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Section 1352.5 of the Civil Code, effective January 1, 2000 requires community associations to put this cover page on the front of the Governing Documents.

DECLARATION OF
COVENANTS, CONDITIONS and
RESTRICTIONS OF
MORRISON RANCH ESTATES

Recorded December 5, 1979
Los Angeles County
No. 79-1363056

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EXHIBITS:

- Exhibit "A" Maps of Common Maintenance Areas
- Exhibit "B" Legal Description For Total Parcel
- Exhibit "C" Articles of Incorporation of Morrison Ranch Estates
Homeowners' Association
- Exhibit "D" Bylaws of Morrison Ranch Estates Homeowners'
Association

Morrison Associates
2625 Townsgate Road #100
Westlake Village, Ca. 91361
T1 No. 7850034

79-1363056

RECORDED IN OFFICE RECORDS
OF LOS ANGELES COUNTY, CA
DEC 5 1979 AT 8 A.M.
Recorder's Office

DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
OF
MORRISON RANCH ESTATES

FEE \$ 90.00 A
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THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS is made as of December 3, 1979, by MORRISON ASSOCIATES, A California limited partnership, hereinafter called "Declarant."

ARTICLE I

PREAMBLE

- 1.01 This Declaration is made and with reference to the facts set forth in this Article.
- 1.02 Declarant is the owner of that certain real property situated in the Town of Agoura, County of Los Angeles, State of California, more particularly described as follows:
 - Lots 3 through 318, inclusive, of Tract 33402, as shown on the map recorded as Document No. 78-1312165 of Book 906, Pages 1 through 14, inclusive, on November 24, 1978, in the Office of the County Recorder of said County.
- 1.03 It is the desire and intention of Declarant to subdivide and develop all of the real property referred to in paragraph 1.02 above, as a planned residential development and to provide for the preservation of the values and amenities in the development of said land. To this objective, Declarant desires and intends to impose on said real property mutually beneficial covenants, conditions and restrictions under a general plan of improvement for the benefit of all of the subject lots and of the subject Common Area, Common Maintenance Area and the future owners of said Lots, Common Area, and Common

Maintenance Area.

ARTICLE II

DEFINITIONS

Unless the context otherwise specifies or requires, the terms defined in this Article II shall, for all purposes of this Declaration, have the meanings herein specified.

2.01 Architectural Committee: The term "Architectural Committee" shall mean the committee created pursuant to Article IX.

2.02 Architectural Committee Rules: The term "Architectural Committee Rules" shall mean rules adopted by the Architectural Committee pursuant to Section 9.05.

2.03 Articles: The term "Articles" shall mean the Articles of Incorporation of the Morrison Ranch Estates Homeowners' Association which are or shall be filed in the Office of the Secretary of State of the State of California.

2.04 Association: The term "Association" shall mean the Morrison Ranch Estates Homeowners' Association, the non-profit membership corporation described in Article VI, including its successors and assigns.

2.05 Beneficiary: The term "Beneficiary" shall mean a mortgagee under a mortgage as well as a beneficiary under a deed of trust irrespective of whether it is all-inclusive or conventional.

2.06 Board: The term "Board" shall mean the Board of Directors of the Morrison Ranch Estates Homeowners' Association.

2.07 Bylaws: The term "Bylaws" shall mean the Bylaws of the Morrison Ranch Estates Homeowners Association, which are or shall be adopted by the Board.

2.08 Committee: The term "Committee" shall mean the Architectural Committee.

2.09 Common Area: The term "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Owners. The Common Area to be owned by the Association at the time of the conveyance of the first Lot shall consist of Lot 322 of Tract 33402.

2.10 Common Maintenance Area: The term "Common Maintenance Area" shall mean those portions of Morrison Ranch Estates or adjoining parks or parkways or medians of adjacent roads for which the Association has, from time to time, assumed maintenance responsibilities pursuant to this Declaration, but as to which fee title such real property is not vested in the Association. The Common Maintenance Area shall include, but not necessarily be limited to, the medians, parkways, and landscaping strips shown on the attached Exhibit A.

2.11 Declaration: The term "Declaration" shall mean this Declaration of Covenants, Conditions and Restrictions for Morrison Ranch Estates, and as said Declaration may from time to time be amended.

2.12 Declarant: The term "Declarant" shall mean Morrison Associates, a California limited partnership, and its successors or assigns, if such successors and assigns shall acquire more than one (1) Lot for the purpose of resale to another person.

2.13 Home: The term "Home" shall mean a single family dwelling structure situated upon a lot designed or arranged for use and occupancy as a residence by a single family.

2.14 Family: The term "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 three persons not all so related, together with their domestic servants, who maintain a common household in a Residence. See Exhibit "E"

2.15 Improvements: The term "Improvements" shall include buildings, outbuildings, roads, driveways, parking areas, fences, screening walls, retaining walls, irrigation systems, stairs, decks, hedges, windbreaks, plantings, planted trees and shrubs, poles, signs and all other structures or landscaping improvements of every type and kind.

2.16 Lot: The term "Lot" shall mean any plot of land or parcel shown upon any recorded subdivision or parcel map of a portion of Morrison Ranch Estates with the exception of the Common Area.

2.17 Manager: The term "Manager" shall mean any person, partnership, or corporation appointed as such pursuant to paragraph (c) of Section 6.08.

2.18 Member: The term "Member" shall mean a person who is a member of the Association pursuant to Section 6.02.

2.19 Operating Fund: The term "Operating Fund" shall mean the fund created for the receipts and disbursements of the Association, pursuant to Section 7.01.

2.20 Owner: The term "Owner" shall mean the record owner, whether one or more persons or entities, of the fee simple title to any Lot or Residence situated within Morrison Ranch Estates, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation. With respect to any lots held by Declarant, the term "Owner" shall not include Declarant for the purpose of the covenants, conditions and restrictions set forth in Article IV.

2.21 Public Purchaser: The term "Public Purchaser" shall mean a purchaser who is unrelated to Declarant or any corporation, partnership, joint venture or other business entity in which Declarant has an ownership interest or over which (in this context including persons) Declarant exercises contractual or other control relating to the improvement, development or sale of real property within the Morrison Ranch Estates.

2.23 Morrison Ranch Estates: The term "Morrison Ranch Estates" shall mean all of the real property referred to in Section 1.02, as the same is now and as it may, from time to time, be developed and improved, together with the whole or such portions of the real property located in the County of Los Angeles, State of California, and described in Exhibit B, as to which one or more Supplemental Declarations have then been recorded incorporating this Declaration and making such real property subject hereto, pursuant to Section 3.02 hereof.

2.24 Morrison Ranch Estates Restrictions: The term "Morrison Ranch Estates Restrictions" shall mean the within Declaration, together with any and all Supplemental Declarations which may be recorded by Declarant pursuant to Section 3.02 hereof, as said Supplemental Declarations may be amended from time to time.

2.25 Morrison Ranch Estates Rules: The term "Morrison Ranch Estates Rules" shall mean the rules adopted by the Board of the Homeowners' Association, as they may from time to time be in effect pursuant to the provisions of Section 6.09.

2.26 Single Family Residential Use: The term "Single Family Residential Use" shall mean occupation and use of a single family dwelling in conformity with the Morrison Ranch Estates Restrictions and the requirements imposed by applicable zoning laws or other state or municipal rules and regulations.

2.27 Phase 1: The term "Phase 1" shall mean the real property described in Section 1.02 of this Declaration.

2.28 Supplemental Declaration. The term "Supplemental Declaration" shall mean any declaration of covenants, conditions and restrictions which may be recorded by Declarant pursuant to Section 3.02 hereof.

ARTICLE III

PROPERTY SUBJECT TO RESTRICTIONS

3.01 Phase 1: The real property which shall be held, used, leased, sold and conveyed subject to this Declaration is the property referred to herein as Phase 1. Declarant hereby declares that all of said real property is held and shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the Morrison Ranch Estates Restrictions all of which are declared and agreed to be in furtherance of a plan for the subdivision, improvement and sale of said real property and are established and agreed upon for the purpose of enhancing and perfecting the value, desirability and attractiveness of said real property and every part thereof. All of the Morrison Ranch Estates Restrictions shall run with said real property and shall be binding upon and inure to the benefit of the Declarant, the Association, each Owner of a Lot in Morrison Ranch Estates and each successor in interest of such Owner. Each and all of the covenants, conditions, restrictions, limitations, easements, uses and obligations contained herein shall be deemed to be and shall be construed as equitable servitudes enforceable by any of the owners of any Lot against other owners, tenants, or occupants of Morrison Ranch Estates, or any portion thereof.

3.02 Annexation: Additional real property may be annexed to Phase 1 and become subject to this Declaration by any of the methods hereinafter set forth:

(a) Additions by Declarant. If Declarant shall develop or cause to be developed additional real property within the area described in Exhibit B attached hereto and incorporated herein by this reference, Declarant shall have the right to annex such additional real property to Phase 1 and to bring such real property within the general plan and

scheme of this Declaration without the approval of the Association, its Board or Members; provided, however, that said right of Declarant shall terminate on December 31, 1983.

(b) Other Additions. In addition to the provision for annexation specified in paragraph (a), above, additional real property may be annexed to Phase 1 and brought within the general plan and scheme of this Declaration upon the approval by the vote or written consent of Members entitled to exercise not less than two-thirds (2/3) of the voting power of each class of membership of the Association so long as there is a Class B membership outstanding and, thereafter, by the vote or written consent of Members entitled to exercise not less than two-thirds of the voting power residing in Members other than Declarant. Upon obtaining the requisite approval pursuant to this paragraph (b), the owner of any real property who desires to annex it to the Phase 1 and subject it to the jurisdiction of the Association shall file of record a Supplemental Declaration as more particularly described in paragraph (d), below.

(c) Conveyance of Common Area. Prior to the conveyance of any Lot within the real property annexed from the area described in Exhibit B attached hereto, to the purchasers thereof for residential purposes, fee simple title to the Common Area within said annexed real property, if any, shall be conveyed to the Association, free and clear of any and all encumbrances and liens, except current real property taxes, which taxes shall be prorated to the date of transfer, and reservations, easements, covenants, conditions and restrictions then of record, including those set forth in this Declaration.

(d) Supplemental Declarations. The additions authorized under paragraphs (a) and (b) of this Section 3.2 shall be made by filing of record a Supplemental Declaration, or other similar instrument, with respect to the additional

real property which shall be executed by Declarant or the owner thereof and shall extend the general plan and scheme of this Declaration to such real property. The filing of record of said Supplemental Declaration shall constitute and effectuate the annexation of the additional real property described therein, and thereupon said real property shall become and constitute a part of Morrison Ranch Estates, become subject to the functions, powers and jurisdiction of the Association, and the Owners of Lots in said real property shall automatically become members of the Association.

Such Supplemental Declaration may contain such additions and modifications of the covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the added real property, or as Declarant may deem appropriate in the development of such real property, and as are not inconsistent with the general plan and scheme of this Declaration. In no event, however, shall such Supplemental Declaration revoke, modify, or add to the covenants, conditions, and restrictions established by this Declaration as the same pertain to Phase 1, except as hereinafter may be provided.

ARTICLE IV

PROPERTY RIGHTS: SINGLE FAMILY AREA

4.01 Single Family Residential Use: Permitted Uses and Limitations: Morrison Ranch Estates shall consist of Lots restricted to Single Family Residential use or constituting a part of the Common Area. All Lots within Morrison Ranch Estates shall be for the exclusive use and benefit of the Owners thereof, subject, however, to all of the following limitations and restrictions and to the additional limitations set forth in Article V which are applicable to such portions of the Lots as may be

located within the Common Maintenance Area.

(a) Single Family Use: Each Lot within the Morrison Ranch Estates shall be improved and used exclusively for single family residential purposes. No gainful occupation, profession, trade or other nonresidential use shall be conducted on any Lot or in any building situated thereto. Nothing herein shall be deemed to prevent the leasing of any Lot from time to time by the Owner thereof subject to all of the provisions of these Restrictions.

