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Doc No. 19950427754
08:00am 12/14/95

Chicago Title # 607

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DECLARATION OF
COVENANTS
FOR
MT. BALDY HOMEOWNERS ASSOCIATION

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DECLARATION OF
COVENANTS
FOR
MT. BALDY HOMEOWNERS ASSOCIATION

THIS DECLARATION is made on the 7TH day of NOVEMBER, 1995 (which is to be the effective date hereof, regardless of the date of actual execution of this Declaration), by the undersigned (hereinafter referred to as "Declarant").

RECITALS

Declarant constitutes all of the owners of certain real property located in the County of San Bernardino, California, described as:

Lots 1 through 90, inclusive, and Lots "A" through "Y," inclusive, of Tract 13072 as per plat recorded in Book 259, pages 36 through 41, inclusive, of Maps, official records of San Bernardino County Recorder.

This property shall be the Covered Property under this Declaration.

DECLARATION

Declarant declares that the Covered Property and each and every lot and parcel therein is, and shall be, held, conveyed, hypothecated, encumbered, leased, rented, used, occupied, and improved, subject to the following limitations, restrictions, easements, covenants, conditions, servitudes, liens and charges, hereinafter referred to as the Declaration, all of which are declared and agreed to be in furtherance of and pursuant to a general plan for the development of the Community, and all of which are declared and agreed to be for the purpose of enhancing, maintaining, and protecting the value and attractiveness thereof. All of the provisions of this Declaration are intended as and are hereby declared to be covenants running with the land or equitable servitudes upon the land, as the case may be, and pursuant to Section 1468 of the California Civil Code or any similar statute then in effect, shall be binding on, inure to the benefit of, and be enforceable by, all parties having or acquiring any right, title or interest in the Covered Property; and shall be binding on and inure to the benefit of the successors in interest of such parties.

ARTICLE 1

DEFINITION OF TERMS

Whenever used in this Declaration, unless the context otherwise requires, the following words or phrases shall have the following meanings:

Section 1.1 "Articles" or "Articles of Incorporation" may be used interchangeably herein and shall mean the Articles of Incorporation pursuant to which the Association is formed and established, as the same may from time to time be amended.

Section 1.2 "Assessment" shall mean an assessment, whether regular, capital, special, or individual, which is levied, charged, or assessed against an owner and/or his lot in accordance with the provisions of this Declaration and which is further defined in Article 5. Types and purposes of assessments provided for herein are as follows:

"Regular Assessment" shall mean the amount which is to be paid by each member to the Association for common expenses which are included in the annual budget for the Association. Regular assessments shall be computed annually and paid monthly.

"Special Assessment" shall mean a charge against each member and his lot for common expenses of the Association arising from unforeseen circumstances or as otherwise defined as a "special assessment" in this Declaration.

"Capital Assessment" shall mean a charge against each member and his lot, representing a portion of the cost to the Association of any capital improvements on any of the Common Area which the Association may from time to time authorize pursuant to the provisions of this Declaration.

"Individual Assessment" shall mean any charge levied against a particular owner and his lot to reimburse the Association for costs incurred due to the acts or omissions of the owner or of others whose acts or omissions are charged to the owner under the terms of this Declaration, the Articles, Bylaws, or Association Rules. Individual assessments shall include attorneys' fees, interest, and other charges payable by such owner pursuant to the provisions of this Declaration.

Section 1.3 "Association" shall mean the Mt. Baldy Homeowners Association, a California corporation, its successors or assigns, which entity shall constitute the "management body" within the meaning of Sections 1351 and 1363 of the California Civil Code. The Association shall include, when the context so requires, its Board of Directors, officers, agents, and duly authorized repre-

sentatives as the same, or any of them, may from time to time be constituted.

Section 1.4 "Board" or "Board of Directors" may be used interchangeably herein and shall mean the duly elected Board of Directors of the Association.

Section 1.5 "Bylaws" shall mean the duly adopted Bylaws of the Association, as the same may be amended from time to time.

Section 1.6 "Common Area" shall mean all real property, including the improvements thereon, owned by the Association for the common use and enjoyment of the owners. Common Area initially will be more specifically described on Exhibit "A" attached hereto and incorporated herein by reference.

