible under the Governing Documents (but has failed to undertake or complete in a timely fashion), or (C) to otherwise bring the Owner and/or his or her Lot (whether Residential or Restricted) into compliance with any provision of the Governing Documents, the amounts incurred by the Association (including reasonable fines and penalties duly imposed hereunder, court costs and reasonable attorneys' fees, if any) may be assessed and charged solely to and against such Owner as a Special Individual Assessment.

(iv) Required Maintenance on Lots. As more particularly provided in Article II, Section 3(e) (and without limiting the generality of that Section), if any Lot (including any Restricted Lot) becomes a nuisance, fire or safety hazard for any reason, including, without limitation, the accumulation of trash, junk automobiles or improper weed and/or vegetation control, the Association shall have the right to enter upon said Lot, correct the offensive or hazardous condition and recover the cost of such action through imposition of a Special Individual Assessment.

(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 4, such Special Individual Assessments shall be recorded on the Association's assessment rolls, notice thereof shall be mailed to the affected Owner and the Special Individual Assessment shall thereafter be due as a separate debt of the Owner payable as follows: Special Individual Assessments imposed pursuant to Sections 4(a)(i), (iii) or (iv) shall be payable in full to the Association within 30 days after the mailing of notice of the assessment and Special Individual Assessments imposed pursuant to Section 4(a)(ii) shall be payable in full to the Association at least 10 days in advance of the date or dates for the payment of the increased insurance premium giving rise to the Special Individual Assessment.

(c) Limitation on Right to Lien Lots For Special Individual Assessments. With the exception of Special Individual Assessments imposed by the Association's Board to recover reasonable late payment penalties for delinquent assessments and/or charges to reimburse the Association for its reasonable costs (including attorneys' fees) of collecting delinquent Assessments, Special Individual Assessments shall not be recoverable through the imposition of a lien against the Owner's Lot enforceable through foreclosure, but the same may be recovered by the Association through other legal processes.

Section 5. Purpose and Reasonableness of Assessments. Each Assessment, whether Regular or Special, made in accordance with the provisions of this Declaration, is hereby declared and agreed to be for use exclusively (a) to promote the recreation, health, safety and welfare of individuals residing within the Properties; (b) to promote the enjoyment and use of the Properties by the Owners and their families, tenants, invitees, licensees, guests and employees, or for the protection of the Properties; and (c) to provide for the repair, maintenance, replacement and protection of the Common Areas and Common Facilities. Each and every Assessment levied hereunder is further declared and agreed to be a reasonable assessment, and to constitute a separate debt (with respect to which a separate lien may be created hereby) of the Owner of the Lot against which the Assessment is made that shall be binding upon 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.

Section 6. Exemption of Certain Portions of the Properties from Assessments. The following real property subject to this Declaration shall, unless devoted to use as a dwelling, be exempt from the Assessments provided herein and the lien thereof provided herein:

- (a) Any portion of the Properties dedicated and accepted by a local public authority;
- (b) The Common Area and Common Facilities; and
- (c) Any Lot owned by the Association.

Section 7. Notice and Procedure for any Action Authorized Under Sections 2 and 3. Any action authorized under Sections 2 and 3 of this Article IV requiring the vote of the Association Members shall be taken either by written ballot or at a meeting of the Members called for that purpose, written notice of which shall be sent to all Members not less than 15 days nor more than 60 days in advance of the meeting or mailing of the written ballots.

Section 8. Maintenance of Funds Collected.

(a) Deposit; Bank Account. All sums received or collected by the Association from Assessments or other sources, shall be promptly deposited in checking or savings accounts in banks or savings and loan associations located within the State of California as selected by the Board of Directors; provided, however, that the Board shall be entitled to make other prudent investments of Association funds consistent with standards of prudence and discretion normally observed by trustees and fiduciaries and the limitations, if any, imposed by any trust instrument adopted by the Board to hold and invest any such funds.

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. Any interest received on such deposits shall be credited proportionately to the balances of the various Assessment fund accounts maintained on the books of the Association as provided in subparagraph (b) below.

(b) Separate Accounts; Commingling of 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 Association for such purpose. Notwithstanding the foregoing, the Board, in its discretion, may move general operating funds from one line item to another within the Association's approved budget if the Board determines that it is prudent and in the best interests of the Association and its Members to do so. Furthermore, if the proceeds of any Special Assessment exceed the requirement of which such Assessment was made, such surplus shall, in the sole discretion of the Board, either be returned to the contributors thereof, or credited proportionately on account of their Regular Assessment obligations.

For purposes of accounting, but without requiring any physical segregation of assets, the Association shall keep a separate account of all funds received by it in payment of each Assessment and of all disbursements made therefrom; provided, however, that the receipts and disbursements of any Special Assessments made pursuant to Article IV, Section 3(a)(i) hereof shall be combined with the receipts and disbursements of the Regular Assessments; and, provided further, that the Board shall maintain separate liability accounts for each capital improvement for which replacement reserve funds are allocated.

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

Section 9. Collection of Assessments; Enforcement of Liens.

(a) Delinquent Assessments. If any installment payment of a Regular Assessment or lump sum or installment payment of any Special Assessment or Special Individual Assessment assessed to any Owner is not paid within 30 days after the same becomes due, such payment shall be delinquent and the amount thereof may, at the Board's election, bear interest at the maximum rate allowed by law from and after the due date until the same is paid. Late payment charges may also be assessed to the extent permitted by law.

(b) Action for Money Judgment. In the event of a default in payment of any Assessment, and in addition to any other remedy provided herein or by law, the Association, in its name but acting

for and on behalf of all other Owners, may file suit or suits to recover a money judgment or judgments against the Owner personally obligated for the Assessment.

(c) Effect of Non-Payment of Assessments; Enforcement of Liens.

(i) Schedule of Fines. Subject to the limitations set forth in California Civil Code Sections 1366, subdivision (c), and 1366.1, the Board of Directors is authorized and empowered to promulgate a schedule of reasonable fines and penalties for any Assessments that are delinquent.

(ii) Creation and Imposition of a Lien for Delinquent Assessments. As more particularly described in section 1367 of the California Civil Code, or comparable superseding statute, the amount of any delinquent Regular or Special Assessment, together with any penalties, interest and costs (including reasonable attorneys' fees) attributable thereto or incurred in the collection thereof, shall become a lien upon the Lot of the Owner so assessed only when the Association causes to be recorded in the Office of the County Recorder of El Dorado, State of California, a Notice of Delinquent Assessment setting forth: (A) the amount of the assessment and other sums imposed pursuant to this Article IV and Section 1366 of the Civil Code; (B) the legal description of the Owner's Lot against which the assessment and other sums are levied; (C) the name of the record Owner of said Lot; and (D) the name and address of the trustee authorized by the Association to enforce the lien by sale. The Notice of Delinquent Assessment shall be signed on behalf of the Association by either its president, treasurer, general manager or legal counsel. Upon payment of the sums specified in the Notice of Delinquent Assessment, the Association shall cause to be recorded a further notice stating the satisfaction and release of the lien thereof.

(iii) Remedies Available To The Association To Collect Assessments, Generally. The Association may bring an action at law against the Owner personally obligated to pay the delinquent assessment, or foreclosure its lien against the Owner's Lot. Foreclosure by the Association of its lien may be by judicial foreclosure or by non-judicial foreclosure by the trustee designated in the Notice of Delinquent Assessment or sale by a trustee substituted pursuant to California Civil Code Section 2934a. Any sale by a trustee shall be conducted in accordance with the provisions of Sections 2924, 2924(b), and 2924(c) of the California Civil Code applicable to the exercise of powers of sale in mortgages and deeds of trusts.

Suit to recover a money judgment for unpaid common expenses, rent and attorneys' fees shall be maintainable without foreclosure or waiving the lien securing the same. Furthermore, the Board may take such additional action, including, without limitation, acceptance of a deed in lieu of foreclosure, consistent with this Declaration, as is necessary or appropriate to enforce its assessment rights hereunder.

Section 10. Transfer of Lot by Sale or Foreclosure. Except as otherwise provided herein, the sale or transfer of any Lot shall not affect the assessment lien. The sale or transfer of any Lot pursuant to foreclosure of any first Mortgage shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No transfer of a Lot as the result of a foreclosure, exercise of a power of sale or otherwise shall relieve the new Owner, whether it be the former beneficiary of the first encumbrance or other person, from liability for any assessments thereafter becoming due or from the lien thereof.

Where the mortgagee of the first Mortgage of record or other purchaser of a Lot obtains title to the same as a result of foreclosure of any first Mortgage, the person acquiring title, his successors and assigns, shall not be solely liable for the share of the Common Expenses or Association assessments chargeable to such Lot which became due prior to the acquisition of title to such Lot by such acquirer. Such unpaid share of common expenses or assessments shall be deemed to be Common Expenses collectible from Owners of all Residence Lots within the Properties, including such acquirer, his successors and assigns.