(b) Rental of Lots: An Owner shall be entitled to rent the single family dwelling situated on his Lot to another Family, provided that the term of said rental shall not be for a term less than sixty (60) days nor more than two (2) years.

(c) Animals: No animals or fowl, other than a reasonable number of generally recognized house or yard pets, shall be maintained on any Lot within Morrison Ranch Estates and then only if they are kept, bred or raised thereon solely as household pets for private use and not for commercial purposes. No animal or fowl shall be allowed to make an unreasonable amount of noise or otherwise to become a nuisance. No animals shall be permitted outside of the Lot of the owner of said animal unless said animal is under the control of a responsible person by means of a leash or other reasonable restraint. Upon request of any Owner, the Board shall determine, in its sole discretion, whether for the purpose of this paragraph, a particular animal or fowl shall be considered a house or yard pet, a nuisance, or whether the number of animals or fowl on any lot is reasonable.

(d) Structures for Animals: No structure for the care, housing or confinement of any house or yard pet shall be maintained so as to be visible from neighboring property.

(e) Antennas: No antenna for transmission or reception of television signals or any other form of electromagnetic

radiation shall be erected, used or maintained outdoors, whether attached to a building or structure or otherwise, except for such as are approved by the Architectural Committee. The foregoing prohibition shall not, however, be applicable to the Master Cable Antenna head-in apparatus and appurtenant structures and facilities for Morrison Ranch Estates and the surrounding areas. See Exhibit "F"

(f) Utility Service: No lines, wires or other devices for the communication or transmission of electric current or power, including telephone, television and radio signals, shall be constructed, placed or maintained anywhere in or upon any Lot unless the same shall be contained in conduits or cables constructed, placed and maintained underground or concealed in, under or on buildings or other approved structures. Nothing herein shall be deemed to forbid the erection and use of temporary power or telephone services incident to the construction of approved buildings.

(g) Improvements, Alterations and Repairs: No improvement, repair, excavation or other work which in any way alters the exterior appearance of any Lot or the improvements located thereon from its natural or improved state existing on the date such Lot was first conveyed in fee by Declarant to an Owner shall be made or done without the prior approval of the Architectural Committee given pursuant to the terms of Article IX hereof, except as specifically authorized herein.

(h) Temporary Occupancy: No trailer, basement of any incomplete building, tent, shack, garage or barn, and no temporary building or structure of any kind shall be used at any time for a residence, either temporarily or permanently. Temporary buildings or structures used during the construction or improvement of a dwelling shall be expressly approved by the Architectural Committee and shall be removed immediately after the completion of construction.

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(i) Trailers, Boats and Motor Vehicles: No mobile home, trailer of any kind, permanent tent, or similar structure, and no truck camper or recreational motor home, larger than a 1/4 ton pickup truck, or boat, or boat trailer, shall be kept, placed, maintained, constructed, reconstructed or repaired, nor shall any motor vehicle be constructed, reconstructed or repaired, upon any Lot or street within Morrison Ranch Estates in such a manner as will be visible from neighboring property or adjacent streets; provided, however, that the provisions of this paragraph shall not apply to emergency vehicle repairs or temporary construction shelters or facilities maintained during, and used exclusively in connection with, the construction of any work or improvement approved by the Architectural Committee. No commercial vehicles of any nature shall be parked or stored on any Lot or on the streets of the project, except for a commercial vehicle providing services to the Owners of Lots or the Association, and in that event only for the duration necessary to provide such services.

(j) Maintenance of Lawns, Plantings and Landscaping: Each Owner of a Lot shall keep all shrubs and trees, grass and plantings of every kind on his Lot neatly trimmed, properly cultivated and free of trash, weeds, and other unsightly material. Said Owner and the successors in interest to said Owner shall maintain all trees placed on the Lot by Declarant and shall replace said tree or trees should they become diseased or dead. Each Owner shall perform all necessary rodent control activities on his Lot. All trees shall be kept trimmed at sufficient heights as to not unreasonably impede the view of adjoining Owners. No Owner shall remove, alter, injure or interfere in any way with any tree or shrub placed in any area by Declarant or the Association without the written consent of the Association having first been obtained. The Association or its authorized agents shall have the right to enter upon any

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Lot at any reasonable time for the purpose of planting, replacing, maintaining, tripping or cultivating such trees or shrubs and shall not be liable for trespass or other damages for so doing.

(k) Nuisances: No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Lot, and no odors shall be permitted to arise therefrom, so as to render any Lot or portion thereof unsanitary, unsightly, offensive, or detrimental to any of the property in the vicinity thereof or to the occupants thereof. No nuisance shall be permitted to exist or operate upon any Lot so as to be offensive or detrimental to any property in the vicinity thereof or to its occupants. Without limiting any of the foregoing, no exterior speakers, horns, whistles, bells or other sound devices, except security devices used exclusively for security purposes, shall be located, used or placed on a Lot.

(l) Trash Containers and Collection: All garbage and trash shall be placed and kept in covered containers of a type and style which shall be approved by the Board. In no event shall such containers be maintained so as to be visible from neighboring property except to make the same available for collection and then only the shortest time reasonably necessary to effect such collection.

(m) Clothes Drying Facilities: No outside clotheslines or other outside clothes drying or airing facilities shall be maintained on any Lot, unless the Architectural Committee finds such facilities to be adequately concealed.

(n) Fences: No fences, hedges, or walls shall be erected or maintained on any Lot other than as are initially installed by Declarant, unless first approved by the Architectural Committee.

(o) Barbecues: There shall be no exterior fires

whatsoever except barbecue fires contained within receptacles designed for such purposes.

(p) Mailboxes: There shall be no exterior newspaper tubes or freestanding mailboxes, except as may have been initially installed by Declarant or thereafter approved by the Architectural Committee.

(q) Basketball Standards: No basketball standards or fixed sports apparatus shall be attached to any dwelling unit or garage or be erected on any Lot, unless approved by the Architectural Committee.

(r) Garages: Each Owner shall keep his garage areas in a neat and orderly condition with all storage areas completely enclosed. Garages shall be used only for the parking of motor vehicles and/or boats and for storage and workshop purposes all pursuant to such rules as the Association may from time to time adopt. All garage doors shall be kept closed at all times except when being used to enter or exit.

(s) Mineral Exploration: No property within Morrison Ranch Estates shall be used in any manner to explore for or to remove any water, oil or other hydrocarbons, minerals of any kind, gravel, earth or any earth substance or other mineral of any kind.

(t) Machinery and Equipment: No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot within Morrison Ranch Estates except such machinery or equipment as is usual and customary in connection with the use, maintenance or construction of a private residence or appurtenant structures which machinery or equipment shall be maintained and located in such manner as to not become a nuisance to adjacent Owners.

(u) Diseases and Insects: No Owner shall permit any thing or condition to exist upon his Lot which shall induce, breed, or harbor infectious plant diseases or noxious insects.

(v) Restrictions on Further Subdivision: No Lot shall be further subdivided nor shall any less than all of any such Lot be conveyed by an Owner thereof, nor shall easement or other interest in a Lot be conveyed without the prior written approval of the Architectural Committee.

(w) Signs: No signs whatsoever (including but without limitation, commercial, political and similar signs) which are visible from neighboring property shall be erected or maintained on any Lot within Morrison Ranch Estates except:

(1) Such signs as may be required by legal proceedings;

(2) Residential identification signs, subject to the approval of the Architectural Committee as to suitability;

(3) During the time of construction of any residence or other improvement by Declarant, job identification signs; and

(4) Not more than one "for sale" or "for rent" sign having a maximum face area of three square feet, pursuant to the Rules of the Association. See Exhibit "G"

(x) Right of Entry: After reasonable notice and during reasonable hours Declarant or any member of the Architectural Committee or any member of the Board, or any authorized representative or any of them, shall have the right to enter upon and inspect any building, site, lot or parcel and the improvements thereon for the purpose of ascertaining whether or not the provisions of these Restrictions have been or are being complied with, and such persons shall not be deemed guilty of trespass by reason of such entry. The right of entry possessed by Declarant pursuant to this paragraph (x) shall terminate concurrently with the cessation of the Class B membership.

4.02 Construction and Alteration of Improvements: No construction or alteration of exterior improvements may be undertaken on a Lot without prior approval of the Architectural Committee pursuant to Article IX of this Declaration.

4.03 Maintenance, Repair and Reconstruction: No building or structure on any Lot shall be permitted to fall into disrepair and the landscaping thereon shall be kept adequately watered and weed free. Each such building and structure shall at all times be kept in good condition and repair and be adequately painted or otherwise finished. Prior written consent of the Architectural Committee shall be obtained before any painting or refinishing of a dwelling unit or exterior appurtenance thereto if, such painting or refinishing involves a change of color or texture. No Owner shall do any act or work that will impair the structural soundness of any building or the safety of the property. If any improvements on a Lot are damaged or destroyed by fire or any other calamity, the insurance proceeds shall be paid to the Owner of said Dwelling Unit, or the mortgagees thereof, as their respective interests may appear, and such Owner or mortgagee shall use said proceeds to rebuild or repair the damage. In the event that the insurance proceeds are insufficient to complete such rebuilding or repair, the Owner shall pay in advance such additional sums as may be necessary to complete such rebuilding or repair.

In the event said Owner does not commence such rebuilding or repair within a reasonable time, the Association may bring suit for an injunction to compel the Owner to perform said rebuilding or repair. Such a reasonable time shall be presumed to be no greater than one year.

ARTICLE V

COMMON AREA AND COMMON MAINTENANCE AREA

5.01 Common Area: Subject to the provisions of paragraph (b), below, every Member shall have a right and easement of enjoyment in and to the Common Area, and such easement shall be appurtenant to and pass with the title to each Lot.

(a) Title to Common Area. Prior to the conveyance of the first Lot in Morrison Ranch Estates to a Public Purchaser, Declarant shall convey to the Association title to the Common Area, free and clear of all liens and encumbrances, except current real property taxes, which taxes shall be prorated to the date of transfer, and reservations, easements, covenants, conditions and restrictions then of record, including those set forth in this Declaration.

(b) Extent of Members' Easements. The rights and easements of enjoyment created hereby shall be subject to the following:

(i) The right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Area and facilities thereon, if any, and in aid thereof to mortgage or deed, in trust, said Common Area; provided, however, that the rights of the Beneficiary shall be subordinate to the rights of Members.

(ii) The right of the Association to take such steps as are reasonably necessary to protect the Common Area against foreclosure.

(iii) The right of the Association, as provided in its Bylaws to suspend the voting rights of any Member for any period during which any assessment as to such Member remains unpaid and delinquent, and for a period of not to exceed thirty (30) days for any infraction of its published rules and regulations. See Exhibit "H"

(iv) 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 to by the Members, provided that no such dedication or transfer shall be effective unless approved by the vote or written consent of Members entitled to exercise not less than two-thirds (2/3) of the voting power

of the membership and an instrument in writing is recorded and signed by the Secretary of the Association certifying that such dedication or transfer has been approved by the required vote.

(v) **The right of the Association to establish uniform rules and regulations pertaining to the use of the Common Area and the facilities thereon.** See Exhibit "I"

5.02 Common Maintenance Area: Permitted Uses, Construction and Alteration of Improvements: The Common Maintenance Area shall be operated, maintained and used to meet the common interests of the members of the Association, their tenants and guests as provided by this Declaration.

(a) Limitation on Construction: No person other than the Association or its duly authorized agents, shall construct, reconstruct, install, alter or maintain any improvement or fence upon, or shall make or create any excavation or fill upon, or shall destroy or remove any tree, shrub or other vegetation upon any portion of the Common Maintenance Area without the prior permission of the Association.