Section 1.7 "Common Expenses" shall mean those actual and estimated expenses of operating the affairs of the Community, and any reasonable reserves for such purposes as found and determined appropriate by the Board, and all sums designated as common expenses by or pursuant to these Management Documents.

Section 1.8 "Community" shall mean the Covered Property described in the Recital herein.

Section 1.9 "County" shall mean whichever county or counties in the State of California shall have jurisdiction over the Community.

Section 1.10 "Declaration" shall mean this Declaration of Covenants for Mt. Baldy as it may be changed or modified from time to time.

Section 1.11 "Federal Lending Agencies" shall mean and refer collectively to one or more of the following agencies, and the following letter designation for such agencies shall mean and refer respectively to the agency specified: FHA (Federal Housing Administration), FHLMC (Federal Home Loan Mortgage Corporation), FNMA (Federal National Mortgage Association), GNMA (Government National Mortgage Association), and VA (Veterans Administration).

Section 1.12 "Forest Service" shall mean U.S. Forest Service, Division of the U.S. Department of Agriculture.

Section 1.13 "Institutional Holder" shall mean a mortgagee which is a bank or savings and loan association or established mortgage company or other entity chartered under state or federal laws; any corporation, trust, or insurance company; or any federal or state agency.

Section 1.14 "Lot" shall mean any plot or parcel of land or real property shown upon any recorded subdivision map of the Community, and any easements appurtenant thereto.

"Residential Lot" shall mean any plot of land or parcel shown upon the recorded subdivision map of the Community, numbered by integer, and occupied or to be occupied by a single family residence. Residential lots are listed more specifically on Exhibit "B" attached hereto and incorporated herein by reference.

"Nonassessable Lots" shall mean any Residential Lot or Nonresidential Lot for which title is held by the Association but the Lot is not part of the Common Area.

"Nonresidential Lots" shall mean any plot of land or parcel shown upon the recorded subdivision map of the Community, numbered by integer, and not occupied or to be occupied by a single family residence. At the time of adoption of this Declaration, Nonresidential Lots include those lots occupied by the Mt. Baldy Lodge (Lot 43), the Buckhorn Motel and Restaurant (Lots 24 and 25), the post office and the fire station (Lot 56), and the Mt. Baldy Village Church (Lot 53). Nonresidential Lots are listed more specifically on Exhibit "B" attached hereto.

Section 1.15 "Management Documents" shall mean this Declaration, the Articles and Bylaws of the Association, and any rules and regulations adopted by the Association in accordance with the provisions hereof.

Section 1.16 "Manager" shall mean any person, firm, corporation, or other entity delegated, appointed, or employed by the Association or the Board of Directors to operate, maintain, and manage the affairs of the Community, and shall include, unless the context otherwise requires, any person employed by the Association to oversee, operate, maintain, and manage the affairs of the Community and the services and facilities thereof on a daily basis.

Section 1.17 "Mortgage" shall mean and refer to a deed of trust as well as a mortgage encumbering all or any portion of the Community or any lot therein.

"Mortgagee" shall mean and refer to the record holder of a beneficial interest of a deed of trust as well as a mortgagee.

"Mortgagor" shall mean and refer to the trustor of the deed of trust as well as a mortgagor.

"Mortgage" shall also mean an installment sales contract for a lot entered into under and pursuant to Article 3, Chapter 6, Division 4 of the California Military and Veterans Code, or any statute of similar import, or any amendments thereto, whereunder the Department of Veterans' Affairs of the State of California

(DVA) is seller (a "Cal-Vet" Contract). The term "mortgagee" shall include the DVA under a Cal-Vet Contract.

Section 1.18 "Owner," "Lot Owner" and "Member" may be used interchangeably herein and shall mean the record holder or holders of fee title, if more than one, of a lot within the Community. This shall include any person or entity having fee title to a lot but shall exclude persons or entities having any interest merely as security for the performance of an obligation. "Owner," "Lot Owner," and "Member" shall include contract purchasers. In the event, however, that the Association owns a Nonassessable Lot, the Association shall not be considered to be an "Owner," "Lot Owner" or "Member" for voting or assessment purposes in accordance with the provisions of this Declaration.