Section 11. Priorities. When a notice of assessment has been recorded with respect to any Lot, such assessment shall constitute a lien on each respective Lot prior and superior to all other liens recorded subsequent thereto except (a) all taxes, bonds, assessments and other which, by law, would be superior thereto, and (b) the lien or charge of any first Mortgage of record (meaning any recorded mortgage or deed of trust with first priority over other mortgages or deeds of trust) 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 sale of the Lot pursuant to a decree of foreclosure of any such first Mortgage or deed of trust or pursuant to a power of sale in such Mortgage or deed of trust.

Section 12. Unallocated Taxes. In the event that any taxes are assessed against the Common Area, or the personal property of the Association, rather than being assessed to the Lots, such taxes shall be included in the Regular Assessments made under the provisions of Section 2 of this Article IV and, if necessary, an additional Special Assessment may be levied against the Residence Lots in an amount equal to such taxes, payable in two installments, 30 days prior to the due date of each tax installment.

Section 13. Waiver of Exemptions. Each Owner, to the extent permitted by law, waives, to the extent of any liens created pursuant to this Article IV, the benefit of any homestead or exemption law of California in effect at the time any assessment or installment thereof becomes delinquent or any lien is imposed.

ARTICLE V
OBLIGATIONS OF OWNERS

Section 1. Persons Subject to Governing Documents. All present and future Owners, tenants and occupants of Lots within the Properties shall be subject to, and shall comply with, each and every provision of the Governing Documents, as the same or any of them shall be amended from time to time unless a particular provision is specifically restricted in its application to one or more of such classes of persons, i.e. Owners, tenants, invitees, etc. The acceptance of a deed to any Lot, the entering into a lease, sublease or contract of sale with respect to any Lot, or the entering into occupancy of any Lot shall constitute the consent and agreement of such Owner, tenant or occupant that each and all of the provisions of this Declaration, as the same or any of them may be amended from time to time, shall be binding upon said persons and that said persons will observe and comply with the same.

Section 2. Payment of Assessments and Compliance with Rules. Each Owner shall pay when due each Regular, Special and Special Individual Assessment made against the Owner and his or her Lot and shall observe, comply with, and abide by any and all rules and regulations set forth in, or promulgated pursuant to, any Governing Document for the purpose of protecting the interests of all Owners or protecting the Common Area and Common Facilities.

Section 3. Discharge of Liens. Each Owner shall promptly discharge any assessment lien that may hereafter become a charge against his or her Lot.

Section 4. Joint Ownership of Lots. In the event of joint ownership of any Lot, the obligations and liabilities of the multiple Owners shall be joint and several. Without limiting the foregoing, this Section 4 shall apply to all obligations, duties and responsibilities of Owners as set forth in this Declaration, including, but not limited to, the payment of all Assessments.

Section 5. Prohibition on Avoidance of Obligations. No Owner, by nonuse of the Common Areas or Common Facilities, abandonment of the Owner's Lot or otherwise may avoid the burdens and obligations imposed on such Owner by this Declaration.

Section 6. Termination of Obligations. Upon the conveyance, sale, assignment or other transfer of a Lot to a new Owner, the transferor-Owner shall not be liable for any Assessments levied with respect to such Lot after the date of recordation of the deed evidencing said transfer and upon such recordation evidencing said transfer all Association membership rights possessed by the transferor by virtue of the ownership of said Lot shall cease.

In the event a Lot is conveyed by a contract of sale, the rights and obligations of the transferor and transferee shall be as follows:
A contract seller of any Residence Lot must delegate his or her voting rights as a Member of the Association and his or her rights to the use and enjoyment of the Common Areas and Common Facilities to the contract vendee provided possession is in the contract vendee.

However, the contract seller of any Lot shall remain liable for any default in the payment of assessments by the contract vendee until title to the property sold has been transferred to the vendee.

ARTICLE VI ARCHITECTURAL CONTROL

Section 1. Design Committee Approval Required for all Improvements.

(a) No Residence, swimming pool, landscaping, wall, fence, coping, barn, outbuilding, guest house, utility line (wire or conduit) other structure or improvements of any kind or character whatsoever (collectively "improvements") shall be erected, constructed, installed, placed upon, moved, altered or remodeled on any Lot, until construction plans, specifications and plot plans for the improvement, meeting the requirements of Section 8 below, have been submitted to, and approved in writing by, the Association's Design Committee. In approving any work of improvement the Design Committee shall apply the criteria set forth in Section 7 of this Article VI.

(b) Once a work of improvement has been duly approved by the Design Committee, no material modifications shall be made in the plans and specifications therefor and no subsequent alteration, relocation, addition or modification shall be made or done to any completed improvement or structure without a separate review and approval of the proposal by the Design Committee.

(c) Building improvements on any Lot shall comply with any location, height limitation or minimum size requirements that are applicable to the Lot under Article VII, Section 1 of this Declaration.

(d) Also considered as an "improvement" subject to this Article VI shall be any Excavation or Fill on any Lot and any cutting or removal of trees from any Lot.

Section 2. Composition and Appointment of Committee. The Design Committee shall be composed of three members or such greater number as designated by the Board of Directors and shall serve for one year terms and until their successors have been appointed. The members of the Design Committee must also be Members of the Association and members of the Board of Directors shall be eligible to serve. The Board shall be entitled to permit a representative of the Georgetown Divide Public Utility District, or any successor governmental agency responsible for supervision of waste disposal systems within Auburn Lake Trails, to sit on the Design Committee, ex-officio and without the right to vote, in order to supervise the design and installation of on-site waste disposal systems.

Section 3. Resignation and Vacancies. Any member or alternate member of the Design Committee may at any time resign from the

Committee upon written notice delivered to the Association Board. Vacancies on the Design Committee, however caused, shall be filled by the Association Board.

Section 4. Duties. It shall be the duty of the Design Committee to consider and act upon the proposals and plans submitted to it pursuant to this Declaration, to adopt Design Committee Rules pursuant to Section 6 hereof, to perform other duties delegated to it by the Association and to carry out all other duties imposed upon it by this Declaration.

Section 5. Meetings. The Design Committee shall meet from time to time as necessary to properly perform its duties hereunder. The vote or written consent of a majority of the Committee members shall constitute an act by the Committee unless the unanimous decision of its members is otherwise required by this Declaration or by Design Committee Rule. The Committee shall keep and maintain a written record of all actions taken by it at any Design Committee meeting or otherwise. The Design Committee and its members shall be entitled to reimbursement for reasonable out-of-pocket expenses incurred by them in the performance of any Design Committee functions. Requests for reimbursement shall be supported by adequate documentation and shall be submitted to, and approved by, the Board of Directors.

The Owner-Applicant shall be entitled to appear at any meeting of the Design Committee at which the Owner's proposal has been scheduled for review and consideration. The Owner shall be entitled to be heard on the matter and may be accompanied by his or her architect, engineer and/or contractor. Other Owners whose property may be affected by the proposed improvement (in terms of the view or solar access of their Lot, noise or other similar considerations) shall also be entitled to attend the meeting.

Reasonable notice of the time, place and proposed agenda for Design Committee meetings shall be communicated before the date of the meeting to any Owner-Applicant whose application is scheduled to be heard.

Section 6. Design Committee Rules. The Design Committee may, from time to time and with approval of the Board of Directors, adopt, amend and repeal, by unanimous vote of the Committee, rules and regulations to be known as "Design Committee Rules." Said rules shall interpret and implement the provisions hereof by setting forth the standards and procedures for Design Committee review and guidelines for architectural design, placement of any work of improvement or color schemes, exterior finishes and materials and similar features which are recommended for use within the Properties; provided, however, that said rules shall not be in derogation of the minimum standards required by this Declaration. In the event of any conflict between the Design Committee Rules and this Declaration, the provisions of the Declaration shall prevail.

Section 7. Basis for Approval of Improvements. When a proposed work of improvement is submitted to the Design Committee for review,

the Committee shall grant the requested approval only if each of the following provisions is satisfied:

(a) The Committee finds that the Owner has complied with the provisions of Section 8 below;

(b) The Committee finds that the Owner's plans and specifications: (i) conform to this Declaration and to the Design Committee Rules in effect at the time such plans are submitted to the Committee; (ii) will result in the construction of an improvement that is in harmony with the external design of other structures and/or landscaping within the Properties, and (iii) will not interfere with the reasonable enjoyment of any other Lot Owner of his or her property, including, without limitation, the other Owner's rights to scenic and solar access free of unreasonable obstructions; and

(c) The Committee, in its sole discretion, determines that proposed improvements would otherwise be consistent with the architectural and aesthetic standards prevailing within the Properties and with the purposes of this Declaration. While it is recognized that the Design Committee's determination will, of necessity, be subjective to some degree, the members of the Committee shall consider such factors as the quality of workmanship and materials proposed for the project, the harmony of its exterior design and color with that of other existing structures, and the proposed location of the improvement in relation to existing topography, finished grade elevations and other existing structures.

Section 8. Procedures for Obtaining Design Committee Approval of Plans and Specifications.

(a) Application for Preliminary Approval. In order to afford an Owner who is proposing to make substantial improvements an opportunity to obtain guidance and comment from the Design Committee prior to the expenditure of substantial sums on complete plans and specifications, any Owner may apply to the Committee for preliminary approval of the proposed project. Applications for preliminary approval shall be considered and processed as follows:

(i) Any application for preliminary approval shall be in writing and shall present sufficient detail to apprise the Design Committee of the general nature, location, dimensions and contemplated exterior colors and finishes of the proposed improvement.