(b) Maintenance by Association: The Association may at any time, and from time to time, as to any Common Maintenance Area which has been placed under its jurisdiction:

(1) Reconstruct, replace or repair any improvement or portion thereof upon such area in accordance with the original design, condition or standard of such improvement when responsibility for the care of such Common Maintenance Area was assumed by the Association; and

(2) Replace injured or diseased trees or other vegetation in any such area and plant trees, shrubs and ground cover to the extent that the Board deems necessary for the conservation of water and soil and for aesthetic purposes; and

(3) Maintain, repair, replace and reconstruct any drainage ditches situated within the Common Maintenance Area; and

(4) Place and maintain upon any such area such signs as the Board may deem appropriate for the proper identification, use and regulation thereof.

(c) Damage or Destruction of Common Maintenance Area: In the event of any damage or destruction to the Common Maintenance Area or any of the improvements or facilities located thereon, the Association shall immediately undertake to repair and reconstruct any such damage or destruction substantially in accordance with the original design or standard of construction of the damaged or destroyed Common Maintenance Area, improvement or facility. The Association shall utilize all available insurance proceeds to accomplish such repair or reconstruction. In the event said proceeds are insufficient to cover all of the costs for such repair or reconstruction, the Board shall levy a special assessment equally against all Owners to cover the insufficiency between the insurance proceeds and the costs. Said special assessment and any other special assessment imposed pursuant to this section shall be due and payable by all Owners in such installments and during such period as the Board shall designate.

(d) Access at Reasonable Hours: For the purpose of performing the maintenance authorized by this Article or for any other purpose reasonably related to the performance by the Association of its responsibilities under this Declaration, the Association's agents, employees, or contractors shall have the right, after reasonable notice to the Owner, to enter upon any Lot at reasonable hours.

5.03 Maintenance District: In the event of the formation of a governmental maintenance district or similar agency to provide maintenance services to the Common Maintenance Area or any part thereof, the Association may transfer its rights in whole or in part pursuant to this Article V to such district or agency and to the extent thereof shall be relieved of its

obligations hereunder. Common Area may likewise be transferred upon compliance with the provisions of Section 5.01(b)(iv) and, to the extent it is so transferred, the Association shall be relieved of its obligations hereunder with respect thereto.

ARTICLE VI

MORRISON RANCH ESTATES HOMEOWNERS' ASSOCIATION

6.01 Organization and Membership: The Morrison Ranch Estates Homeowners' Association, herein called the "Association" is a nonprofit membership corporation charged with the duties and invested with the powers set forth herein. It was created by the Articles, and its affairs shall be governed by the Articles and Bylaws and these Restrictions.

6.02 Membership:

(a) Classes of Members: The Association shall have two (2) classes of members: Class A Members and Class B Members.

(1) Class A Members: Each Owner, with the exception of Declarant, by virtue of being an Owner and for so long as he is an Owner, shall be a member of the Association. The membership shall be appurtenant to and may not be separated from the ownership of any Lot which is subject to assessment by the Association. Upon termination of Lot ownership, the membership shall also terminate. Ownership of a Lot shall be the sole qualification for Association membership. The membership of an Owner shall not be transferred, pledged or alienated in any way except upon transfer of title to the Owner's Lot and then only to the transferee of title to such Lot. Any attempt to make a prohibited transfer is void. Declarant shall become a Class A member upon the occurrence of the events specified in Section 6.03(a)(2).

(2) Class B Members: The Class B memberships shall be held by the Declarant. The Declarant shall hold one

Class B membership for each Lot in Morrison Ranch Estates to which the Declarant has title, until the occurrence of the events specified in Section 6.03(a)(2).

(b) Member's Rights and Duties: The rights, duties, privileges and obligations of all members of the Association, or the succeeding unincorporated association shall be those set forth in, and shall be exercised and imposed in accordance with, the provisions of these restrictions and the Articles, Bylaws and Rules of the Association.

6.03 Voting:

(a) Members Entitled to Vote: Only Members of the Association shall be entitled to vote. The voting privileges of each Class of members shall be as provided herein.

(1) Class A Members: Class A Members shall have one (1) vote for each Lot. When more than one person owns a single Lot, all Owners shall be members of the Association. However, the vote for each Lot must be cast as a unit, and fractional votes shall not be allowed. In the event that joint Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any Owner (or Owners) casts a vote representing a certain Lot, it will thereafter be conclusively presumed for all purposes that he or they were acting with the authority and consent of any other Owners of said Lot. Every Owner entitled to vote at any election of the members of the Board may cumulate his votes and give one candidate or divide among the candidates a number of votes equal to the number of Directors to be elected multiplied by the number of Lots owned by the Owner. The right to vote may not be severed or separated from the Lot ownership to which it is appurtenant, and any sale, transfer, or conveyance of such Lot to a new Owner or Owners shall operate to transfer the appurtenant vote without the requirement of any express reference thereto.

A Class A Member who has sold his property to a contract purchaser under an agreement to purchase shall be entitled to delegate to such contract purchaser his membership rights in the Association. However, the contract seller shall remain liable for the charges and assessments until title to the property sold shall be transferred.

(2) Class B Member: The Class B Member shall be Declarant. The Class B Member shall be entitled to three (3) votes for each Lot in which it holds the interest required for membership as provided in paragraph 6.02(a)(1) above, provided that the Class B membership shall cease and be converted to Class A membership on the happening of one of the following events, whichever occurs earlier:

(i) When the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; or

(ii) Two (2) years from the date of the issuance of the most recent public report by the California Commissioner of Real Estate for a Subdivision within Morrison Ranch Estates; or

(iii) Four (4) years from the date of the issuance of the public report by the California Commissioner of Real Estate for Phase 1.

(b) Voting Procedures: Any vote may be cast in person or by proxy. All proxies shall be in writing, dated, signed by the Owners and filed with the Board before the commencement of any meeting. No proxy shall extend beyond a period of eleven (11) months after filing of such proxy with the Board. Every proxy shall automatically cease upon the sale of the Lot by the Owner. When voting for the election or removal of directors, each Owner may cumulate his votes as provided in the Bylaws and the California Corporations Code. In any election in which the Owners other than Declarant do

not have a sufficient percentage of voting power of the Association to elect at least one Director to the Board through accumulating all of their votes, the Association shall adopt special procedures to assure that at least one Director is elected solely by the votes of Owners excluding the votes of Declarant. See Exhibit "J"

6.04 Assessments and Dues: Any assessments levied by the Association on its Members shall be levied in accordance with and pursuant to the provisions of Article VII of these restrictions, and shall be enforced pursuant to the provisions of Section 7.06 of said Restrictions.

6.05 Initial Board of Directors: The initial Board of Directors of the Association consisting of five (5) directors shall be elected by Declarant upon the incorporation of the Association and shall hold office until six (6) months after the transfer and conveyance by Declarant of the first Lot in the Morrison Ranch Estates to a Public Purchaser, or until fifty-one percent (51%) of the Lots in the Morrison Ranch Estates, have been sold and conveyed to Public Purchasers, whichever occurs first, at which time a special meeting of the members shall be held for the purpose of electing a new Board. At said special meeting a Board of five (5) Directors shall be elected to serve until the first regular annual meeting of the Association, or until such later time as their successors may be elected.

6.06 Board of Directors: At each annual meeting subsequent to the special meeting referenced in Section 6.05, the membership shall elect five (5) members as the Board of Directors for the forthcoming year. If at any election of the Board, the Class A members of the Association, as herein defined, do not have a sufficient percentage of the voting power of the Association to elect at least one Board member through the cumulating of all of their votes, then one (1) Board member shall be elected solely by the votes of said Class A members. The Board shall

be responsible to undertake all duties and responsibilities of the Association, and the management and conduct of the affairs thereof except as expressly reserved herein to the vote of the membership.

6.07 Duties of the Association: The Association shall have the obligation and duties, subject to and in accordance with this Declaration of Restrictions, to do and perform the following acts for the benefit of its Members and for the maintenance and improvement of the subject property:

(a) Members: The Association shall accept all Lot Owners as members;

(b) Annual Membership Meetings: The Association shall hold an annual meeting of the members within 90 days after the end of each calendar year as provided by and in accordance to the Bylaws of the Association;

(c) Common Maintenance Area: The Association shall maintain, or provide for the maintenance of all Common Area and all Common Maintenance Area and the easements described in Section 5.01, and all Association improvements of whatever kind and for whatever purpose, located thereon. In reference thereto, with the consent of two-thirds (2/3) of the members of each class entitled to vote, the Association may construct capital improvements in the Common Area and the Common Maintenance Area and assess the Owners for the costs thereof as provided in Article VII hereof.

(d) Operation of Common Maintenance Area: The Association shall maintain, or provide for the maintenance of all Common Area and all Common Maintenance Area as responsibility for such property is conveyed or otherwise transferred to it, and shall keep all improvements of whatever kind and for whatever purpose from time to time located thereon in good order and repair.

(e) Insurance: The Association shall have the authority and duty to obtain and maintain in force insurance of such types and in such amounts as its Board shall deem necessary or expedient to carry out its function as set forth in this Declaration, the Articles and the Bylaws. The Board shall also have the authority to require each Owner to cause the Association to be named as an additional insured under the Owner's homeowner's insurance policy.

(f) Rule Making: The Association shall have the duty to make, establish, promulgate, amend and repeal the Morrison Ranch Estates Rules as provided in Section 6.09.

(g) Architectural Committee: Subject to the provisions of Subparagraph (b) of Section 9.02, the Association shall have the duty to appoint and remove members of the Architectural Committee and to insure that all reasonable times there is available a duly constituted and appointed Architectural Committee.

(h) Enforcement of Restrictions and Rules: The Association shall have the duty to take such other action, whether or not expressly authorized by these Restrictions, including the hiring of legal counsel and undertaking legal action, as may be reasonably necessary to enforce the covenants, conditions and restrictions contained herein, the Morrison Ranch Estates Rules and the Architectural Committee Rules.

(i) Balance Sheets - Operating Statements: The Board shall prepare and distribute copies of balance sheets and operating statements covering the following accounting periods. Said documents shall be distributed to all Owners within sixty (60) days following the following accounting dates:

(1) A balance sheet as of an accounting date which shall be the last day of the month closest in time to six months from the first sale of a lot to a member of the Association and an operating statement for an accounting period from the aforesaid accounting date; and

(2) A balance sheet as of the last day of the calendar year and an operating statement for said year. The operating statement for the first six months accounting period referred to in (1) above shall include a schedule of assessments received or receivable itemized by unit number and by the name of the person or entity assessed. See Exhibit "K"

(j) Other: The Association shall carry out the duties of the Association as set forth in other sections of this Declaration, the Articles and Bylaws.

6.08 Powers and Authority of the Association: The Association shall have all of the powers of a nonprofit corporation organized under the laws of the State of California in operating for the benefit of its members, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Articles, Bylaws and these Restrictions. It 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 said Restrictions, 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. Without in any way limiting the generality of the foregoing, the Association and the Board shall have the following powers and authority:

(a) Right of Entry and Enforcement: The Board and its agents and representatives shall have the power and right to enter upon any Lot, without liability to any Owner, for the purpose of enforcing any of the provisions of these restrictions; or for the purpose of maintaining and repairing the improvements located with the Common Maintenance Area on said Lot as provided in this Declaration, or, if for any reason whatsoever, the Owner thereof fails to maintain and repair any portion of a Lot as required by said Restrictions to be maintained

or repaired by said Owner. The Association shall also have the power and authority from time to time in its own name, on its own behalf or on the behalf of any Owner or Owners who consent thereto, to commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of these restrictions and to enforce, by mandatory injunction or otherwise, all of the provisions of said Restrictions. The costs of any such action or suit, including reasonable attorneys' fees shall be paid to the prevailing party.