Section 1.19 "Phase." The total Community will be subjected incrementally to the provisions of this Declaration. That portion of the community covered initially by this Declaration will be the Covered Property. Declarant intends to annex additional property to create the entire Community by recording declarations of annexation and taking such other actions as may be required by the terms of this Declaration. This annexable property shall consist of Phase 2 of the Community which is located in Los Angeles County and which is more specifically described on Exhibit "C" attached hereto and incorporated herein by reference.

Section 1.20 "Rules and Regulations" shall mean those rules and regulations adopted in accordance with Article 4.

ARTICLE 2

RIGHTS IN COMMON AND OPEN SPACE AREAS AND EASEMENTS

Section 2.1 Title to the Common Area. Title to the Common Area will be conveyed to the Association free and clear of all encumbrances and liens except for easements, conditions and reservations of record and/or generally recognized, including but not limited to those easements shown on the tract map for Tract No. 13072 and those set forth in this Declaration. Conveyance of a lot shall automatically convey membership in the Association, which shall hold title to the Common Area for the use and benefit of all of the owners in the Community.

Section 2.2 Undivided Interest Conveyed: Benefit and Burdens. Any and all undivided interests and easements hereinafter created shall not be separated from the lot to which they appertain and shall be deemed to be conveyed, leased, or encumbered with such lot even though such interests or easements are not expressly mentioned or described in the instrument of conveyance. Each owner of a lot within the Community which is subject to assessment shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of such lot.

Section 2.3 Right of Enjoyment and Limitations Thereof.
Every owner shall have the right and nonexclusive easement of use and enjoyment in and throughout the Common Area, as well as a nonexclusive right for ingress, egress and support over and through the Common Area; this right shall be appurtenant to and pass with the title to every lot, and shall be subject to the provisions of this Declaration and the following restrictions:

2.3.1 The right of the Association to establish uniform rules and regulations pertaining to the use and maintenance of the Common Area and all improvements thereon and the operation of the Association and the enforcement of its duties hereunder. However, no Association rule shall be inconsistent with or materially alter any provision of this Declaration, the Articles or the Bylaws.

2.3.2 The right of the Association, subject to the provisions hereof and of the Articles and Bylaws, to perform work and borrow money for the purpose of improving the Common Area and facilities thereon.

2.3.3 The right of the Association to enact rules and regulations to limit the number of or exclude social guests, employees or invitees of an owner or an owner's tenant from using recreational amenities in the Common Area, if any.

2.3.4 The right of the Board of Directors to suspend the use rights of owners of the recreational amenities on the Common Area, if any, or fine an owner for any period during which any assessment against his lot remains unpaid and delinquent, and for a period not to exceed thirty (30) days for any infraction of the rules and regulations of the Association; provided that any suspension of any rights, except for failure to pay assessments, shall be made only by the Board of Directors after notice of hearing duly given and held by the Board, and provided further that any suspension or fine be levied only after compliance with the procedure established in Article 4.

2.3.5 The right of the Association to develop an equitable allocation of parking and storage spaces within the Common Area.

2.3.6 The right of the Association to charge reasonable fees for the use of any land and any facilities situated in or on the Common Area.

2.3.7 The right of the Association to adopt and enforce Association rules concerning the control and use of any private streets, roadways and paved areas located within the Common Area, including the right to regulate the kind and weight of vehicles traveling thereon, the speed thereof, and the parking of vehicles upon such private streets and roadways. However, traffic upon such private streets and roadways shall be subject to and governed by

all applicable provisions of the California State Vehicle Code. The Association is authorized to delegate to a municipality or other governmental entity or to contract with any private security patrol company to exercise its authorized rights in connection with such private streets, roadways and parking areas.

2.3.8 The right of the Association to grant permits, licenses and easements over the Common Area for utilities, quasi-utility services, roads and other purposes reasonably necessary or useful for the proper maintenance or operation of the Community.

2.3.9 The right of the Association to enter on the Common Area and to install, maintain and/or construct thereon improvements such as roads and streets, amenities, utilities, water systems, landscaping and drainage and sewage systems.

2.3.10 The right of the Association to reserve and grant easements of ingress and egress for use in annexing the balance of the Community to the Covered Property.