(ii) Within 30 days after receipt of the application for preliminary approval, the Design Committee shall grant the preliminary approval only if the proposed improvement, to the extent that its nature and characteristics are shown by the application, would be entitled to a final approval on the basis of a full and complete application. Failure of the Design Committee to act within 30 days from the filing date shall constitute a preliminary approval. In granting or denying approval, the Design Committee may give the

applicant such directions concerning the form and substance of the final application for approval as it may deem proper or desirable for the guidance of the Applicant.

(iii) Any preliminary approval granted by the Design Committee shall be effective for a period 90 days from the date of issuance. During said period, any application for final approval that presents complete plans and specifications for the proposed improvements, consistent with the provisions of the preliminary approval and otherwise acceptable under the terms of this Declaration and the Design Committee Rules, shall be approved by the Design Committee.

(iv) In no event shall any preliminary approval be deemed to constitute final approval authorizing construction of the subject improvements. The purpose of the preliminary review procedure is to give the Owner a measure of security in proceeding with the proposed improvement project and committing funds thereto.

(b) Application for Final Approval. Regardless of whether an Owner elects to seek preliminary approval in accordance with subparagraph (a), all Owners who desire to undertake any work of improvement (as defined in Section 1 above) must apply to the Design Committee and receive its prior approval. The application shall be in writing and shall contain all information that is necessary to reasonably evaluate the nature, design, location and extent of the proposed improvement, including, at a minimum, one complete set of plans and specifications for the improvement project (satisfying the requirements set forth in subparagraph (c) below) and such additional information as the Committee may reasonably request, either by Design Committee Rule or while the project is under review.

(c) Content of Plans and Specifications. In order to be complete, the plans and specifications shall include:

(i) A professionally prepared plot plan, which indicates (A) the size of the Residence Lot, (B) Lot contour lines, (C) the location of all existing and proposed improvements, (D) setbacks from Lot lines of all existing and proposed improvements, (E) the proposed drainage plan, (F) the location of all trees and vegetation which are to be removed as part of the construction plan, (G) the location of all proposed utility installations, (H) the location of the Residence's proposed septic tank and primary leach field, and (I) a copy of the plan for the septic tank and leach field signed and approved by the Georgetown Divide Public Utility District (GDPUD) or other responsible supervising agency, if any.

(ii) A professionally prepared (prepared by an Architect or licensed building designer) set of plans showing all (A) elevations (including foundation), (B) floor plans, (C) location of all heating and/or cooling equipment, (D) decking, (E) screening devices, and (F) retaining walls.

(iii) Description of exterior materials (if not included

with above plans), and samples of roofing material and exterior colors.

(iv) A complete, and professionally prepared landscape plan which includes the names, location, and sizes of all proposed trees, shrubbery, and lawn area(s) and a description of provisions for replanting trees and vegetation and for stabilizing slopes during and after construction.

(v) The Owner's proposed construction schedule.

If the contemplated work is of a nature that does not merit extensive plans and specifications, the Design Committee may (but shall not be obligated to) waive or modify any of the above plan and specification requirements upon receipt of a written request from the Applicant to do so.

(d) Inspection Fee and Deposits. The Design Committee may require that the submission of plans and specifications be accompanied by a reasonable fee. The Design Committee Rules may also provide for a cash deposit procedure to help ensure proper and timely completion of works of improvement in accordance with approved plans and specifications.

(e) Delivery of Plans and Specifications. Plans and specifications shall be submitted to the Design Committee by personal delivery or first-class mail to the Secretary of the Association or the Chairman of the Design Committee.

(f) Time Limits for Approval or Rejection. Within 30 days after submission of plans and specifications satisfying the requirements of subparagraph (c) above, the Design Committee shall return one set of such plans to the Applicant, with either written notice of approval or disapproval or with written suggestions of changes required for approval accompany the returned set of plans, the Applicant may implement such changes to the plans and within 45 days resubmit plans incorporating such changes for approval to the Committee, which approval it shall not unreasonably withhold so long as the Owner has complied in all material respects with the requested changes. If no written notice of approval or disapproval is received by the Applicant within 45 days after the plans (or revisions thereto) are submitted to the Committee, the plans shall be deemed to have been approved.

(g) Employment of Architect or Engineer. If at any time the Design Committee determines that it would be in the best interests of Auburn Lake Trails for an Applicant to employ an architect, licensed building designer or engineer to design or review any proposed improvement or component thereof, the Committee shall advise the Applicant in writing of its determination whereupon all plans and specifications so designated by the Design Committee must thereafter bear appropriate evidence of such preparation or review.

Section 9. Proceeding With Work. Upon receipt of approval from

the Design Committee pursuant to Section 8 above, the Owner shall, as soon as practicable, satisfy all conditions thereof and diligently proceed with the commencement of construction and excavation pursuant to said approval, said commencement to be, in all cases, within one year from the date of such approval. If the Owner shall fail to comply with this paragraph, any approval given pursuant to Section 8 above, shall be deemed revoked unless the Design 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 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 of the requested extension.

Section 10. Failure to Complete Work. Unless the Owner has been granted an extension of time to complete the project by the Design Committee, construction, reconstruction, refinishing or alteration of any such improvement must be completed within one year after construction has commenced, except and for so long as such completion is rendered impossible or would result in great hardship to the Owner because of strikes, fires, national emergencies, natural calamities or other supervening forces beyond the control of the Owner or his agents. In the case of building improvements the requirements of this Section shall be deemed to have been met if, within the six month construction period, the Owner has completed construction of the building's foundation and all exterior surfaces (including the roof, exterior walls, windows and doors).

If the Owner fails to comply with this Section 10, the Design Committee shall notify the Board of such failure, and the Board shall proceed in accordance with the provisions of Section 11(c) and (d) below as though the failure to complete the improvement was a noncompliance with approved plans.

Section 11. Inspection of Work by Design 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 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 for which Design Committee approval is required under this Article, the Owner shall give the Design Committee a written notice of completion.

(c) Within 30 days thereafter, the Design Committee, or its duly authorized representative, may inspect the improvement to determine whether it was constructed, reconstructed, altered or refinished in substantial compliance with the approved plans. If the Design Committee finds that the improvement was not done in substantial compliance with the 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.

(d) If the Owner fails to remedy any noncompliance of which notice has been given within 30 days from the date of such notification, the Design 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 date shall be not more than 30 days nor less than 15 days after the notice of the noncompliance is given by the Board to the Owner, to the Design Committee and, in the discretion of the Board, to any other interested party.

(e) At the hearing, the Owner, a representative(s) of the Design Committee and, in the Board's discretion, any other interested person may present information relevant to the question of the alleged noncompliance. After considering all such information, the Board shall determine whether there is a noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. If a noncompliance exists, the Board shall require the Owner to remedy or remove the same within such period or within any extension of such period as the Board, at its discretion, may grant.

If the Owner fails to take corrective action after having a reasonable opportunity to do so, the Board, at its option, may either remove the noncomplying improvement or remedy the noncompliance and the Owner shall reimburse the Association for all expenses incurred in connection therewith upon demand. If such expenses are not properly repaid by the Owner to the Association, the Board shall recover such expenses through the levy of a Special Individual Assessment against such Owner.

(f) If for any reason the Design Committee fails to notify the Owner of any noncompliance within 30 days after receipt of the Owner's notice of completion, the improvement shall be deemed to have been constructed in accordance with the approved plans.

Section 12. Landscaping. As specified in Section 1 of this Article VI, landscaping shall be deemed to be a work of improvement requiring Design Committee approval hereunder. All approved landscaping must be completed within 60 days after a notice of occupancy has been filed with the County for the Owner's Residence and, in the event that the landscaping has not been completed by the occupancy date, the Design Committee may, in its discretion, require an Owner-Applicant to post a bond in an amount not to exceed the estimated cost of the landscaping work, or a cash deposit not to exceed \$500 in lieu thereof, to ensure the Applicant's timely completion of the landscaping work. Rather than requiring a separate landscaping deposit the Committee may elect to rely on a single cash deposit covering all aspects of the project (see Section 8(d) above).

Section 13. Non-Waiver. The approval by the Design Committee of any plans, drawings or specifications for any work done or proposed, or for any other matter requiring the approval of the Design Committee under this Declaration, or any waiver thereof, shall

not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification or matter subsequently submitted for approval by the same or some other Owner.

Section 14. Variances. The Design Committee, in its sole discretion, shall be entitled to allow reasonable variances in any procedures specified in this Article VI or in any restrictions specified in Article VII 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 property use restriction that would otherwise be applicable under this Declaration, the Design Committee must conduct a public hearing on the proposed variance after giving prior written notice to the Board and to all Owners residing within a half mile of the subject Lot. Said notice shall also be posted in the Association office on the Properties. The notice shall be posted and mailed to the necessary Owners at least 10 days prior to the date when the Design Committee is scheduled to act on the requested variance.