(b) Employment of Manager: The Board shall have the power to employ the services of a manager or other employee, or a professional manager or management company, subject to the direction and control of said Board, to manage and carry out the affairs of the Association, and, to the extent not inconsistent with the laws of the State of California and upon such conditions as are otherwise deemed advisable by the Board, to delegate to the manager any of its powers; provided, however, that any contract with such professional manager or management company, and the compensation to be paid, for a term greater than one (1) year must be approved by at least fifty-one percent (51%) of the voting members of each class of the Association. In no event shall any management agreement be for a term greater than three (3) years and said agreement shall provide for termination by either party for cause and without a termination fee on ninety (90) days or less notice.

(c) Services: The Board shall have the power to provide for, or engage the services of others for the maintenance, protection and preservation of the Common Maintenance Area, including landscape architects, landscape contractors, gardeners, plumbers and other maintenance personnel, as the nature and character of the Common Area and the Common Maintenance Area may require; provided, however, that no contract for such services shall be for a duration of more than one year, except with approval of a majority of the members of each class of

the voting members of the Association, and in no event for a term greater than three years. Said contract shall provide for termination for cause on a maximum of ninety (90) days written notice.

(d) Utilities: The Board shall have the power to contract, use and pay for utility services to the Common Area, the Common Maintenance Area and its facilities.

(e) Other Property: The Board shall have the power to acquire and hold, as trustee for the benefit of its Members, tangible and intangible personal property and to dispose of the same by sale or otherwise.

(f) Mergers: The Association shall have the power to the extent permitted by law, to participate in mergers and consolidations with other nonprofit corporations organized for the same purposes as the Association, provided that any such merger or consolidation shall have the approval by affirmative vote or written consent of seventy-five percent (75%) of all members of each class of the voting members of the Association.

(g) Delegation: The Board may delegate any of its powers to any such committees, officers or employees as it deems necessary and proper.

6.09 Morrison Ranch Estates Rules:

(a) Rulemaking Power: The Board may, from time to time and subject to the provisions of these restrictions, propose, enact and amend rules and regulations to be known as the "Morrison Ranch Estates Rules." Any rules which relate to the management, operation and control of the Association and/or the Common Area, Common Maintenance Area, common facilities or interests shall become effective and binding on all Lot Owners only after adoption by Lot Owners representing fifty-one percent (51%) of each class of ownership in the Association at a meeting duly called for that purpose, or by the written consent of the

above number of Lot Owners appended to a copy of the proposed rules. Such rules may concern, but need not be limited to, matters pertaining to maintenance of the Common Area and the Common Maintenance Area; signs; collection and disposal of refuse; minimum standards of maintenance of property; parking, and traffic restrictions; limitations on maintenance of landscaping or other improvements on any property which obstruct the vision of occupants of neighboring Lots or of motorists or which create a hazard for vehicular or pedestrian traffic and any other subject or matter within the jurisdiction of the Association as provided in these restrictions. Said Rules may restrict and govern the use of the Common Area and the Common Maintenance Area by any member, by the family of such member, or by any invitee, licensee or lessee of such member. No Rules may be adopted which materially affect the rights, preferences, or privileges of any Owner other than as specifically set forth herein. See Exhibit "L"

(b) Recordation of Rules: A copy of the said Rules, as they may from time to time be adopted, amended or repealed, shall be mailed or otherwise delivered to each member and may be recorded. Upon such recordation said Rules shall have the same force and effect as if they were set forth in and were a part of these restrictions.

6.10 Breach of Rules or Restrictions: In the event of a breach of any Rule or of any of the Restrictions contained in this Declaration by a Lot Owner, his family, guests, employees, invitees, licensees, or tenants, the Board, for and on behalf of all other Lot Owners, shall enforce the obligations of each Owner to obey such Rules or restrictions in any manner provided by law or in equity, including but not limited to appropriate hiring of legal counsel, the pursuing of legal action, or suspension of the Owner's voting rights, provided, however, such suspension may not be for a period in excess of thirty (30)

days or until the violation or delinquency, if curable, has been cured, whichever is longer, after notice and hearing as herein provided, for an infraction of such rules. In addition to the other remedies herein set forth, the Board, by majority vote, may levy a fine against such Owner, after appropriate notice and hearing as herein provided, in an amount not to exceed Fifty Dollars (\$50.00) for each such violation and the payment of such fine may be enforced in the same manner as set forth in Section 7.06 hereof. Prior to imposing any penalty provided herein for breach of any rules enacted hereunder or restrictions contained in this Declaration, the Board shall send written notice to the Lot Owner specifying the nature of the infraction and provide an opportunity to the Lot Owner to a hearing before the Board regarding such infraction and the penalty to be imposed. In the event that the Board determines that said infraction has occurred and that a penalty shall be imposed, after a reasonable opportunity for a hearing has been provided, the determination of the Board shall be final. In the event legal counsel is retained or legal action is instituted by the Board pursuant to this paragraph, any settlement prior to judgment or any judgment rendered in any such action shall include costs of collection, court costs, and reasonable attorney's fees.

6.11 Liability of Members of Board: No member of the Board shall be personally liable to any of its Members or to any other person, including Declarant, for any error or omission of the Association, its representatives and employees, or the Architectural Committee, provided that such Board Member has, upon the basis of such information as may be possessed by him, acted in good faith.

6.12 Amendment: The provisions of Sections 6.01, 6.02 and 6.03 shall not be amended without the vote or written consent of a three-fourths (3/4) majority of all of the Owners of each class of the voting membership.

ARTICLE VII

FUNDS AND ASSESSMENTS

7.01 Operating Fund: The Association shall maintain an operating fund, into which the Board shall deposit all funds paid to the Association as maintenance and operation assessments and special assessments, together with any unexpended architectural committee fees. Said funds shall be held in trust by the Association for the use and benefit of its individual members and shall only be used for and applied to the common specific purposes of the members as herein set forth.

7.02 Maintenance and Operation Assessments:

(a) Regular Assessments: Within thirty (30) days after the first conveyance of a Lot by Declarant to a Public Purchaser, the Board shall estimate the total charges to be paid out of the maintenance fund, including a reasonable reserve for contingencies and replacements, for the remainder of the fiscal year and equally assess said charges to all of the Lot Owners, including the Declarant. Thereafter, not less than sixty (60) days prior to the beginning of each subsequent fiscal year, the Board shall prepare a written estimate of the total charges to be paid out of the maintenance fund during such year (including a reasonable reserve for contingencies and replacement and less any expected surplus from the prior year) in the form of a proforma operating statement and distribute a copy of such proforma operating statement to each member of the Association. The Board shall allocate and assess said estimate of total charges to each Lot Owner equally by dividing said estimate by the total number of Lots in the Morrison Ranch Estates. All funds of the Association shall be budgeted, allocated, assessed and collected for current maintenance and operation of the project, contingencies, deferred maintenance and replacement of capital improvements and shall be

designated for those specific purposes. Prior to the end of each fiscal year, the Lot Owners shall receive an accounting of assessment receipts and disbursements for that calendar year. If such accounting shows that a surplus of cash results in the project's current maintenance and operation account, the Lot Owners shall vote as to whether to refund all or part of such surplus or as to whether such surplus shall be carried over to future assessment periods and applied to reduce future assessments.

See Exhibit "M"

(b) Additional Assessments: If at any time during any fiscal year, the maintenance assessment proves inadequate for any reason, including nonpayment of any Owner's share thereof, the Board may levy a further assessment in the amount of such actual or estimated inadequacy, which amount shall be assessed to the Owners individually in the manner set forth in subparagraph (a) above. Such additional assessment shall not exceed five percent (5%) in the aggregate of the budgeted gross expenses of the Association for the fiscal year without the vote or written assent of a majority of each class of membership.

See Exhibit "N"

(c) Limitation on Regular Assessments: The aggregate amount of all regular and additional assessments levied by the Board on behalf of the Association to any particular Lot for any fiscal year shall not, without first complying with the provisions of subparagraph (d) below, exceed the sum of the following:

(1) _____ dollars
(\$ _____); plus

(2) The aggregate amount of all additional maintenance assessments from time to time theretofore approved pursuant to the provisions of subparagraph (d) and which approvals have not by their terms expired.

The amount specified in subparagraph (1), above, shall be adjusted annually to reflect any increases which may have occurred

in the Bureau of Labor Statistics Consumer Price Index for All Urban Consumers (Los Angeles-Long Beach-Anaheim) during the preceding year.

(d) Increase in Regular Assessments: From and after January 1, of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual Regular Assessment (as adjusted for Cost of Living Increases) may be increased each year not more than twenty percent (20%) above the maximum assessment for the previous year without approval of a majority of each class of members by vote or written assent. The Association may increase the maximum amount of the Regular Assessment prospectively for any period to an amount in excess of twenty percent (20%), provided that any such change shall have the assent of a majority of the voting powers of the Class A membership and a majority of the voting powers of the Class B membership, such votes to be cast in person or by proxy, at a meeting duly called for this purpose pursuant to written notice given to all voting members at least thirty (30) days in advance, which notice shall set forth the purpose of the meeting. In the event that a majority of the Class A membership or a majority of the Class B membership are not present in person or by proxy at any such meeting as hereinabove provided, members not present may give their written assent to the action taken as long as such writings are executed and delivered to the Secretary of the Association within five (5) days after said meeting. Following the cessation of the Class B membership any increase above the twenty percent (20%) limitation shall require the approval of a majority of the voting power residing in the Members other than Declarant. See Exhibit "O"

(e) Time and Manner of Payment of Assessments: Assessments shall be due and payable by the Owners to the Association during the fiscal year in equal monthly installments, on or before the first day of each month, or in such other

manner as the Board shall designate. If not paid within thirty (30) days after its due date, each such delinquency shall thereafter result in a late charge of five dollars (\$5.00) and bear interest at the rate of ten percent (10%) per annum until paid, but the Board may, in its discretion waive interest, late charges, or both, in any particular instance. If any suit or action is brought to collect any such charge, then there shall be added to the amount thereof costs of suit and a reasonable attorneys' fees to be fixed by the court and included in any judgment in any such suit or action.

See Exhibit "P"

7.03 Reimbursement Assessment: The Board shall levy an assessment against any Owner as a result of whose failure to comply with these restrictions, the Morrison Ranch Estates Rules or the Architectural Committee Rules, monies were expended by the Association from the operating fund in performing its functions under these restrictions. Such assessments shall be for the purpose of reimbursing the Association, shall be limited to the amount so expended and shall be due and payable to the Association when levied.

7.04 Capital Improvement Fund: The Board shall maintain a capital improvement fund, into which it shall deposit all monies paid to it as capital improvement assessments. Said funds shall be deemed to be contributions to the capital account of the Association by the members and so reflected on its books.

The Board shall make disbursements from said Capital Improvement Fund as required in the performance of the functions for which the capital improvement assessments are levied.

7.05 Capital Improvement Assessment:

(a) Upon approval by two-thirds (2/3) of each class of its Voting Members of a proposed capital improvement and the estimated total cost thereof pursuant to paragraph (a) of

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Section 8.01, such estimated total cost shall be assessed to all Members in equal amounts as a capital improvement assessment. See Exhibit "Q"

(b) If at any time and from time to time a capital improvement assessment proves or appears likely to prove inadequate for any reason, including nonpayment of any Owner's share thereof, the Board may, without obtaining any further approval from the Owners, levy a further capital improvement assessment in the amount of such actual or estimated inadequacy, but not to exceed five percent (5%) of the original assessment which shall be assessed to all such owners in equal amounts. If such additional assessment shall be in excess of five percent (5%) of the previous year's assessment, the affirmative vote or written consent of two-thirds (2/3) of each class of members shall be required for such further assessment.

(c) Capital improvement assessments shall be due and payable by all Owners in such installments and during such period or periods as the Board shall designate.