Section 2.4 Delegation of Use. Any owner may delegate his rights of enjoyment in the Community to the members of his family, his guests, invitees and tenants, and to such other persons as may be permitted by the Bylaws and the Association rules and regulations, subject, however, to said Bylaws and said Association rules and regulations. However, neither an owner of a lot who has sold his lot to a contract purchaser thereof or has leased or rented same, nor any member of his family or his guests and invitees shall be entitled to use and enjoy the recreational facilities of the Community, if any, while such owner's lot is occupied by such contract purchaser, lessee or renter; but, instead, such contract purchaser, lessee or renter, while occupying such lot, shall be entitled to use and enjoy the same, and to delegate the rights of enjoyment in the same manner as if such contract purchaser, lessee or renter were the owner of such lot during the period of his occupancy. The Association may, in its rules, require that it be notified of delegation of use. Any rights of enjoyment delegated pursuant hereto are subject to suspension to the same extent that rights of owners are subject thereto.

Section 2.5 Minor Encroachment Easements. The owner of each lot is hereby granted an easement over all adjoining lots and the Common Area for the purpose of accommodating any minor encroachments due to engineering errors, errors in original construction, settlement or shifting of any building, for leach lines which may cross lot boundaries, or any other cause not inconsistent with this Declaration. These shall constitute easements for the maintenance of said encroachments as long as they shall exist, and the rights and obligations of owners shall not be altered in any way by said encroachments, settlement or shifting. However, in no event shall an easement for encroachment be created in favor of an owner if said encroachment occurred due to the willful misconduct of that

owner. In the event any encroaching structure or leach line system is partially damaged or totally destroyed and then repaired or rebuilt, each owner agrees that minor encroachments over adjoining lots or the Common Area may be reestablished and there shall be easements for the maintenance of said encroachments so long as they shall exist.

ARTICLE 3

MUTUAL COVENANTS REGARDING USE OF LOTS

Section 3.1 Residential Use. Residential Lots shall be used for single family residential purposes only. There shall be only one residence permitted per residential lot. Nothing herein shall prevent an owner from leasing or renting his home; provided, however, that any lessee or renter thereof shall abide by and be subject to all terms and provisions of this Declaration, the Articles, Bylaws and the rules and regulations, and that failure to comply with any of said terms and provisions by a lessee or renter shall be a default under the terms of any such lease or agreement. The Association shall have the right to require that any owner who is renting or leasing his lot provide the Association with the names of the tenants and the number of adult and minor occupants. All of the provisions hereof shall be incorporated into and shall be conditions of any rental agreement or lease; any violation of any of the provisions of this Declaration, or of any rules and regulations enacted by the Association, shall be a breach of the rental agreement or lease. The Association may require any owner who is renting or leasing his lot to begin unlawful detainer or eviction proceedings against any tenant in violation of this section, this Declaration and/or the rules and regulations. Upon failure or refusal of any owner to take such action, the Association may, but is not required to, take any and all action which the owner could have taken against the tenant, and charge all costs and attorneys' fees against the owner and the lot in question as an individual assessment.

Notwithstanding the above restrictions, any lot or group of lots owned by the Association may, with Board approval, be used as follows: (a) by the Mt. Baldy Volunteer Fire Department for facilities and purposes related to its function as a Fire Department; (b) for use by the U.S. Post Office, Forest Service, or other agency of government, or (c) any use that provides non-commercial services for the Community and surrounding area.

Section 3.2 Commercial Use. Commercial use which has been expressly permitted upon any Lot by any Forest Service lease or permit in existence at least six (6) months prior to the effective date of this Declaration may be continued. Notwithstanding the other provisions of this Declaration, any commercial use which has been commenced in violation of any Forest Service lease or permit, or any commercial use commenced within six (6) months of the

effective date hereof, shall not be automatically permitted to continue its operation. Its continued operation must be approved in accordance with the provisions of this Declaration. Any commercial use not currently in effect but which would be approved by the county or counties involved must be approved also by the Board and ratified by fifty-one percent (51%) of the Association members present at a meeting that has a quorum present, and that has been duly noticed. A determination of the adverse effects on the use of water, parking, traffic congestion or fire hazard shall be balanced against benefit to the members of the Association and the Board shall issue written findings in support of any approval for proposed commercial uses.