(b) The Design Committee must make a good faith written determination that: (i) the requested variance does not constitute a material deviation from any restriction contained herein or that the proposal allows the objectives of the violated requirement(s) to be substantially achieved despite noncompliance; or (ii) that the variance relates to a requirement 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 Lot, Common Area or Owner within the Properties.

Section 15. Estoppel Certificate. Within 30 days after written demand is delivered to the Design Committee by any Owner, and upon payment to the Association of a reasonable fee (as established from time to time by the Board), the Design Committee shall record an estoppel certificate, executed by any two of its members, certifying (with respect to any Lot 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 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 Lot through the Owner, shall be entitled to rely on said certificate with respect to the matters therein set forth, such matters being conclusive as between the Association, Declarant, all Owners and any persons deriving any interest through them.

Section 16. Liability. Neither the Design Committee nor any member thereof shall be liable to the Association or to any Owner for any damage, loss or prejudice suffered or claimed on account of: (a) the approval or disapproval of any plans, drawings and specifications, whether or not defective; (b) the construction or

performance of any work, whether or not pursuant to approved plans, drawings and specifications; (c) the development of any Lot within the Properties; or (d) the execution and filing of an estoppel certificate pursuant to Section 15, above, whether or not the facts therein are correct; provided, however, that such member has acted in good faith on the basis of such information as may be possessed by him.

Section 17. Governmental Regulations. Review and approval by the Design Committee of any proposals, plans or other submittals 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 respective Lot Owner.

Section 18. Appeals. Appeals from decisions of the Design 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 Committee. The Association Rules shall contain procedures to process appeals pursuant to this Section 18.

ARTICLE VII
RESTRICTIONS APPLICABLE TO
CONSTRUCTION AND ALTERATION OF IMPROVEMENTS

Section 1. Lot Improvements. The following general restrictions are applicable to the construction of improvements on any Lot within Auburn Lake Trails:

(a) One Residence Per Residence Lot. No Owner shall construct more than one Residence on any Residence Lot (together with a private garage and other outbuildings that are incidental to the primary residential use of the Lot). No Residences or other buildings containing plumbing or waste disposal facilities shall be constructed on any Restricted Lot.

The restrictions contained in this Section 1(a) with respect to construction of improvements on Residence Lots are intended to exclude every form of multi-family dwelling, board or lodging house, sanitarium, hospital and the like, but is not intended to exclude:

(i) the construction and maintenance of barns, corrals and similar horse care facilities so long as horses are otherwise permitted on such Lot and the Owner has completed construction of the Lot's Residence or the Design Committee otherwise permits; or

(ii) temporary construction shelters or facilities maintained during, and used exclusively in connection with, construction of the main Residence.

(b) Minimum Size of Residences. Every Residence structure constructed on a Residence Lot shall contain a minimum of 1200 square feet of fully enclosed floor area devoted to living purposes

(exclusive of roofed or unroofed porches, terraces, decks, garages, carports and other outbuildings).

(c) Height of Structure. No Residence or other structure or improvement on any Residence Lot shall be constructed, having a height of more than one story; provided, however, that a two story structure may be built if such a height is permissible by law and the Design Committee determines that the proposed height is compatible with the physical site involved and will not unreasonably impair the view or solar access of Residences constructed on neighboring Residence Lots.

(d) Parking. Each Residence Lot shall have off the Road garage or carport facilities for at least two automobiles and appropriate off-street parking for guests unless a variance is granted by the Design Committee.

(e) Exterior Items. All above-ground trash, rubbish, and garage receptacles, exterior incinerators, clotheslines, and other outside drying or airing facilities, storage areas, and lot-maintenance equipment storage areas shall be screened in such manner or placed in such location as not to be visible from neighboring Lots and Common Areas.

(f) Fuel Tanks. On all Residence Lots, fuel tanks common to household use must be installed in conformance with all applicable Design Committee and applicable governmental requirements. No other fuel tanks will be installed or maintained on any Lot.

(g) Exterior Finishes. No reflective finishes (other than glass) shall be used on exterior surfaces of any improvement (other than surfaces of hardware fixtures).

(h) Antennas. No exterior antenna of any sort other than conventional television antennas shall be installed or maintained on any Lot without the approval of the Design Committee, provided, however, that this restriction shall not apply to any cable television facilities constructed or installed by or pursuant to the authority of the Association. The Design Committee shall adopt guidelines regarding the type, height and size of antennas that are likely to receive approval from the Committee. The height of antennas shall in all events be subject to Design Committee approval.

(i) Plumbing and Toilet Facilities. No outside toilet shall be constructed on any Lot. All plumbing fixtures, dishwashers, toilets or sewage disposal systems shall be connected to a septic tank or other sewage system constructed by the Owner and approved by the responsible government agencies. No plumbing or toilet facilities shall be constructed, installed or maintained on any Restricted Lot.

(j) Design of Septic Systems. No septic tank system or other sewer facility designed to serve a Residence Lot shall be constructed on any Lot unless: (i) it has been designed and certified by a Registered Civil Engineer and approved by the Georgetown Divide Public Utility District (or other responsible supervising agency, if

any) as being adequate to serve said Lot; (ii) it has been approved by the Health Department of the County of El Dorado; and (iii) its design and location have been approved of by the Design Committee.

(k) Water Wells. No individual water well shall be constructed or maintained on any Lot unless at the time of recordation of the Subdivision Map covering said Lot a declaration is recorded excepting said Lot from this restriction.

(l) Occupancy of New Residences. No Residence shall be occupied until the same has been substantially completed in accordance with its plans and specifications and the front yard landscaping has either been completed or bonded in accordance with Article VI, Section 12 hereof.

(m) Use of New Materials. All structures constructed on any Lot shall be constructed with a substantial quantity of new material. No used structures shall be relocated or placed on any such Lot.

(n) No Model Homes. No Owner of any Residence Lot shall build or permit the building thereon of any structure that is to be used as a model home or exhibit.

(o) No Mobile Homes or Trailers. No house trailer, mobile home, truck camper, recreational vehicle, boat, tent, or any similar living facility shall be used as living quarters on any Lot.

(p) Fences. All fences on any Lot shall be in accordance with standards prescribed by the Design Committee.

(q) No Further Subdivision. Except as otherwise specifically provided in the Settlement Agreement referenced in Recital F of the First Restated Declaration, no Lot shall be resubdivided.

(r) Building Location. No building shall be located nearer to the front, side, or rear boundary line of any Lot than as permitted by applicable zoning ordinance or other governmental restriction. A detached garage structure or barn may be located as near to any interior Lot line as the existing zoning ordinances will permit. In accordance with the authority conferred in Article VI hereof, the Design Committee shall be entitled to consider preservation of the views and solar access of adjoining Residence Lots in approving the design and location of buildings on any Lot.

(s) Licensed Contractor. All Residences shall be constructed by a contractor licensed under the laws of the State of California. This restriction is not intended to preclude Owners from serving as owner-builders so long as the actual work is inspected and approved by all government agencies with jurisdiction over such matters.

(t) Utilities. The Design Committee is empowered to require the electrical service lines servicing any Lot to be installed underground in order to promote an attractive appearance and preserve views within the Properties. This restriction shall not apply to any

service lines that have already been installed above ground as of the recordation date of this Declaration.

(u) Street Encroachments. To protect Roads within the Properties from unnecessary deterioration, the Design Committee may adopt rules regarding the design and installation of street encroachments at the point where an Owner's driveway enters the common Road system.

Section 2. Common Area Improvements. The following general restrictions are applicable to the construction of improvements within the Common Areas:

(a) Right To Construct Improvements, In General. With the exception of the Association or an Owner (by right of easement for septic tank, leach line, or other sewer facilities granted pursuant to Article IX, Section 4 hereof) or a public utility or governmental agency (by right of an easement granted by the Association), no persons shall have the right to construct any improvement upon, or make or create any excavation or fill upon, or change the natural or existing drainage of, or destroy or remove any tree, shrub or other vegetation from, or plant any tree, shrub or other vegetation upon any Common Area.

(b) Construction of New Improvements or Material Alteration of Existing Improvements. If the Association Board of Directors desires to construct any new building or recreational improvement or to materially alter the exterior appearance of any existing improvement within the Common Area, any such project must be reviewed by the Design Committee in accordance with Article VI hereof. Such improvement shall be approved only if it is determined to be consistent with the overall plan and scheme of development within the Properties and to be to the advantage and in the best interest of Auburn Lake Trails and its Owners.

(c) Other Improvements. Without approval of the Design Committee, the Board of Directors may:

(i) Construct, reconstruct, replace or refinish any Common Facility or any portion thereof substantially in accordance with the plans for such Common Facility as it existed within the Common Area when it was conveyed to the Association by the Declarant or when it was subsequently constructed by the Association. An improvement project involving any Common Facility shall be deemed to be in substantial conformity with the original plans for the subject facility if the only material alterations thereto are those alterations that are required to bring the building into compliance with the then current governmental requirements for building improvements in El Dorado County.

(ii) Construct, reconstruct, replace, refinish any Road improvement or surface upon any portion of Common Area designated on any "Subdivision Map as a road or parking area.