7.06 Default in Payment of Assessments:

(a) The assessments levied by the Board on behalf of the Association under this Article VII shall constitute separate assessments. Each assessment levied under this Article VII, together with interest, costs and reasonable attorneys' fees shall be a separate, distinct and personal debt and obligation of the Owner against whom it is assessed, and shall bind his heirs, devisees, personal representatives and assigns. Each assessment levied under this Article VII shall also be a charge on the land and shall be a continuing lien upon the property against which such assessment is made. The Association shall have a separate lien and a separate lien is hereby created upon each Lot against which an assessment is made to secure the payment of any assessments under this Article VII. The priority of all such liens on each Lot shall be in

inverse order, so that upon the foreclosure of the lien for any particular month's charge on any Lot, any such sale of such Lot pursuant to such foreclosure will be made subject to all liens securing the respective monthly charges on such Lot for succeeding months. Each such lien for any particular month's charge shall likewise secure interest thereon if the same is not paid when due, and shall likewise secure costs of suit and reasonable attorneys' fees to be fixed by the court in the event any action or suit is brought to collect such charge.

(b) The Board shall execute and acknowledge a certificate stating the indebtedness secured by the lien upon any Lot, and such certificate shall be conclusive upon the Association and the Owners, in favor of all persons who rely thereon in good faith, as to the amount of such indebtedness on the date of the certificate. The Board shall furnish a copy of such certificate to any Owner upon request. A reasonable fee, not to exceed fifteen dollars (\$15.00), may be charged for the preparation of such statement.

(c) Declarant shall pay all of the costs of operation and maintenance of the Common Area and Common Maintenance Area and facilities that have been incurred or expended through and including the date of the sale of the first Lot within Morrison Ranch to a Public Purchaser. Declarant hereby covenants for each Lot and/or Residence owned by it within Morrison Ranch Estates and each purchaser of any Lot and/or Residence by acceptance of a deed or other conveyance therefor, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and agree to pay to the Association each assessment under this Article VII, such assessments to be fixed, established and collected from time to time as herein provided.

(d) Purchasers of any Lot subject to these Restrictions by acceptance of a deed or other conveyance therefor, whether

from Declarant or subsequent Owners of Lots, shall become personally obligated and agree to pay such charges that accrue after he received title thereto, plus costs of suit, and reasonable attorneys' fees as above provided and shall thereby vest in the Association the right and power to bring all actions for the collection of such charges, costs of suit and attorneys' fees, and for the enforcement of such liens. Such right and power shall continue in the Association and such obligations shall run with the land, so that the successive Owner or Owners of record of any Lot within the subject property shall in turn become liable to pay all such charges which shall become a lien thereon during the time they are the record Owner of such Lot within the subject property. After a record Owner transfers of record any Lot owned by him, he shall not be liable for any charges thereafter to accrue against such Lot. He shall remain personally liable, however, for all unpaid amounts due and owing at the time of transfer. A contract seller of any Lot shall continue to be liable for all such charges until a conveyance by deed of such property is recorded in the office of the County Recorder of Los Angeles County; provided, however, that the foregoing provision shall not be applicable to the beneficiary of an All-Inclusive Deed of Trust.

(e) The lien of each of the assessments provided for under this Article VII shall be subordinate to the lien of any mortgage or mortgages or deeds of trust now or hereafter placed upon the properties subject to assessment; provided, however, that such subordination shall apply only to the assessments which have become due and payable prior to the sale of such property pursuant to a decree of foreclosure of any such mortgage or deed of trust or pursuant to a power of sale in such mortgage or deed of trust. Such foreclosure sale shall not relieve such property from liability for any assessments thereafter becoming due nor from the lien of any such subsequent

assessment. The Board may agree to subordinate the lien of said assessments to the interests of the Department of Veterans Affairs of the State of California under any Cal-Vet financing contract to the same extent as said liens are made subordinate to liens of mortgages under this provision.

(f) Any assessment not paid within thirty (30) days after the due date shall be deemed to be in default and shall bear interest from the due date at the rate of ten percent (10%) per annum and the Board on behalf of the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property. No action shall be brought to foreclose the lien securing any assessment under this Article VII less than thirty (30) days following the mailing of a notice of assessment due signed by a majority of the Board to the Owner of such Lot and the recording of a copy of such notice in the Office of the Recorder of Los Angeles County, State of California. Said notice shall state the amount of the assessment, together with the interest, costs and reasonable attorneys' fees; a description of the Lot against which the same has been assessed and the name or names of the record Owner or Owners thereof. Such notice of assessment may be recorded and an action brought to foreclose the same by the Association, or the Owner of any Lot. Upon the declaration of an assessment and the recording of a notice thereof, the Association may, at its option, declare the entire balance of all sums then due or to become due from the Lot Owner due and payable, which total sum may then be included in any suit, action or proceeding brought to collect said sum, including all costs, charges and attorneys fees. See Exhibit "R"

(g) Each of the Owners does hereby grant and appoint the Association as trustee to enforce and to foreclose such lien by private power of sale as provided in Title 14, Chapter 2, Article I of the Civil Code of the State of California and

further grants to the Board on behalf of the Association the authority and power to sell the Lot of such defaulting Owner, or any part thereof, to satisfy said lien, for lawful money of the United States to the highest bidder. The Board as trustee for the remaining Owners, or any other Owner, may purchase at said sale. The Board may commence any procedure for collection upon its own decision, and it must so proceed upon the written request therefor signed by any five (5) Owners. See Exhibit "S"

(h) Upon payment of the delinquent assessment or the satisfaction thereof, the Board shall cause to be recorded in the same manner as the notice of assessment a further certificate stating the satisfaction and release of the lien thereof. A failure to record said certificate of discharge within thirty (30) days after written demand by the Owner of such Lot shall entitle him to recover a penalty of one hundred dollars (\$100.00) from the Association, plus his actual damages. See Exhibit "T"

(i) In the event any Owner fails to pay any assessment when due, and upon the decision of the Board of Directors, such Owner may be denied the privilege of using or enjoying any of the Common Area or Recreational facilities until such Owner has paid all delinquent assessments. See Exhibit "U"

7.07 Association Funds: The assessments collected by the Association shall be properly deposited into two separate interest bearing accounts with a savings and loan association or bank selected by the Board, which accounts shall be clearly designated as the MORRISON RANCH ESTATES CURRENT MAINTENANCE AND OPERATION ACCOUNT and the MORRISON RANCH ESTATES DEFERRED CAPITAL MAINTENANCE AND REPLACEMENT ACCOUNT. The assessments collected by the Association shall be held in trust by the Association for and on behalf of each Lot Owner and shall be used solely for the operation, care and maintenance of the project as provided in this declaration. The Board shall allocate a

portion of said funds as collected for the annual maintenance and operation of the project as specified in the annual budget and the Board shall allocate a portion of said funds as collected as reserves for contingencies, replacement and deferred maintenance of the capital improvements of the Morrison Ranch Estates as specified in the annual budget. Said fund shall be deposited, as allocated into the appropriate accounts and said accounts shall be separately maintained by the Association. Upon sale or transfer of any Lot by any Owner, the Owner's interest in the trust funds shall be deemed automatically transferred to the successor transferee of such owner. In the event that the Board retains a professional management service, the Board may delegate the authority to deposit or withdraw funds to responsible representatives of the professional management agent so retained. Said professional management agent may additionally be authorized to establish a common trustee account for deposit of assessments as collected. Any funds deposited in such a common trustee account shall be allocated as previously specified herein.

7.08 Failure to Fix Maintenance Assessments: The omission by the Board of Directors to fix the maintenance assessments hereunder before the expiration of any year, for that or the next year, shall not be deemed a waiver or modification in any respect of the provisions of these restrictions, or a release of the Owner from the obligation to pay the assessments, or any installment thereof for that or any subsequent year, but the assessment fixed for the preceding year shall continue until a new assessment is fixed.

ARTICLE VIII

CAPITAL IMPROVEMENTS

8.01 Petition; Association Approval:

(a) A majority of the Owners may petition the

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Association for the construction, installation or acquisition of a capital improvement on the Common Area and the Common Maintenance Area. Such petition shall be in writing and be in such form and shall contain such information as the Board may require, including, without limitation, preliminary plans and cost estimates. The Board may, on its own motion, move for the construction, installation or acquisition of a capital improvement, in which case such motion shall be treated as if it were a petition duly submitted by an Owner.

(b) The Board shall approve the petition if it determines that the proposed capital improvement is desirable for the beneficial use and enjoyment of the Common Area and the Common Maintenance Area by the Lot Owners.

(c) Upon the approval of such petition by the Board, the Board shall obtain firm bids on the total cost of constructing, installing, or acquiring the proposed capital improvement, and the lowest acceptable bid or bids shall be deemed the estimated total cost of such capital improvements.

8.02 Owner Approval: Following the approval of the capital improvement and the determination of the estimated cost thereof pursuant to Section 8.01, the Board shall present the question of assessment for such capital improvement cost to the Owners for approval pursuant to Section 7.05 of this Declaration.

8.03 Construction of Improvements: After the levy of the capital improvement assessment pursuant to Section 7.05, and at such time and upon such terms and conditions as the Association may deem appropriate, but not exceeding the estimated total cost of such capital improvement determined pursuant to subparagraph (c) of Section 8.01 above, the Board shall cause to be constructed, installed or acquired, or contract for the construction, installation or acquisition of the proposed capital improvement.

8.04 Costs of Petition: If for any reason the construction, installation, or acquisition of the proposed capital improvement is not approved by the Board, or the Owners, all expenses incurred by the Association with respect to the consideration of the proposed capital improvement shall be paid proportionately by the petitioning Owners and the Board may levy a special assessment against said Owners for the purpose of paying such expenses. See Exhibit "V"

ARTICLE IX

ARCHITECTURAL COMMITTEE

9.01 Organization: There shall be an Architectural Committee consisting of three (3) persons. There shall also be one alternate member who may be designated by the Committee to act as substitute on the Committee in the event of absence or disability of any member.

9.02 Designation of Members and Terms of Office:

(a) Initial Members: The initial members of the Architectural Committee shall be appointed by Declarant. The Declarant shall designate said members prior to the conveyance of the first Lot to a Public Purchaser. Such designation shall be reflected in the Minutes of the Association. Each of said members shall serve for a term of one (1) year unless they have resigned or been removed from office and the terms of all Architectural Committee members appointed thereafter shall be one (1) year. Any new member appointed to replace a member who has resigned or been removed shall serve such member's unexpired term. Members who have resigned, been removed or whose terms have expired may be reappointed; however, no person shall serve as a member of the Architectural Committee, either regular or alternate, for a period in excess of six (6) years in any ten (10) year period.

(b) Appointment and Removal: The Declarant reserves to itself the power to appoint a majority of the members of the Architectural Committee until ninety percent (90%) of the Lots within Morrison Ranch Estates (including subsequent phases if any) have been sold or until the fifth anniversary of the date of issuance of the final public report for the first (or only) phase of Morrison Ranch Estates, whichever occurs first. After one (1) year from the date of issuance of the original public report for the first phase of Morrison Ranch Estates, the Board shall have the power to appoint one (1) member to the Architectural Control Committee until ninety percent (90%) of the Lots within Morrison Ranch Estates (including subsequent phases if any) have been sold or until the fifth anniversary of the date of issuance of the final public report for the first (or only) phase of Morrison Ranch Estates, whichever occurs first. Thereafter, the Board shall have the power to appoint all of the members of the Architectural Control Committee. Members appointed to the Architectural Control Committee by the Board shall be from the membership of the Association. Members appointed to the Architectural Control Committee by the Declarant need not be members of the Association. Exercise of the right of appointment and removal, as set forth herein, shall be evidenced by the specification in the Minutes of the Board of each new Committee member or alternate member appointed and each member or alternate replaced or removed from the Architectural Committee.

(c) Resignations: Any member or alternate member of the Architectural Committee may at any time resign from the Committee upon written notice delivered to Declarant or to the Board, whichever then has the right to appoint members.