Section 3.3 Common Area Alterations. No owner shall make any alteration or improvement to the Common Area or remove any planting, structure, furnishings or other object therefrom except with the prior written consent of the Board.

Section 3.4 Insurance. Nothing shall be done or kept in or on the Common Area or any portion thereof which will increase the rate of insurance on the Common Area or any portion thereof. No owner shall permit anything to be done or kept in his lot or on the Common Area or any portion thereof with respect to which he has an easement which would result in the uninsurability, cancellation, suspension, modification or reduction of insurance in, on or covering the Common Area. If, due to the action or inaction of any owner, the rate of insurance on the Common Area is increased, such owner shall be personally liable to the Association for any such increase in insurance premiums, and the amount of such increase may be charged against the owner and his lot as an individual assessment.

Section 3.5 Owner Structural Changes. No owner shall make or cause to be made structural alterations or modification of the exterior of a lot or the exterior of any building thereon that will interfere with the view, drainage, access (direct or indirect) and/or use and enjoyment of any of the adjacent properties (including Common Area) without first obtaining the consent of the owners of affected properties, which consent shall not be unreasonably withheld. As to properties (including lots and Common Area) owned by the Association, consent of the Board shall be deemed consent of the "owner."

Proposed structural alterations shall be described and submitted in writing for review and approval to affected adjacent property owners. Failure of an owner to object to a proposed alteration within thirty (30) days of the transmittal of such notice by a reasonable method shall be deemed consent to such alteration. Objections shall be in writing and sent to the owner proposing the alteration.

Written approvals from the affected owners and/or a written statement that affected owners have failed to make timely response shall be filed with the Secretary of the Association by the owner proposing the alteration prior to the making of the proposed alteration.

Section 3.6 Fences and Walls. The Board of Directors, on behalf of the Association, may provide guidelines for the construction or maintenance of fences or walls of any nature erected or maintained on or around any portion of any lot, especially those adjacent or contiguous to the Common Area.

Section 3.7 Power to Grant Easements. The Association shall have the power to grant, and convey to any third party, easements and rights-of-way in, on, over, or under the Common Area for the purpose of constructing, erecting, operating or maintaining lines, cables, wires, conduits or other devices for electricity, cable television, power, telephone and other purposes; water systems and pipe lines, sewage systems, storm water drains and pipes, heating and gas lines or pipes, and any similar public or quasi-public improvements or facilities which may be reasonably necessary or beneficial to the Community. Each owner, in accepting a deed to a lot, expressly consents to such easements and rights-of-way and authorizes and appoints the Association as attorney-in-fact of such Owner to execute any and all instruments conveying or creating such easements or rights-of-way.

Section 3.8 Utility and Drainage Easements. There is hereby created a blanket easement upon, across, over, through and under the Common Area and lots for ingress, egress, installation, replacement, repair and maintenance of all utility and service lines and systems including, but not limited to, water, sewers, gas, telephones, electricity, television, cable or communication lines and systems. By virtue of this easement, it shall be expressly permissible for the Association or the providing utility or service company to install and maintain facilities and equipment, to excavate for such purposes, and to affix and maintain wires, circuits and conduits, providing such company restores disturbed areas to the condition in which they were found. Notwithstanding anything to the contrary contained in this paragraph, no water lines or electrical lines, sewers or other utility service lines or facilities for such utilities may be installed or relocated on any lot without prior reasonable notice to the owner thereof, given in the manner provided by the Bylaws. This notice shall be given within a reasonable time but no less than ten (10) days prior to the proposed installation or relocation and shall specify the proposed location of the line(s), sewer(s), or facilities to be installed or relocated. An owner may waive the ten (10) day waiting period. An owner who objects to the proposed installation or relocation shall promptly notify the Association of the objection and the reasons therefor. If the owner, the Association and the providing utility or service company, if any, shall be

unable to agree on a location, the parties may proceed to arbitration, under the rules of commercial arbitration, expedited hearing, of the American Arbitration Association. The arbitration shall be held in the Community, if at all possible, and the decision of the single arbitrator shall be final and may be enforced by any court of competent jurisdiction. The arbitrator may award actual damages, if any have been incurred, if he finds that any owner has delayed a proposed installation without good or just cause. This easement shall in no way affect any other recorded easements on said premises. Within these utility easements, no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities or drainage systems, which may be in violation of any ordinance or resolution of any governmental agency, or which may change the direction or flow of drainage water, or may obstruct or retard the flow of water through such channels. The easement area of each lot, if any, and all improvements in it, shall be maintained continuously by the owner, subject to a right of enforcement in the Association as provided herein, except for those improvements for which a public authority or utility company may be responsible to maintain.