(iii) Replace destroyed trees or other vegetation and, to

the extent the Association deems necessary, plant trees, shrubs and ground cover upon any portion of Common Area.

(iv) Place and maintain upon the Common Area and Common Facilities such signs as the Association may deem necessary for the identification of the development and of roads, the regulation of traffic, including parking, the regulation and use of Common Area and Common Facilities and for the health, welfare and safety of Owners, tenants and guests Any such signs to be placed within the street area shall be subject to County approval.

(v) Take whatever measures may, in the discretion of the Association's Board, be necessary or appropriate to prevent or retard the shifting or sliding of earth.

(d) Septic Improvements In Common Area. Prior to construction and installation of any septic tank, leach line or other sewer facility pursuant to an easement granted to an Owner pursuant to Article IX, Section 4 of this Declaration, the Owner must receive the prior approval of the Design Committee as to design and location of the improvement. All necessary governmental approvals shall also be obtained and written evidence thereof shall be furnished to the Design Committee.

ARTICLE VIII PROPERTY USE RESTRICTIONS

In addition to restrictions established by law and by regulations which may from time to time be promulgated hereunder by the Board of Directors, the following restrictions are hereby imposed upon the use of Lots and parcels located with Auburn Lake Trails:

Section 1. Use of Residence Lots.

(a) The use of Residence Lots within the Properties is hereby restricted to Single Family Residential Use, as defined in Article I, Section 31 of this Declaration. In no event shall a Residence be occupied by more individuals than permitted by applicable law, zoning, or regulation.

(b) Each Lot shall be conveyed as a separately designated and legally described fee simple estate subject to this Declaration. All Lots and the Residences and other improvements placed thereon (including without limitation, landscaping) shall at all times be maintained in such a manner as to prevent their becoming unsightly.

(c) The vegetation on any Residence Lot shall be planted and/or maintained by the Owner in such a manner as to prevent or retard shifting or erosion, encourage the growth of indigenous ground cover and reduce the risk of fire hazard.

(d) No camping, whether temporary or permanent, shall be permitted on any Residence Lot.

Section 2. Use of Restricted Lots.

(a) Prohibition of Residential Structures. No structure or improvement designed for human habitation or requiring effluent disposal facilities shall be constructed or maintained on any Restricted Lot.

(b) Restriction on Association Membership Rights. No Association membership voting rights or rights to use and enjoy any recreational Common Facilities shall arise out of, or be appurtenant to, the ownership of any Restricted Lot; provided, however, that Restricted Lots shall be subject to Special Individual Assessments to the extent provided in Article IV, Section 4(a) hereof.

(c) Barns, Corrals and Similar Improvements. Barns, corrals and similar improvements for the maintenance of horses may be constructed on Restricted Lots that are at least one acre in size.

(d) Other Restrictions Incorporated By Reference. Subparagraphs (b) through (d), inclusive, of Section 1 of this Article VIII shall apply to Restricted Lots to the same extent as Residence Lots, except that the references to "Residences" in said subparagraphs shall not apply in this context.

(e) Amendment or Modification of These Restrictions. The restrictions contained in this Section 2 may only be amended by the written consent of 75% the voting power of the Members of the Association.

Section 3. Use of Common Areas and Common Facilities. The use of Common Areas and Common Facilities shall be preserved as open space and used for recreational purposes and other purposes incidental and ancillary to the use of Lots. Such use shall be limited to the private use for the aesthetic enjoyment of the Owners and their tenants, families and guests subject to the regulations contained in this Declaration and the other Governing Documents. No improvement, excavation or work which in any way alters any Common Area from its natural or existing state on the date such Common Area was conveyed to the Properties shall be made or done except in strict compliance with the requirements of Article VII, Section 2 hereof.

Section 4. Prohibition of Noxious Activities. No illegal, noxious or offensive trade or activity shall be conducted upon any Lot, Restricted Lot or Common Area nor shall anything be done thereon which may be or become an annoyance or nuisance to neighboring Owners. Without limiting any of the foregoing, no Owner shall permit noise, including, but not limited to the barking of dogs, the operation of air conditioners, stereo amplifier systems, television systems, motor vehicles or power tools, to emanate from the Owner's Lot, or from within any portion of the Common Area, which would unreasonably disturb the quiet enjoyment of other Owners and residents.

Excessive noise levels may be determined in the discretion of the management which may, but shall not be obligated to, rely on the standards established by County ordinance or other applicable governmental regulation dealing with such matters.

The Board may, in its sole discretion, prohibit maintenance within the Properties of any animal that constitutes a nuisance to any other Owner(s) (whether due to its size, viciousness, unreasonable noise or otherwise).

Section 5. Trees. No existing trees shall be destroyed, uprooted, cut down or removed from any Lot until the destruction, uprooting, cutting down or removal has been approved by the Design Committee. Owners shall refrain from planting new trees in locations that are likely to unreasonably obstruct the solar access of residential structures located on adjoining Residence Lots.

Section 6. Rebuilding. Should any Residence erected on any Residence Lot or any portion of any Residence Lot be destroyed by fire or otherwise, any structure erected to replace the destroyed structure shall be subject to full Design Committee review in accordance with Article VI hereof. The destroyed portion of any Residence or other building shall be removed promptly, and in any event within 6 months from the date of destruction, so as to avoid the maintenance of an unsightly nuisance or safety hazard within the Properties. Rebuilding shall proceed as expeditiously as reasonably possible.

Section 7. Signs. No sign of any nature is to be placed on any Lots for advertising purposes, or for any other purpose other than a sign of reasonable dimensions and design advertising (a) that the property is for sale, lease or exchange, (b) the owner's or agent's name, and (c) the owner's or agent's address and telephone number.

Section 8. Storage of Equipment. All equipment, trash cans, clothes drying facilities, and storage items shall be kept screened and concealed from the view of neighboring Lots, the Common Area and streets within the Properties.

Section 9. Garbage. All garbage, rubbish and trash shall be kept entirely within appropriate covered containers. All rubbish, trash or garbage shall be regularly removed from each Lot and shall not be allowed to accumulate thereon or on the Common Area. The Association shall be entitled to impose reasonable fines and penalties for the collection of garbage and refuse that is disposed in any manner inconsistent with this Section.

Section 10. Activities Affecting Insurance. Nothing shall be done or kept on any Lot or Restricted Lot on or in the Common Areas which will (a) increase the rate of insurance on any other Lot or Residence or on the Common Area or Common Facilities, or (b) cause any improvements to be uninsurable against loss by fire or the perils covered by the extended coverage endorsement to the California standard fire policy form, or (c) cause any policy or policies

representing such insurance to be cancelled or suspended or the insurer issuing the same to refuse renewal thereof.

Section 11. Drilling and Mining Operations. No oil or natural gas drilling, refining, quarrying or mining operation of any kind shall be permitted upon any Lot or Restricted Lot and no derrick, structure or equipment designed for use in drilling for oil or natural gas shall be erected, maintained or permitted on any Lot or Restricted Lot.

Section 12. Household Pets and Horses. The following restrictions shall apply to the ownership and maintenance of animals and pets within Auburn Lake Trails:

(a) Only a reasonable number of common household pets may be kept on each Lot so long as the same are not kept, bred or maintained for commercial purposes. Horses may be maintained on Lots one acre in size or larger, but only in strict compliance with any Association Rule limiting the number of horses per acre or requiring certain improvements and facilities. No other animals, livestock, or poultry of any kind shall be kept, bred, or raised on any Lot.

(b) Dogs shall only be allowed on the Common Areas when they are leashed and/or otherwise under the Owner's supervision and control. Proper facilities for the care, shelter, and feeding of any pets permitted hereunder shall be provided by the Owner thereof so as to avoid any annoyance or nuisance to the neighborhood and under no circumstances shall any household pet be left chained or otherwise tethered in front of a Residence or in the Common Area.

(c) The Board of Directors shall have the right to establish and enforce additional regulations for the reasonable control and keeping of pets within Auburn Lake Trails, to ensure that the same do not interfere with the quiet and peaceful enjoyment of other Owners. The Association Rules may also establish guidelines or regulations defining, in a uniform and nondiscriminating manner what constitutes a "reasonable number" of pets depending on such factors as: the type of animal, its size, disposition, and maintenance needs.

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

Section 13. Vehicles and Trailers. The following restrictions shall apply to the storage and parking of vehicles and trailers within Auburn Lake Trails:

(a) Pick-up trucks with a "gross vehicle weight rating" under 12,000 pounds shall be considered the same as automobiles.

(b) No trucks over 12,000 pounds, commercial carriers (including, but not limited to, flat beds, bobtails, truck tractors), or similar vehicles shall be parked or stored on any Lot except for temporary parking for purposes of loading or unloading passengers or materials except as appropriately screened as provided in subparagraph (d) below.

(c) No stripped down, inoperative, wrecked, or junk motor vehicle shall be kept, parked, stored, or maintained on any Lot; provided, however, that a vehicle may be stored, maintained, or repaired within a garage.

(d) No vehicle bearing commercial insignia or names shall be parked on any Lot unless it is garaged or screened so that the insignia may not be seen from any neighboring Lot or Common Area unless such vehicle is temporarily parked for the purpose of serving the residents of such Lot.