(d) Vacancies: Vacancies on the Architectural Committee, however caused, shall be filled by the Declarant or the Association, whichever then has the power to appoint members.

In the event that a vacancy has not been filled within two (2) months, an interim appointment may be made by the remaining members of the Architectural Committee.

9.03 Duties: It shall be the duty of the Architectural Committee to consider and act upon such proposals or plans submitted to it pursuant to the terms hereof, to adopt Architectural Committee Rules, to perform other duties delegated to it by the Association, and to carry out all other duties imposed upon it by these restrictions.

9.04 Meetings: The Architectural Committee shall meet from time to time as necessary to properly perform its duties hereunder. The vote or written consent of any two (2) members shall constitute an act by the Committee unless the unanimous decision of its members is otherwise required by these Restrictions. The Committee shall keep and maintain a record of all actions taken by it at such meeting or otherwise. The members of the Architectural Committee shall be entitled to reimbursement for reasonable expenses incurred by them in the performance of any Architectural Committee function.

9.05 Architectural Committee Rules: The Architectural Committee may, from time to time and in its sole discretion, adopt, amend and repeal, by unanimous vote, rules and regulations to be known as "Architectural Committee Rules." Said Rules shall interpret and implement the provisions hereof by setting forth the standards and procedures for Architectural Committee review and guidelines for architectural design, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features which are recommended for use in Morrison Ranch Estates; provided, however, that said Rules shall not be in derogation of the minimum standards required by these Restrictions.

9.06 Application for Approval of Improvements: Any Owner, except the Declarant and its designated agents, proposing to

perform any work of any kind whatever which requires the prior approval of the Architectural Committee pursuant to Section 4.02, or any other Section of this Declaration, shall apply to such Committee for approval by notifying the Architectural Committee of the nature of the proposed work with such information as the Committee may require, including but not limited to (1) a plot plan of the Lot showing the location of all existing and proposed improvements; (2) floor plans; (3) elevation drawings; (4) a description of exterior materials and colors; and (5) the Owner's proposed construction schedule. The Architectural Committee may require that the application for approval in connection with any improvement to be constructed be accompanied by an inspection fee in an amount not to exceed one hundred dollars (\$100.00) in the event that the Committee deems that outside consultants are necessary to review plans or otherwise inspect the proposed improvements.

9.07 Basis for Approval of Improvements: The Architectural Control Committee shall grant the requested approval only if,

(1) The Owner shall have strictly complied with the provisions of subparagraph (a) above; and

(2) The Architectural Committee shall find that the plans and specifications conform to these Restrictions, and to the Architectural Committee Rules in effect at the time such plans were submitted to such Committee; and

(3) The members of the Architectural Control Committee in their sole discretion determine that the proposed improvements would be compatible with the standards of Morrison Ranch Estates and the purposes of these Restrictions as to quality of workmanship and materials, as to harmony of external design with existing structures, and as to location with respect to topography and finished grade elevations.

9.08 Form of Approval: All approvals given under paragraph 9.07 shall be in writing; PROVIDED, HOWEVER, that any

request for approval which has not been rejected within thirty (30) days from the date of submission thereof to the Architectural Committee shall be deemed approved. See Exhibit "W"

9.09 Proceeding with Work: Upon receipt of approval from the Architectural Committee pursuant to paragraph 9.07 above, the Owner shall, as soon as practicable, satisfy all conditions thereof and diligently proceed with the commencement and completion of all construction, reconstruction, refinishing, alterations and excavations 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 paragraph 9.07 above, shall be deemed revoked unless the Architectural Committee, upon written request of the Owner made prior to the expiration of said one-year period, extends the time for such commencement. No such extension shall be granted except upon a finding by the Architectural Committee that there has been no change in the circumstances upon which the original approval was granted.

9.10 Failure to Complete Work: The Owner shall in any event complete the construction, reconstruction, refinishing, or alteration of any such improvement within one year after commencing construction thereof, except and for so long as such completion is rendered impossible or would result in great hardship to the Owner due to strikes, fires, national emergencies, natural calamities or other supervening forces beyond the control of the Owner or his agents. If Owner fails to comply with this paragraph, the Architectural Committee shall notify the Board of such failure, and the Board shall proceed in accordance with the provisions of paragraph 9.11 below as though the failure to complete the improvement were a noncompliance with approved plans.

9.11 Inspection of Work: Inspection of work and correction of defects therein shall proceed as follows:

(1) Upon the completion of any construction or reconstruction or the alteration or refinishing of the exterior of any improvements, or upon the completion of any other work for which approved plans are required under this Article, the Owner shall give written notice thereof to the Architectural Committee.

(2) Within sixty (60) days thereafter the Architectural Committee, or its duly authorized representative, may inspect such improvement to determine whether it was constructed, reconstructed, altered or refinished to substantial compliance with the approved plans. If the Architectural Committee finds that such construction, reconstruction, alteration or refinishing was not done in substantial compliance with the approved plans, it shall notify the Owner in writing of such noncompliance within such sixty (60) days period, specifying particulars of noncompliance, and shall require the Owner to remedy such noncompliance.

(3) If upon the expiration of thirty (30) days from the date of such notification, the Owner shall have failed to remedy such noncompliance, the Architectural 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 thirty (30) days nor less than fifteen (15) days after notice of the noncompliance is given to the Board by the Architectural Committee. Notice of the hearing date shall be given at least ten (10) days in advance thereof by the Board to the Owner, the Architectural Committee and, in the discretion of the Board, to any other interested party.

(4) At the hearing, the Owner, the Architectural 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 a period of not more than forty-five (45) days from the date of the Board ruling. If the Owner does not comply with the Board ruling within such period or within any extension of such period as the Board, in its discretion may grant, 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 promptly repaid by the Owner to the Association, the Board shall levy a reimbursement assessment against such Owner pursuant to Section 7.03 hereof.

(5) If for any reason the Architectural Committee fails to notify the Owner of any noncompliance within sixty (60) days after receipt of said notice of completion from the Owner, the improvement shall be deemed to be in accordance with said approved plans.

9.12 Application for Preliminary Approval: Any Owner proposing to construct improvements requiring the prior approval of the Architectural Committee may apply to the Committee for preliminary approval by submission of preliminary drawings of the proposed improvements in accordance with the Architectural Committee Rules. The purpose of the preliminary approval procedure is to allow an Owner proposing to make substantial improvements an opportunity to obtain guidance concerning design considerations before expending substantial sums for plans and other exhibits required to apply for final approval. Applications for preliminary approval shall be considered and disposed of as follows:

(1) Within thirty (30) days after proper application

for preliminary approval, the Architectural Committee shall consider and act upon such request. The Architectural Committee shall grant the approval only if the proposed improvement, to the extent 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 Architectural Committee to act within said thirty (30) day period shall constitute an approval. In granting or denying approval, the Architectural 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.

(2) Any preliminary approval granted by the Architectural Committee shall be effective for a period of ninety (90) days from the date of the issuance thereof. During said period, any application for final approval which consists of proposed improvements in accordance with the provisions of the preliminary approval, and is otherwise acceptable under the terms of these Restrictions shall be approved by the Architectural Committee.

(3) In no event shall any preliminary approval be deemed to be an approval authorizing construction of the subject improvements.

9.13 Waiver: The approval by the Architectural Committee of any plans, drawings or specifications for any work done or proposed, or for any other matter requiring the approval of the Architectural Committee under these Restrictions, 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.

9.14 Estoppel Certificates: Within thirty (30) days after written demand is delivered to the Architectural Committee by any Owner, and upon payment to the Association of a reasonable

fee (as fixed from time to time by the Association), the Architectural Committee shall record an estoppel certificate, executed by any two (2) of its members, certifying (with respect to any Lot of said Owner) that as of the date thereof either (a) all improvements made and other work done upon or within said Lot comply with these Restrictions, 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 him, 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 and all Owner and such persons deriving any interest through them.

9.15 Liability: Neither the Architectural 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 property within Morrison Ranch Estates; or (d) the execution and filing of an estoppel certificate pursuant to Section 9.14, 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. Without in any way limiting the generality of the foregoing, the Architectural Committee, or any member thereof, may, but is not required to, consult with or hear the views of the Association or any Owner with respect to any plans, drawings, specifications or any other proposal submitted to the Architectural Committee.

ARTICLE XI

RIGHTS OF MORTGAGEE AND TRUST DEED BENEFICIARIES

11.01 General: The first mortgagee or trust deed beneficiaries of Lots within the Subject Property shall be entitled to the rights and privileges set forth in this article. For the purposes of this Article XI, the term "first mortgage or trust deed beneficiary" shall include the beneficiary of an All-Inclusive Deed of Trust which has priority over any other All-Inclusive Deed of Trust encumbering the same Lot. No breach of the covenants, conditions or restrictions contained in this Declaration, nor the enforcement of any lien provision set forth herein shall affect, impair, defeat or render invalid the lien or charge of any first mortgage or deed of trust made in good faith and for value which encumbers any Lot, but all of such covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is derived through foreclosure or trustee's sale, or otherwise, with respect to a Lot. A first mortgagee or trust deed beneficiary who acquires title by judicial foreclosure, deed in lieu of foreclosure or trustee's sale shall not be obligated to cure any breach of the provisions of this Declaration which is noncurable or of a type which is not practical or feasible to cure. The determination of the Board, made in good faith as to whether a breach is noncurable or not feasible to cure shall be final and binding on all mortgagees or trust deed beneficiaries. It is intended that any loan to facilitate the resale of any Lot after judicial foreclosure, deed in lieu of foreclosure or trustee's sale is a loan made in good faith and for value and entitled to all of the rights and protections afforded to any other first mortgagee or trust deed beneficiary.

11.02 Notice of Default: The mortgagee of a mortgage or

beneficiary of a deed of trust, and/or their successors and assigns, of a first mortgage or deed of trust on a Lot which such mortgagee, beneficiary, successor or assignee has requested in writing to the association of such a notice, shall be entitled to written notification from the Association of any default by the mortgagor of any Lot in the performance of such mortgagor's obligations under the Declaration, Articles and Bylaws which is not cured within thirty (30) days.

11.03 Exemption from Rights of First Refusal: Any first mortgagee, or beneficiary under a first deed of trust who comes into possession of the Lot pursuant to the remedies provided in the mortgage for foreclosure of the mortgage, or deed of trust or assignment in lieu of foreclosure shall be exempt from any right of first refusal contained herein.

11.04 Relationship with Assessment Lien: The lien provided for in Article VII for the payment of assessments shall be subordinate to the lien of any first mortgage or deed of trust which was recorded prior to the date such assessment became due. If any Lot subject to a monetary lien created by any provision of this Declaration shall be also subject to the lien of a first mortgage or deed of trust (a) the foreclosure of any lien created by any provision of this Declaration shall not operate to affect or impair the lien of such mortgage; and (b) the foreclosure of the lien of such mortgage or deed of trust, the acceptance of a deed in lieu of foreclosure, or the sale under a power of sale included in such mortgage or deed of trust (such events being hereinafter referred to as "events of foreclosure"), shall not operate to affect or impair the lien created pursuant to this Declaration. However, any first mortgagee or beneficiary of a first deed of trust who comes into possession of a Lot pursuant to the foreclosure of the mortgage or deed of trust shall take the property free of any claims for unpaid assessments or

charges against the mortgaged Lot which accrue prior to the time such holder comes into possession of the Lot by virtue of the foreclosure, except for claims for a prorata share of such assessments or charges to all units including the mortgaged Lot.