Section 3.9 Public Record Easements. Each lot and its owner, the Common Area, and the Association, as the case may be, is hereby declared to be subject to all the easements, dedications and rights-of-way granted or reserved in, on, over and under the Community as shown on the subdivision map for Tract 13072 or otherwise contained in the public record.

Section 3.10 Waiver of Use. No owner may exempt himself from liability for his specified contribution for common expenses and services by any waiver of the use or enjoyment of the Common Area or by the abandonment of his lot.

Section 3.11 Discretionary Provisions. No owner shall execute or file for record any instrument which imposes a restriction upon the sale, leasing or occupancy of his lot on the basis of race, color, creed, national origin or gender.

Section 3.12 Water Supply. Each owner shall be responsible for the maintenance and repair of the water lines on his or her lot. All owners shall observe and be bound by any rules and regulations which may be enacted by any water committee of the Association. Such rules and regulations may provide that any costs incurred by the Association due to the enforcement of such rules and regulations may be assessed as an individual assessment.

Section 3.13 Sewage Control. Each owner shall maintain septic tanks, leach fields or leach line systems servicing their lot in good repair. Outhouses shall be maintained according to law. If private sewage systems are currently located in or under the Common Area or any other lot, the owner of the lot serviced

thereby shall have an easement over the Common Area and such lot for such private system. Any and all cost of maintaining or servicing such system, or any damage caused to the Common Area or the lot because of said system, shall be the obligation and the responsibility of the owner of the lot being serviced. If the Association is required to repair damage to or maintain any such system, after notice to any owner and upon the failure of that owner, so noticed, to repair or maintain said system, the Association may repair damage and/or maintain the system and assess the owner for the costs of said repair and/or maintenance as an individual assessment.

Section 3.14 Fire and Flood Protection. Each owner shall comply with the following provisions for fire protection:

Dry brush, pine needles, flammable debris and other hazardous materials shall be cleared from within thirty (30) feet of all buildings, propane tanks and storage areas and such areas shall remain cleared.

All chimneys shall have effective spark arrestors.

All new roofs shall be of fire-resistant materials. Existing shake roofs or other non-fire-resistant roofs shall be replaced with fire-resistant roofs when new roofs are needed.

All tree limbs shall be removed from within ten feet of chimneys and smoke stacks, and any other dead branches hanging over the Common Area shall be removed by the owner of the Lot.

All flammables shall be stored in a safe and proper manner.

The Board may establish additional reasonable rules and regulations that relate to fire and flood protection. A list of such regulations shall be given to all new owners, and shall be sent annually to all owners.

Section 3.15 Weeds, Rubbish, Debris, etc. No weeds, rubbish, debris, objects or materials of any kind shall be placed or permitted to accumulate upon any portion of the front, side or rear yard of any lot or on the Common Area which render such area a fire or flood hazard or unsanitary to any lot or the Common Area contiguous to or in close proximity thereto, or to the occupants of any such property. In the event of any default in the performance of this provision which may create a fire or flood hazard, and if such default shall not have been cured within five (5) days after written notice thereof (thirty (30) days if not an emergency or safety danger), the Association shall have the right to enter upon said lot and remove all weeds, rubbish, debris, objects or materials and do all things necessary to place said area in a safe condition; any expenses therefor shall become due and payable from

the owner of said lot to the Association as an individual assessment, within five (5) days after written demand therefor.

Section 3.16 Firewood. Firewood stacked, placed or maintained on lots shall be located so as not to create a fire hazard or alter drainage patterns. In the event of a breach of this provision, after five (5) days written notice from the Association and a failure by any owner to cure the problem, the Association may enter such lot and remedy the condition and the cost thereof may be assessed against the owner and his lot as an individual assessment.