(e) The parking of vehicles on Roads within Auburn Lake Trails shall at all times be subject to the Association Rules.

(f) No house trailer, horse trailer, boat trailer, or other trailer, no motor home, camper, camper shell, fifth wheeler, boat, aircraft, or other recreational vehicle shall be parked, stored or kept upon any Lot unless it is garaged or screened so that it may not noticeably be seen from any neighboring Lot or Common Area. All screening shall be subject to Design Committee approval. Nothing herein contained shall give any authority to use any vehicle of whatever kind as a residence at any time.

Section 14. Business Activities. No business activities of any kind whatsoever shall be conducted within any Residence or in any portion of any Lot or Restricted Lot without the prior written consent of the Board; provided, however, the foregoing covenants shall not apply to the activities, signs or the maintenance of buildings, by the Association, its successors and assigns, in furtherance of its powers and purposes as set forth herein.

Notwithstanding the foregoing, no restrictions contained in this Section 14 shall be constructed in such manner as to prohibit any Owner from engaging in the following activities from or within his Residence: (a) maintaining his or her personal library therein; (b) keeping his or her personal business records or accounts therein; (c) handling his or her personal or professional telephone calls or correspondence therefrom; or (d) conducting any other activities on the Owner's Lot otherwise compatible with residential use and the provisions of this Declaration which either are permitted under applicable zoning laws or governmental regulations without the necessity of first obtaining a special use permit or similar specific governmental authorization or approved by the Board. Such uses are expressly declared to be customary and incidental to the principal residential use of a Residence Lot and are therefore not in violation of any provision of this Article VIII.

Section 15. No Alterations or Antennas. In order to insure adequate aesthetic controls and to maintain the general attractive appearance of the Properties, no Owner, resident or lessee shall, at his expense or otherwise, construct fences, walls, or make any alterations, additions or modifications to or on any part or portion of the Common Areas or exterior surfaces of residential structures, or place or maintain any objects, such as masts, towers, poles, or television and radio antennas, on or about the exterior of any building within the Properties except as authorized by the Design Committee in accordance with Article VI hereof.

Section 16. Barbecues and Open Fires. All open fires shall be managed in accordance with the Association Rules and all applicable local regulations and ordinances. Prior to starting any open fire the Owner shall notify the Association Security personnel. Barbecue fires shall be contained within receptacles designed for such purpose.

Section 17. Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot unless it is garaged or screened so that it may not noticeably be seen from any neighboring Lot or Common Area. Machinery or equipment that is usual or customary in connection with the maintenance or construction of a private Residence or appurtenant structures within Auburn Lake Trails may be kept upon or adjacent to a Lot only during such construction or maintenance.

Section 18. Diseases and Insects. No Owner shall permit any thing or condition to exist upon his or her Lot which shall induce, breed, or harbor infectious plant diseases or noxious insects.

Section 19. Supervision of Children. Each Owner and tenant residing within Auburn Lake Trails shall be accountable to the remaining Owners, their families, visitors, guests and invitees, for the conduct and behavior of their children and that of any children temporarily residing in or visiting the Owner's Residence and for any property damage caused by such children.

Section 20. Restriction on Further Subdivision and Severability. Except as otherwise provided in the Settlement Agreement referenced in Recital F of the First Restated Declaration, no Lot shall be further subdivided nor shall less than all of any such Lot be conveyed by an Owner thereof and no Owner of a Lot within the Properties shall be entitled to sever that Lot from the Common Area portion of Auburn Lake Trails. No easement or other similar interest in a Lot shall be given to any person without the prior written approval of the Design Committee.

Section 21. Exterior Fluorescent and Security Lights. Fluorescent, mercury vapor, sodium, or amber vapor lights, or standard outdoor lights of the type used for security must be enclosed in a manner that directs the light in a specific area without causing a visual impairment to passing motorists or a nuisance to neighboring properties. The issue of whether a nuisance

exists shall be determined by the Design Committee in its sole discretion.

Section 22. Use of Private Roads in Common Area.

(a) All operators of motor vehicles, including motorcycles, within the Auburn Lake Trails subdivision must possess a valid California driver's license.

(b) All provisions of the California Vehicle Code must be honored at all times when operating any motor vehicle within Auburn Lake Trails.

(c) Although all Roads within Auburn Lake Trails are subject to the California Vehicle Code, the Association shall have the right to adopt reasonable rules regarding the control and use of the Roads, vehicles operated thereon and the speed of such vehicles, the further authorized to delegate the discharge of its rights hereunder to a municipality or other governmental entity or to contract with a private security patrol company for such purposes so long as the private character of the Roads is not jeopardized by such action. No motorized vehicles of any sort shall be operated or allowed on the equestrian trails within Auburn Lake Trails.

Section 23. Vehicles on Equestrian Trails. No vehicles of any sort (including, without limitation, bicycles, motorcycles, or motor bikes) shall be operated or allowed on the equestrian trails within Auburn Lake Trails, except for those Vehicles necessary to perform maintenance work.

Section 24. Variances. Upon application by any Owner, the Board of Directors shall be authorized and empowered to grant reasonable variances from the property use restrictions set forth in this Article VIII, if specific application of the restriction will either cause an undue hardship to the affected Owner or fail to further or preserve the common plan and scheme of development contemplated by this Declaration. In considering the acting upon any request for a variance, the Board shall follow the procedures set forth in Article VI, Section 14 for the granting of architectural variances by the Design Committee.

ARTICLE IX
EASEMENTS

Section 1. Utility Easements. The Association shall have the power to grant and convey easements and rights-of-way in, on, over or under the streets and Common Areas to any third party for the purpose of constructing, erecting, operating or maintaining lines, cables, wires, conduits, or other devices for electricity, cable, television, power, telephone and other purposes, public sewers, storm water drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes, and any similar public or quasi-public improvements or facilities, subject to prior written approval thereof

by the County of El Dorado, and each Owner, in accepting a deed to a Lot, expressly consents to such easements and rights-of-way and authorizes and appoints the Association as attorney-in-fact of such Owner to execute any and all instruments conveying or creating such easements or rights-of-way.

Section 2. Road Easements.

(a) Member Road Easement. Each Owner (including family members who reside with the Owner within Auburn Lake Trails) and the Association shall have and is hereby granted a non-exclusive easement for street, roadway and vehicular traffic purposes over and along the Roads within the Properties, subject to termination of such easement and the rights and restrictions set forth in this Declaration. The non-exclusive easement granted hereby to each Owner and to the Association is subject to the offer of dedication of such streets made upon the Subdivision Maps and upon complete or partial acceptance of such offer by the County of El Dorado, said easement shall terminate and be of no further force or effect as to those streets or portions thereof accepted by the County of El Dorado. Any such dedication shall require membership approval in accordance with Article II, Section 3(g).

(b) Road Easements Granted To Other Persons. As a condition to the approval of the Subdivision Map of Auburn Lake Trails Units 1 and 2, the County of El Dorado required that Declarant grant, a perpetual non-exclusive easement and right of way over all of the Roads located within Auburn Lake Trails to the owners of the real property situated in El Dorado County, record title of which was vested as of March 17, 1970 in the following named persons: Dimler, Ziegelman, Ingraham, Sorraco, Bachert, Nixon, Lawrence and Shields, all of which real property is situated in Sections 3, 4 and 8, Township 12N Range 9E of El Dorado County, California. Said easement and right-of-way is appurtenant to said real property for the purpose of ingress and egress to said appurtenant property and for the purpose of providing a means of access for utility purposes to said appurtenant property. Said grant of easement is made on page 1 of the Subdivision Map.

Section 3. Maintenance Easements. An easement is hereby granted to the Association, its officers, agents, and employees, to enter in or to cross over the Common Area and any Lot or perform the duties of maintenance and repair of the Common Areas as provided for herein.

Section 4. Easements for Septic Facilities. The Association shall have the rights described in Article II, Section 3(i) hereof to grant easements affecting Common Area property for the location, construction, maintenance and repair of septic tanks, leach fields, leach lines and or other sewage facilities (collectively "septic facilities") to service the Residence Lot of any Owner or Owners if each of the following conditions is satisfied and evidence of such satisfaction is evidenced by Board resolution set forth in the minutes of the Association:

(a) The Design Committee and the Georgetown Divide Public Utility District make a determination, based on the report of a qualified engineer, that the Owner's Residence Lot is not capable of sustaining its own septic facilities and that there are appropriate Common Area properties in reasonable proximity to the Owner's Residence Lot that have been tested and approved by all responsible government agencies for septic facility use. The determination of the Design Committee hereunder must be approved by the Board of Directors;

(b) The maintenance, repair and replacement obligation with respect to any such septic facility will rest solely with the Owner-users and the Georgetown Divide Public Utility District or other responsible agency; and the obligation to monitor the use and performance of any such septic facility shall have been expressly assumed by Georgetown Divide Public Utility District or other responsible agency;

(c) The proposed septic facility design, location, replacement area and installation satisfy all governmental health, environmental and safety requirements, and evidence of such compliance, in a form acceptable to the Board, has been provided by the Owner;

(d) The Board prepares, or causes to be prepared, appropriate easement documents for execution by the Association and the user-Owners, which documents shall contain specific provisions that indemnify and hold the Association and its members, officers, and directors harmless from any claims, demands or liabilities arising out of or relating to the use, maintenance, repair and replacement of any such septic facility. The easement documents shall also clearly express the lack of responsibility and liability of the Association for any subsequent maintenance, repair, monitoring or replacement of any septic facility located on Common Areas, although the easements shall provide for enforcement authority (in the event of a septic tank failure or improper repair or maintenance) in the Association, Georgetown Divide Public Utility District or other responsible agency and any other Owner with appropriate provisions for recovering any costs and attorneys fees from any defaulting Owner, coupled with lien rights against the Owner's property to aid in the recovery of such expenses, costs and fees; and

(e) Use of Common Area for septic facility purposes shall not disturb or unduly restrict any existing use of the surface area and in no event shall the Association be obligated to consent to use any portion of the Common Areas presently dedicated to the golf course, recreational lakes and surrounding recreational amenities, camping areas or any other area that has an existing building improvement for septic facility purposes.