11.05 Mortgagee's Approval: Unless at least seventy-five percent (75%) of the first mortgagees, based upon one vote for each mortgage owned, of Lots have given their prior written approval, the Association shall not be entitled to:

(a) Change the method of determining the obligations, assessments, dues or other charges which may be levied against a Lot Owner; or

(b) By act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to architectural design or exterior appearance of Lots, the exterior maintenance of Lots, the maintenance of party walls or common fences and driveways or the upkeep of lawns, plantings or other landscaping; or

(c) By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Area or the Common Maintenance Area (or its interest therein); provided that the granting of easements for public utility or other public purposes consistent with the intended use of the Common Area or Common Maintenance Area by the Association shall not be deemed to be a transfer within the meaning of this paragraph; or

(d) Fail to maintain fire and extended coverage insurance on any insurable portion of the Common Area or Common Maintenance Area on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value based on current replacement cost; or

(e) Use hazard insurance proceeds for losses for any portion of the Common Area or Common Maintenance Area for

other than the repair, replacement or reconstruction of such Common Area or Common Maintenance Area; or

(f) Amend a material portion of this Declaration, the Bylaws, or the Articles; for the purposes of determining what provisions are material in this Declaration and in the Bylaws or the Articles, such provisions in these documents as are required by the rules, regulations or guidelines of programs administered by FNMA, GNMA and FHLMC shall be deemed material, but not by way of limitation, with respect to other provisions in these documents.

11.06 Other Rights of First Mortgagees. Any first mortgagee or trust deed beneficiary shall, upon written request, to the Association, be entitled to:

(a) Inspect the books and records of the Association during normal business hours.

(b) Receive the annual audited financial statements of the Association within ninety (90) days after the end of the Association's fiscal year.

(c) Receive written notice of all annual and special meeting of the Members or of the Board, and a first mortgagee or trust deed beneficiary shall be entitled to designate a representative to attend all such meetings to, among other things, draw attention to violations of this Declaration which have not been corrected or made the subject of remedial action by the Association; provided, however, that nothing contained in this Section shall give a first mortgagee or trust deed beneficiary the right to call a meeting of the Board or of the Members or to vote at any such meeting.

Mortgagees or trust deed beneficiaries are authorized to furnish information to the Board concerning the status of any loan encumbering a Lot.

11.07 Management Agreements: Any agreement for professional

management of Morrison Ranch Estates shall provide that the management contract may be terminated for cause on a maximum of ninety (90) days written notice and the term of any such contract shall not exceed three (3) years.

11.08 Destruction or Taking. In the event that the Common Area or the Common Maintenance Area or any portion thereof is substantially damaged or is made the subject of any eminent domain proceeding or is otherwise sought to be taken by a condemning authority, the Board shall promptly notify any first mortgagee or trust deed beneficiary affected by such destruction, taking or threatened taking. As used herein, the term "substantially damaged" shall mean damage exceeding ten thousand dollars (\$10,000.00). If requested in writing by a first mortgagee or trust deed beneficiary, the Association shall evidence its obligations under this Section in a written agreement in favor of such first mortgagee or trust deed beneficiary.

Nothing contained in this Declaration or the Articles or Bylaws shall be deemed to deprive first mortgagees or trust deed beneficiaries of whatever prior rights such lien holders might otherwise possess pursuant to their security agreements to receive distributions of insurance or condemnation proceeds.

11.09 Common Area Advances. First mortgagees or trust deed beneficiaries shall have the right, jointly or singularly, to pay taxes or other charges which are in default and which may or have become a lien against the Association's interest in the Common Area and the Common Maintenance Area. Such first mortgagees or trust deed beneficiaries may also pay overdue premiums on hazard insurance for the Association's interest in the Common Area and Common Maintenance Area or secure new hazard coverage thereon following the lapse of a policy. Any first mortgagee or trust deed beneficiary making

such payment shall be entitled to immediate reimbursement from the Association for all sums so advanced. If requested in writing by a first mortgagee or trust deed beneficiary, the Association shall evidence its obligations under this Section in a written agreement in favor of such first mortgagee or trust deed beneficiary.

11.10 Conflicts. In the event of any conflict between the provisions of this Article XI and the remaining portions of this Declaration, the provisions of this Article shall control.

ARTICLE XII

MISCELLANEOUS PROVISIONS

12.01 Amendment and Duration:

(a) Amendment: Except as set forth in Section 6.12, above and so long as there is a Class B membership existant, the provisions hereof may be amended by an instrument in writing signed and acknowledged by not less than seventy-five percent (75%) of the voting power of the Lot Owners with each class of Membership, which amendment shall be effective upon recordation in the office of the Recorder of Los Angeles County. Following the cessation of the Class B membership, amendment of this Declaration shall require the affirmative vote or written consent of not less than seventy-five percent (75%) of the voting power residing in Members other than Declarant.

(b) Duration: The provisions of these Restrictions, including the covenants, conditions and restrictions contained herein, shall continue and be effective for a period of sixty (60) years from the date of recordation and shall thereafter be automatically extended for successive periods of ten (10) years or until a majority vote of the voting Owners of all of

the Lots described within Morrison Map shall determine that they shall terminate.

12.02 Enforcement and Nonwaiver:

(a) Right of Enforcement: Except as otherwise provided herein, Declarant, the Association, or any Owner or Owners shall have the right to enforce any and all of the covenants, conditions and restrictions now or hereafter imposed by these Restrictions upon the Owners or upon any property within.

(b) Violations and Nuisance: Every act or omission whereby a covenant, condition or restriction of these Restrictions is violated in whole or in part is hereby declared to be a nuisance and may be enjoined or abated, whether or not the relief sought is for negative or affirmative action, by Declarant, the Association, or an Owner or Owners. However, any other provision to the contract notwithstanding, only Declarant, the Board of the Association, or their duly authorized agents may enforce by self-help any covenant, condition or restriction herein set forth.

(c) Violation of Law: Any violation of any state, municipal or local law, ordinance or regulation pertaining to the ownership, occupation or use of any property with the Morrison Ranch Estates Subdivision is hereby declared to be a violation of this Declaration and subject to any or all of the enforcement procedures herein set forth.

(d) Remedies Cumulative: Each remedy provided by these Restrictions is cumulative and not exclusive.

(e) Nonwaiver: The failure to enforce the provisions of any covenant, condition or restriction contained in these Restrictions shall not constitute a waiver of any right to enforce any such provisions or any other provisions of said Restrictions.

12.03 Condemnation of Common Maintenance Area: If at any time all or any portion of any Common Area or Common Maintenance Area, or any interest therein, be taken for any public

or quasi-public use, under any statute, by right of eminent domain or by private purchase in lieu of eminent domain, the entire award in condemnation shall be paid to the holder or holders of the fee title to such area as their interests may appear.

12.04 Obligations of Owners: No Owner may avoid the burdens or obligations imposed on him by these Restrictions through non-use of any Common Area or any Common Maintenance Area or the facilities located thereon or by abandonment of his Lot. Upon the conveyance, sale, assignment or other transfer of a Lot to a new Owner, the transferring Owner shall not be liable for any assessments levied with respect to such Lot after the date of such transfer, and no person, after the termination of his status as an Owner and prior to his again becoming an Owner, shall incur any of the obligations or enjoy any of the benefits of any Owner under these Restrictions.

12.05 Construction and Severability; Singular and Plural; Titles:

(a) Restrictions Construed Together: All of the covenants, conditions and restrictions of these Restrictions shall be liberally construed together to promote and effectuate the fundamental concepts of Morrison Ranch Estates, as set forth in the Preamble of this Declaration.

(b) Restrictions Severable: Notwithstanding the provisions of subparagraph (a) above, the covenants, conditions and restrictions of these Restrictions shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision.

(c) Singular Includes Plural: The singular shall include the plural and the plural the singular unless the context requires the contrary, and the masculine, feminine or neuter gender shall each include the masculine, feminine and

neuter, as the context requires.

(d) Captions: All captions or titles used in these Restrictions are intended solely for convenience of reference and shall not affect that which is set forth in any of the terms or provisions of said Restrictions.

IN WITNESS WHEREOF, the undersigned has executed this Declaration as of the day and year first hereinabove written.

MORRISON ASSOCIATES,
a limited partnership

By *Bertrand W. Greynald*
Bertrand W. Greynald

By *Walter Babchuk*
Walter Babchuk

By *Gerald A. Thompson*
Gerald A. Thompson
General Partners

79-1363056

STATE OF CALIFORNIA

COUNTY OF VENTURA

ss.

79-1363056

ON December 3, 19 79,
before me, the undersigned, a Notary Public in and for said State, personally appeared
Bertrand W. Greynald, Walter Babchuk and
Gerald A. Thompson, known to me,
to be ~~some~~ the partners of the partnership that executed the within instrument, and acknowl-
edged to me that such partnership executed the same.

WITNESS my hand and official seal.



Laurie C. Olsen
Laurie C. Olsen Notary Public in and for said State.

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting secretary of Morrison Ranch Estates Homeowners' Association, a California nonprofit corporation, and

That the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted at a meeting of the Board of Directors thereof held on the ____ day of _____, 1979.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this ____ day of _____, 1979.

Secretary

Exhibit "E"

Existing CC&Rs

Article II, Section 2.14 Family (P. 3):

Defines "Family" as "[O]ne or more persons each related to the other by blood, marriage or legal adoption, or a group of not more than three persons not all so related, together with their domestic servants, who maintain a common household in a Residence."

Current Law:

We do not believe that the limit of "not more than three" unrelated persons would be upheld by a court because, among other things, there is no reasonable basis for allowing a household of unlimited size of related persons but only a household of 3 unrelated people. Also, such a restriction is fraught with enforcement problems, and could be seen as discriminatory against families with children that do not meet the conventional definition of a family (e.g. what if an unmarried couple lived together with 2 foster children).

Exhibit "F"

Existing CC&Rs

Article IV, Section 4.01(e) Antennas (p. 9):

Requires that all antennae be approved by the Association's Architectural Committee

Current Law:

The Federal Communications Commission's Over-the-Air Reception Devices rule (the "OTARD") supersedes Section 4.01(e) of the Association's CC&Rs. The OTARD states, among other things, that the Association cannot require prior approval of the installation of a satellite dish less than one meter in diameter on an owner's lot. The Association can, however, require prior approval of any installation on/in the common area. At most, the Association can adopt reasonable rules and regulations for installations on lots (e.g. regarding camouflage and preferred location of installation). Owners must follow such guidelines unless it would unreasonably increase the cost of installation or unreasonably decrease reception.

Exhibit "G"

Existing CC&Rs

Article IV, Section 4.01(w) Signs (p. 14):

Subsection (w) states that no signs whatsoever (including, commercial, political and similar signs) are permitted except for signs required by legal proceedings, residential identification numbers (subject to Architectural Committee approval), job identification signs during construction, and one "for sale" or "for rent."

Current Law:

This provision is superseded by Civil Code Section 4710 which gives owners greater freedom to post noncommercial signs on their lots. It provides as follows:

"(a) The governing documents may not prohibit posting or displaying of noncommercial signs, posters, flags, or banners on or in a member's separate interest, except as required for the protection of public health or safety or if the posting or display would violate a local, state, or federal law.

(b) For purposes of this section, a noncommercial sign, poster, flag, or banner may be made of paper, cardboard, cloth, plastic, or fabric, and may be posted or displayed from the yard, window, door, balcony, or outside wall of the separate interest, but may not be made of lights, roofing, siding, paving materials, flora, or balloons, or any other similar building, landscaping, or decorative component, or include the painting of architectural surfaces.

(c) An association may prohibit noncommercial signs and posters that are more than nine square feet in size and noncommercial flags or banners that are more than 15 square feet in size."

Exhibit "H"

Existing CC&Rs

Article V, Section 5.01(b)(iii) Extent of Members' Easements (p. 16):

This subsection permits the Board to suspend the voting rights of a member while the member is delinquent or for a period not to exceed 30 days for a violation of the Rules and Regulations.

Current Law:

Corporations Code Section 7341 and Civil Code Section 5855 require that **notice and a hearing be given prior** the suspension of any membership privileges.

Exhibit "I"

Existing CC&Rs

Article V, Section 5.01(b)(v) Extent of Members' Easements (p. 17):

This subsection references the right of the Association to establish Rules and Regulations relating to the use of the common area.