Section 5. Other Easements. Each Lot and its Owner, and the Common Area and the Association, as the case may be, is hereby declared to be subject to all the easements, dedications and rights-of-way granted or reserved in, on, over and under portions of the properties located within Auburn Lake Trails and each Lot shown on

the subdivision map for Auburn Lake Trails.

Section 6. Priority of Easements. Whatever easements granted to the County of El Dorado are, in whole or in part, conterminous with any other easements, the easements of the County shall have and are hereby granted priority over said other easements in all respects.

ARTICLE X INSURANCE

Section 1. Type of Insurance Coverage. The Association shall purchase, obtain and maintain, with the premiums therefor being paid out of Common Funds, the following types of insurance, if and to the extent the same are available:

(a) Casualty Insurance. A policy of fire and casualty insurance naming as parties insured the Association and any Mortgagee of the Common Area, and containing the standard extended coverage and replacement cost endorsements and such other or special endorsements as will afford protection and insure, for the insurable, current replacement cost (excluding foundations and excavation, but without deduction for depreciation) as determined annually by the insurance carrier, all Common Facilities and the personal property of the Association for or against the following risks:

(1) Loss or damage by fire or other risks covered by the standard extended coverage endorsement.

(2) Loss or damage from theft, vandalism or malicious mischief.

(3) Such other risks, perils or coverage as the Board of Directors may determine.

Such policy or the endorsement made a part thereof shall, if and to the extent available, provide that the insurer issuing the policy agrees to abide by the decision of the Association made in accordance with the provisions of Article XI of this Declaration as to whether or not to repair, reconstruct or restore all or any damaged or destroyed portion of the Common Facilities.

(b) Public Liability and Property Damage Insurance. A policy of comprehensive public liability insurance insuring the Association and the Owners and occupants of Lots, and their respective family members, guests, invitees, and the agents and employees of each, against any liability incident to the ownership or use of the Common Areas and including, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. The limits of such insurance shall not be less than ONE MILLION DOLLARS (\$1,000,000.00) covering all claims for death, personal injury and property damage arising out of any single occurrence. Such liability for nonowned and hired automobiles,

liability for property of others and any other liability or risk customarily covered with respect to projects similar in construction, location, and use.

(c) Workmen's Compensation. Workmen's compensation insurance to the extent necessary to comply with applicable law.

In the event any insurance policy, or any endorsement thereof, required by this Section 1 is for any reason not available, then the Association shall obtain such other or substitute policy or endorsement as may be available which provides, as nearly as possible, the coverage hereinabove described.

Section 2. Copies of Policies. Copies of all insurance policies (or certificates thereof showing the premiums thereon to have been paid) shall be retained by the Association and shall be available for inspection by Owners at any reasonable time.

Section 3. Additional Insurance and Bonds. The Association Board may also purchase with Common Funds such additional insurance and bonds (including fidelity bonds), as it may, from time to time, determine to be necessary or desirable to the proper discharge of its responsibilities under the Governing Documents.

ARTICLE XI DAMAGE OR DESTRUCTION

Section 1. Common Facilities: Bids and Determination of Available Insurance Proceeds. In the event any Common Facilities are ever damaged or destroyed, then, and in such event, as soon as practicable thereafter the Board of Directors shall (a) obtain bids from at least two reputable, licensed contractors, which bids shall set forth in detail the work required to repair, reconstruct and restore the damaged or destroyed portions of the Common Facilities to substantially the same condition as they existed prior to the damage and the itemized price asked for such work, and (b) determine that amount of all insurance proceeds available to the Association for the purpose of effecting such repair, reconstruction and restoration.

Section 2. Common Facilities: Sufficient Insurance Proceeds. Subject to the provisions of Section 1 hereof, if, in the event of damage to or destruction of any portion of any Common Facility, the insurance proceeds available to the Association are sufficient to cover the costs of repair, reconstruction and restoration, then the Association may cause such facilities to be repaired, reconstructed and restored to substantially the same condition in which they existed prior to the loss.

Section 3. Common Facilities: Insurance Proceeds Insufficient in an Amount Exceeding \$1,000.00. In the event that any Common Facility is totally or substantially damaged or destroyed or, if, in the event of damage to or destruction of only a portion of the Common Facilities, the insurance proceeds available to the Association are

insufficient in an amount exceeding \$1,000.00 to cover the estimated cost of repair, reconstruction and restoration, then the Board of Directors shall determine whether (i) to repair, reconstruct and restore the damaged or destroyed Common Facilities and specially assess all Owners for such additional funds as may be needed for such purpose, or (ii) not to repair, reconstruct or restore the damaged or destroyed Common Facilities but (a) utilize the insurance proceeds available for such reconstruction, together with any other sums otherwise available to the Association for such purpose, to demolish and remove the damaged or destroyed improvements from the Common Area and to level and landscape the sites thereof and (b) apply any balance of such proceeds and/or funds as the Board shall determine.

Section 4. Damage or Destruction of Private Residences or Other Lot Improvements. As more particularly provided in Article VIII, Section 6 hereof, in the event that any Residence or other improvement on any Residence Lot or Restricted Lot is damaged or destroyed the Owner thereof shall promptly repair, replace or remove the damaged structure so as to avoid the creation and maintenance of an unsightly nuisance that is offensive to neighboring property Owners. Any repair, reconstruction or new construction shall be conducted in compliance with the requirements of Articles VI and VII of this Declaration.

ARTICLE XII CONDEMNATION OF COMMON AREA

If at any time, any portion of Common Area, or any interest therein, be taken by right of eminent domain or by private purchase in lieu of eminent domain, the entire award shall be paid to the Association and deposited in one or more of the Association accounts maintained in accordance with Article IV, Section 8 hereof as the Association may, in its sole discretion, determine. No Owner shall be entitled to any portion of such award and no Owner shall be entitled to participate as a party in any such condemnation proceedings.

ARTICLE XIII PENALTIES AND ENFORCEMENT

Section 1. 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 Declaration is inadequate and that the failure of any Owner, tenant, occupant or user of any Lot, 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 any Owner, the Association, its officers or Board of Directors, or by their respective successors in interest.

Section 2. Nuisance. Without limiting the generality of the foregoing, the result of every act or omission whereby any covenant contained in this Declaration is violated in whole or in part is hereby declared to be and constitutes a nuisance, and every remedy against nuisance, either public or private, shall be applicable against every such act or omission.

Section 3. Costs and Attorneys' Fees. In any action brought because of any alleged breach or default of any Owner or other party hereto under this Declaration, the Court may award to the prevailing party to such action such attorneys' fees and other costs as it may deem just and reasonable.

Section 4. Cumulative Remedies. The respective rights and remedies provided by this Declaration or by law shall be cumulative, and the exercise of any one or more of such rights or remedies shall not preclude or affect the exercise, at the same or at different times, of any other such rights or remedies for the same or any different default or breach or for the same or any different failure of any Owner or others to perform or observe any provision of this Declaration.

Section 5. Failure Not a Waiver. The failure of any Owner, the Board of Directors or the Association or its officers or agents to enforce any of the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Declaration shall not constitute a waiver of the right to enforce the same thereafter, nor shall such failure result in or impose any liability upon the Association or the Board, or any of its officers or agents.

Section 6. Enforcement Rights and Remedies of the Association; Limitations Thereon.

(a) Rights Generally. In the event of a breach or violation of any Association Rule or of any of the restrictions contained in any Governing Document by an Owner, his or her family, or the Owner's guests, employees, invitees, licensees, or tenants, the Board, for and on behalf of all other Owners, shall enforce the obligations of each Owner to obey such Rules 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 in accordance with this subparagraph (a), the pursuit of legal action, or suspension of the Owner's right to use recreation Common Facilities or suspension of the Owner's voting rights as a Member of the Association; provided, however, the Association's right to undertake disciplinary action against its Members shall be subject to the conditions set forth in this Section 6.

The Board may implement schedules of reasonable fines and penalties for particular offenses that are common or recurring in nature and for which a uniform fine schedule is appropriate (such as

finer for late payment of assessments or illegally parked vehicles). Once imposed, a fine or penalty may be collected as a Special Individual Assessment.

(b) Covenants Committee. The Covenants Committee, as established in Article X, Section 1 of the Bylaws and described in Section 7 of this Article XIII, shall hear cases involving violation of these CC&Rs and the Association Rules and Regulations and shall impose such penalties as may be established by the Board for the violations involved. Notwithstanding the foregoing, violations of specific, individual requirements stipulated by the Design Committee shall be heard and enforced by the Design Committee.

(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 discipline. The Association shall take reasonable and prompt action to repair or avoid the continuing damaging effects of a violation or nuisance occurring within the Common Areas at the cost of the responsible Owner.

(d) Limitations on Disciplinary Rights.

(i) The Association shall have no power to cause a forfeiture or abridgment of an Owner's right to the full use and enjoyment of his or her Lot on account of a failure by the Owner (or his or her family members, tenants or invitees) to comply with any provision of the Governing Documents or of any duly enacted Association Rule except (A) where the loss or forfeiture is the result of the judgment of a court of competent jurisdiction as a decision arising out of arbitration or on account of a foreclosure or sale under a power of sale for failure of the Owner to pay assessments levied by the Association, or (B) where the loss or forfeiture is limited to a temporary suspension of an Owner's rights as a Member of the Association (including, without limitation, the imposition of monetary penalties) for failure to comply with any Governing Document so long as the Association's actions satisfy the due process requirements of subparagraph (iii) below.

(ii) A monetary penalty imposed by the Association as a disciplinary measure for failure of a member to comply with the Governing Documents or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to Common Areas or Common Facilities for which the member was alleged to be responsible or in bringing the member and his or her Lot into compliance with the Governing Documents may not be characterized nor treated as an Assessment which may become a lien against the member's Lot enforceable by a sale of the Lot in non-judicial foreclosure provided, however, that this limitation on the Association's lien rights shall not apply to charges imposed against an Owner consisting

of reasonable late payment penalties to reimburse the Association for the loss of interest and for costs reasonably incurred (including attorneys' fees) in the Association's efforts to collect delinquent Assessments.

(iii) No penalty or temporary suspension of rights shall be imposed pursuant to this Article XIII unless the Owner alleged to be in violation is given at least 15 days' prior notice of the proposed penalty or temporary suspension and is given an opportunity to be heard before the Covenants Committee established pursuant to the Bylaws with respect to the alleged violation(s) at a hearing conducted at least 5 days before the effective date of the proposed disciplinary action. Notwithstanding the foregoing, under circumstances involving conduct that constitutes (A) an immediate and unreasonable infringement of, or threat to, the safety or quiet enjoyment of neighboring Owners, (B) a traffic or fire hazard, (C) a threat of material damage to, or destruction of, the Common Areas 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, can undertake immediate corrective or disciplinary action and, upon request of the offending Owner (which request must be received, in writing, within five days following the Association's disciplinary action), conduct a noticed hearing as soon thereafter as reasonably possible, but in no event more than 15 days after the disciplinary action is imposed or 15 days following receipt of the Owner's request for a hearing, whichever is later. Under such circumstances, any fine imposed pursuant to an established fine schedule shall be due and payable only upon expiration of the 15-day notice period.

(e) Notices. Any notice required by this Article shall, at a minimum, set forth the date and time for the hearing, a brief description of the action or inaction constituting the alleged violation and a reference to the specific Governing Document provision alleged to have been violated. The notice shall be in writing and may be given by any method reasonably calculated to give actual notice; provided that if notice is given by mail it shall be sent by first-class or registered mail sent to the last address of the Member shown on the records of the Association.

Section 7. The Covenants Committee. The Covenants Committee shall review written complaints from Lot Owners, the General Manager, or the Design Committee (for violations other than specific, individual requirements stipulated by the design Committee) of alleged violations of the Governing Documents or Association Rules, and, when determined appropriate, conduct hearings and make findings on such alleged violations. The Covenants Committee may levy penalties and/or fines in the event the allegations regarding such violations are found to be true. To perform the foregoing, the Covenants Committee shall adopt rules of procedure for conducting such hearings and shall conduct its hearings in accordance with such rules after they have been approved by the Board.

ARTICLE XIV
AMENDMENT OF DECLARATION

Section 1. Amendment, Generally. This Declaration may be amended or revoked in any respect by the vote or assent by written ballot of the holders of not less than sixty-six and two-thirds percent (66 2/3%) of the total voting power of the Association. Notwithstanding the foregoing, the percentage of the voting power necessary to amend a specific Article, Section or provision of this Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under that Article, Section or other provision.

Section 2. Effective Date of Amendment. The amendment shall be effective upon the recordation of the Office of the Recorder of El Dorado County of an instrument setting forth the terms thereof duly certified and executed by the President and Secretary of the Association. Any amendment duly adopted by the vote of the Members in accordance with Section 1 shall be binding upon every Owner and every Lot subject to this Declaration, whether the burdens thereon are increased or decreased thereby and whether the Owner of each and every Lot consents thereto or not; provided, however, that, the foregoing notwithstanding, no such amendment shall affect the rights of the holder of any deed of trust or mortgage recorded prior to the recordation of such amendment.

ARTICLE XV
NOTICES

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

If to any Owner: To the street address of the Owner's Lot or to such other address as the Owner may, from time to time, designate in writing to the Association.

If to the Association: Auburn Lake Trails Property Owners Association at 2277 Westville Trail, Cool, California 95614 or at such address as the Association may from time to time designate in writing to the Owners.

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

Section 3. Deposit in U.S. Mails. All notices and demands served by mail shall be by registered or certified mail, with postage prepaid, and shall be deemed delivered 48 hours after deposit in the United States mail in El Dorado County, California.

ARTICLE XVI
NO PUBLIC RIGHTS IN THE PROPERTIES

Nothing contained in this Declaration shall be deemed to be a gift or dedication of all or any portion of the Properties comprising Auburn Lake Trails to the general public or for any public use or purpose whatsoever.

ARTICLE XVII
GENERAL PROVISIONS

Section 1. Term. The covenants, conditions, restrictions, limitations, reservations, grants of easement, rights, rights-of-way, liens, charges and equitable servitudes contained in this Declaration shall run with, and shall benefit and burden the Lots and the Common Area as herein provided, and shall inure to the benefit of and be binding upon the Owners, Declarant, the Association, its Board of Directors, and its officers and agents, and their respective successors in interest, for an initial period expiring on the first day of January, 1999, after which time the same shall be automatically extended for successive periods of 10 years each unless, within six months prior to the expiration of the initial term or any such 10-year extension period, a recordable written instrument, approved by Owners entitled to vote and holding at least 66-2/3% of the voting power of the Association terminating the effectiveness of this Declaration shall be filed for recording in the Office of the County Recorder of El Dorado County, California.

Section 2. Restrictions Construed Together. All of the covenants, conditions and restrictions of this Declaration shall be liberally construed together to promote and effectuate the fundamental concepts of the development of the Properties as set forth in the Recitals of this Declaration. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce that provision in a subsequent application or any other provision hereof.

Section 3. Restrictions Severable. Notwithstanding the provisions of section 2 above, the covenants, conditions and restrictions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision.

Section 4. 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.

Section 5. Exhibits. All exhibits to which reference is made are deemed incorporated in this Declaration whether or not actually attached.

Section 6. Captions. All Article, Section and paragraph captions are for reference only and are not to be considered in construing this Declaration.

DATED: , 1990.

AUBURN LAKE TRAILS
PROPERTY OWNERS ASSOCIATION

By
(President)

By
(Secretary)

State of California)
County of) ss.
)

On this the day of , 1990, before me, the undersigned Notary Public, personally appeared personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as President on behalf of Auburn Lake Trails Property Owners Association, a California nonprofit corporation, and acknowledged to me that said corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

Notary Public

State of California)
County of) ss.
)

On this the day of , 1990, before me, the undersigned Notary Public, personally appeared personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as

Secretary on behalf of Auburn Lake Trails Property Owners Association, a California nonprofit corporation, and acknowledged to me that said corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

Notary Public

EXHIBIT A

LIST OF SUBDIVISION MAPS COMPRISING THE PROPERTIES
THE PROPERTIES INCLUDED WITHIN AUBURN LAKE TRAILS

Set forth below is a list of the original subdivision maps for the Auburn Lake Trails common interest development (Schedule A-1) as modified by certain Lot mergers resulting from settlement of litigation between the Association and the Declarant filed in the El Dorado Superior Court as Civil Action No. 34594 and captioned Auburn Lake Trails Property Owners Association v. Transamerica Development Company, et al. The Lot mergers are listed in Schedule A-2.

SCHEDULE A-1
SCHEDULE A-2

LIST OF LOT MERGERS
EXHIBIT B

LIST OF ORIGINAL DECLARATIONS OF COVENANTS AND RESTRICTIONS
WHICH WERE AMENDED AND CONSOLIDATED IN THE
FIRST RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

EXHIBIT D

SCHEDULE D-1

ORIGINAL COMMON AREAS
SCHEDULE D-2

AUBURN LAKE TRAILS COMMON AREA RESTRICTED AND EASEMENT LOTS