Current Law:

Civil Code Section 4340 et seq. sets forth a procedure for the adoption of operating rules.

Exhibit "J"

Existing CC&Rs

Article VI, Section 6.03(b) Voting Procedures (p. 21):

This provision sets forth certain procedures for voting by members.

Current Law:

While these procedures do not conflict with California law, they are incomplete in light of the enactment of the 2006 secret ballot laws. See Civil Code Section 5100 et seq.

Exhibit “K”

Existing CC&Rs

Article VI, Section 6.07(i)(2) Balance Sheets-Operating Statements (p. 24):

This subsection requires that the Association distribute to its members a balance sheet as of the last day of the calendar year and an operating statement for said year within 60 days of the close of the calendar year.

Current Law:

Civil Code Section 5300 et seq. sets forth additional (and far more extensive) financial disclosures which must be made to owners at least 30 but not more than 90 days prior to the end of the Association's fiscal year.

Exhibit “L”

Existing CC&Rs

Article VI, Section 6.09(a) Rulemaking Power (p. 27):

This subsection discusses the adoption of Rules and Regulations.

Current Law:

Civil Code Section 4340 et seq. sets forth additional requirements in connection with the adoption of operating rules.

Exhibit “M”

Existing CC&Rs

Article VII, Section 7.02(a) Regular Assessments (p. 30):

This subsection requires, among other things, that at least 60 days prior to the beginning of the Association's fiscal year, the Association distribute a proposed budget to the owners.

Current Law:

This portion of section 7.02(a) of the CC&Rs relating to the budget is superseded by Civil Code Section 5300 et seq., which states, among other things, that a pro forma operating budget shall be distributed to the members at least 30 but not more than 90 days prior to the end of the Association's fiscal year.

Exhibit “N”

Existing CC&Rs

Article VII, Section 7.02(b) Additional Assessments (p. 31):

This subsection permits the Board to impose a special assessment against the owners to cover a shortfall in the Association's budget, provided that such additional assessment may not exceed 5% of the aggregate budgeted gross expenses of the Association for that fiscal year without the vote or written assent of a majority of each class of membership.

Current Law:

Civil Code Section 5605(b) sets forth a lower threshold for the approval of a special assessment which exceeds 5% of the budget. Specifically, it requires that only a majority of a quorum of members approve such special assessment (not a majority of members). Also, it is important to note that any vote of the members to approve a

special assessment which exceeds 5% of the budget must be conducted by secret ballot in accordance with Civil Code Section 5100 et seq.

Exhibit “O”

Existing CC&Rs

Article VII, Section 7.02(d) Increases in Regular Assessments (p. 32):

This subsection states that the Board may not raise regular assessments by more than 20% above the maximum assessment for the previous fiscal year without the approval of a majority of each class of membership.

Current Law:

Civil Code Section 5605(b) sets forth a lower threshold for the approval of an increase in regular assessments by more than 20% of last year's assessment amount. Specifically, it requires that only a majority of a quorum of members approve such special assessment (not a majority of members). Section 5605(a) also sets forth additional requirements which are a precondition to raising the amount of regular assessments (e.g., sending the annual budget report and annual policy statement to owners). Also, it is important to note that any vote of the members to approve an assessment increase must be conducted by secret ballot in accordance with Civil Code Section 5100 et seq.

Exhibit “P”

Existing CC&Rs

Article VII, Section 7.02(e) Time and Manner of Payment of Assessments (P.33):

This subsection states that assessments are delinquent if not paid within 30 days, shall bear interest at the rate of 10% and shall be subject to a late charge of \$5.00.

Current Law:

Civil Code Section 5650 provides that assessments are delinquent if not paid within 15 days unless the CC&Rs call for a longer due date (which they do). Also, Civil Code Section 5650 states that delinquent payments shall bear interest at the rate of 12% and be subject to a late charge of \$10 or 10%, whichever is greater, unless the Association's CC&Rs call for smaller interest rates/late charges, which they do. This is one of the few instances when language in the CC&Rs prevails over the law.

Exhibit “Q”

Existing CC&Rs

Article VII, Section 7.05 Capital Improvement Assessments (P.33):

This subsection requires the approval of 2/3rds of the members to make capital improvements and to impose a special assessment related thereto.

Current Law:

This is unusual language because there is no cap on the amount of capital improvement which requires owner approval (e.g., capital improvements in excess of 5% of the budget, which is the common standard). While we believe that the 2/3rd vote to approve the expenditure is valid, the vote to approve a special assessment related thereto is governed by Civil Code Section 5605(b), which states that a special assessment which exceeds 5% of the budget requires that only a majority of a quorum of owners.

Exhibit “R”

Existing CC&Rs

Article VII, Section 7.06(f) Default in Payment of Assessments (p.37):

Subsection (f) sets forth the procedure to be followed by the Board to collect a delinquent assessment.

Current Law:

Instead of following subsection (f), the Association should follow the procedures set forth in Civil Code Sections 5660 and 5720 in collecting delinquent assessments.

Exhibit “S”

Existing CC&Rs

Article VII, Section 7.06(g) Default in Payment of Assessments (p. 38):

The last sentence of this subsection states that the Board may commence any procedure for collection upon its own decision, and "it must so proceed upon the written request therefor signed by any five (5) Owners."

Current Law:

Decisions as to whether to proceed with collection action against an owner are made solely by the Board.

Exhibit “T”

Existing CC&Rs

Article VII, Section 7.06(h) Default in Payment of Assessments (p. 38):

Subsection (h) states that if an owner satisfies his or her delinquency, the Association shall record a release of lien within **30** days.

Current Law:

Civil Code Section 5685 requires that a release of lien be recorded within 21 days.

Exhibit “U”

Existing CC&Rs

Article VII, Section 7.06(i) Default in Payment of Assessments (p. 38):

Subsection (i) states that the Board may suspend an owner's common area privileges while he or she is delinquent in the payment of assessments.

Current Law:

Corporations Code Section 7341 and Civil Code Section 5855 require that notice and a hearing be given prior the suspension of any membership privileges.

Exhibit “V”

Existing CC&Rs

Article VIII Capital Improvements (P.39):

This Article sets forth a procedure whereby owners can petition the Board to make certain capital improvements to the common areas. The Board is obligated to evaluate the owners' petition, and if it deems it appropriate, ask the owners to vote to approve the same and a special assessment related thereto pursuant to Section 7.05 of the CC&Rs (discussed above). Section 8.04 of this Article states that if for any reason the proposed installation is not approved by the Board or the owners, all expenses incurred by the Board in evaluating the proposed capital improvement shall be assessed to the petitioners.

Current Law:

This is a very unique provision. It is not clear to us that a court would consider it reasonable that the Board would be able to pass through to the petitioners alone the costs of evaluating the petitioners' proposal for a capital improvement.

Exhibit “W”

Existing CC&Rs

Article IX, Section 9.08 Forms of Approval (p. 44):

This Section states that all approvals of plans given shall be in writing.

Current Law:

Civil Code Section 4765(a)(4) requires that all approvals and disapprovals be in writing.

Bylaw Exhibits

Exhibit “B-A”

Existing Bylaw

Article II, Section 3(c) Special Meeting (P.3):

This subsection provides that special meetings of the members may be called at any time by the president, or a majority of a quorum of the Board of Directors or upon written request of either (i) the members who are entitled to vote not less than 15% of the voting power residing in members other than the Declarant or (ii) members representing not less than 25% of the total voting power of the Association.

Current Law:

Corporations Code Section 7510(e) states that a petition signed by **5%** membership is sufficient to call a special meeting of the members.

Exhibit “B-B”

Existing Bylaw

Article II, Section 3(e)(v) Voting Rights (p. 4):

Under this subsection, the Board must form a nominating committee to make nominations for the election of directors; nominations may also be made from the floor of the meeting.

Current Law:

Civil Code Section 5100 requires that there be a reasonable nominating procedure and that members be able to nominate themselves. If owners must wait to nominate themselves until the actual meeting, they will be at a severe disadvantage in light of the fact that most owners have already completed their secret ballots by that point. Accordingly, we believe that the Association should require owners to nominate themselves prior to when the secret ballots for the election of directors are mailed to all of the owners.

Exhibit “B-C”

Existing Bylaw

Article II, Section 3(e)(vi) Voting Rights (p. 4):

These subsections permit the Board to suspend the voting rights of a member while the member is delinquent or for a period not to exceed 30 days for a violation of the Rules and Regulations.

Current Law:

Corporations Code Section 7341 and Civil Code Section 5855 require that notice and a hearing be given prior the suspension of any membership privileges.

Exhibit “B-D”

Existing Bylaw

Article III, Section 4(b) Powers (p. 7):

These subsections permit the Board to suspend the voting rights of a member while the member is delinquent or for a period not to exceed 30 days for a violation of the Rules and Regulations.

Current Law:

Corporations Code Section 7341 and Civil Code Section 5855 require that notice and a hearing be given prior the suspension of any membership privileges.

Exhibit “B-E”

Existing Bylaw

Article III, Section 4(h) Audit (p. 8):

Similar to Section 7.02(a) of the CC&Rs, this subsection requires, among other things that at least 60 days prior to the beginning of the Association's fiscal year, the Association distribute a proposed budget to the owners.

Current Law:

That portion of Article III, Section 4(h) of the Bylaws related to budgets is superseded by Civil Code Section 5300 et seq., which states, among other things, that a pro forma operating budget shall be distributed to the members at least 30 but not more than 90 days prior to the end of the Association's fiscal year.

Exhibit “B-F”

Existing Bylaw

Article III, Section 8 Regular Meetings (p. 11):

Section 8 sets forth minimal requirements for providing notice of the quarterly Board meetings. Notice of the time, place and meetings must be posted at a prominent place in the Association. There is no minimum notice requirement.

Current Law:

Civil Code Section 4920 sets forth the procedures for noticing a board meeting:

"(a) Except as provided in subdivision (b), the association shall give notice of the time and place of a board meeting at least four days before the meeting.

(b) (1) If a board meeting is an emergency meeting held pursuant to Section 4923, the association is not required to give notice of the time and place of the meeting.

(2) If a nonemergency board meeting is held solely in executive session, the association shall give notice of the time and place of the meeting at least two days prior to the meeting.

(3) If the association's governing documents require a longer period of notice than is required by this section, the association shall comply with the period stated in its governing documents.

(c) Notice of a board meeting shall be given by general delivery pursuant to Section 4045.

(d) Notice of a board meeting shall contain the agenda for the meeting."

Exhibit “B-G”

Existing Bylaw

Article III, Section 9 Special Meetings (p. 11):

Section 9 sets forth minimal requirements for providing notice of special meetings of the Board. Notice of a special meeting must be given to directors and posted at a prominent place in the Association not less than 72 hours prior to the scheduled meeting time.

Current Law:

See Civil Code Section 4920, set forth above.

Exhibit “B-H”

Existing Bylaw

Article III, Section 10 Executive Session (p. 11):

According to this Section, the Board may, with approval of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, disciplinary matters and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Current Law:

See Civil Code Section 4920, set forth above, regarding the minimum notice period for executive session meetings and the agenda requirement. Also, pursuant to Civil Code Section 4935(a), the Board may adjourn to, or meet solely in, executive session for the limited purpose of considering litigation, matters relating to the formation of contracts with third parties, member discipline, personnel matters, or to meet with a member, upon the member's request, regarding the member's payment of assessments.

Exhibit “B-I”

Existing Bylaw

Article V, Section 5 Inspection of Records by Members (p. 16):

This Section provides that the membership register, books of account and minutes of meetings of the members of the Board and of committees shall be made available for inspection and copying by any member of the Association, or by his duly appointed representative at any reasonable time and for a purpose reasonably related.

Current Law:

Civil Code Section 5200 et seq. sets forth a broader range of documents which a member is entitled to inspect.