Section 3.17 Drainage Patterns. No owner shall make or permit alterations to a lot, either temporary or permanent, that might alter existing drainage patterns on the Common Area. Additionally, no owner shall make or permit temporary or permanent alterations to a lot which might alter existing drainage onto an adjacent lot without the prior written consent of the owner of the adjacent lot, which consent shall not be unreasonably withheld.

Section 3.18 Oil Drilling and Mining. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon or in the Community, nor shall oil wells, tunnels or mineral excavations or shafts be permitted upon the surface of the Community or within five hundred (500) feet below its surface. The Association may drill for water, and may have storage tanks, but no other derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted within the Community.

Section 3.19 Trash Disposal. The Board may contract for trash disposal and establish rules and regulations concerning trash. All rubbish, trash or garbage shall be regularly removed from each lot, and shall not be allowed to accumulate thereon or on the adjacent Common Area, except in designated areas. Outdoor receptacles for ashes, trash, rubbish or garbage (with the exception of dumpsters) shall have lids and be kept covered at all times and protected from disturbance by animals. Reasonable effort shall be made to screen such receptacles from general view. Dumpsters provided in some areas for ashes, rubbish, trash and garbage resulting from every-day activities shall not be used for mattresses, refrigerators and other furniture, building materials or uncut brush and tree branches except when or where permitted by the rules and regulations. In the event that the Association is not operating under contract with an authorized trash disposal service, each owner shall be obligated to contract individually for such service or to provide an alternate system of weekly trash disposal.

Section 3.20 Nuisance or Disturbance Restriction. No lot shall be used in such manner as to interfere with the enjoyment of occupants of other lots or annoy them by unreasonable noise or the creation of a nuisance, nor shall any nuisance or illegal activity

be committed or permitted to occur on any lot. No noxious or offensive activity shall be carried on in the Common Area nor shall anything be done therein which may be or become an annoyance to the Community.

Section 3.21 Signs. Subject to the provisions of California Civil Code sections 712 and 713, one sign of customary and reasonable dimensions advertising a lot for sale or for rent may be placed on any lot. The Board, on behalf of the Association, may enact rules and regulations concerning the display or location of other signs within the Community.

Section 3.22 Animal Restriction. The Board, acting on behalf of the Association, may enact reasonable rules and regulations concerning the keeping of animals in the Community so that the same will not become a nuisance. No exterior structure for the care, housing or confinement of any such animals shall be allowed in or on the Common Area except as may be permitted by the Association. Rules and regulations may include a system of abatement for any violation of such rules which may also provide that any cost incurred by the Association may be assessed against an affected owner or his lot as an individual assessment.

Section 3.23 Temporary Residence. No tent, shack, trailer, boat, motor home or recreational vehicle, camper, basement, garage or outbuilding shall at any time be used as a residence of a temporary character for more than thirty (30) days. However, temporary permission may be obtained from the Board for reasonable use of such structure during the construction, rebuilding or improvement of the permanent residence on a lot for a period not to exceed one (1) year.

Section 3.24 Parking. Each lot owner shall have at least two parking spaces on or near his lot. The Board may assign parking areas on the Common Area to an owner when his lot does not allow two parking spaces. The Association may enact rules and regulations enforcing parking requirements or parking restrictions, which rules and regulations may provide that costs incurred by the Association may be assessed against an owner or his lot as an individual assessment. As provided more specifically in section 3.27 below, cars or other motor vehicles shall not be parked or located in an area where they obstruct or encroach upon fire lanes.

Section 3.25 Inoperative Vehicles. No owner shall cause or permit an inoperative motor vehicle to remain in any common parking area, or on any other portion of the Common Area, for an unreasonable period of time. In the event of any default in the performance of this provision, the Association shall have the right to have the vehicle towed away, as provided by the California Vehicle Code. A member may apply to the Board for a ten (10) day grace period during which the vehicle may be repaired or removed.

Any cost incurred by the Association may be assessed against the offending owner or his lot as an individual assessment.

Section 3.26 Parking of Large Vehicles. No mobile homes, recreational vehicles, motor homes, campers, minihomes, boats, trucks of size exceeding one ton or trailers of any kind shall be kept, stored, parked, maintained, constructed or repaired except on the owner's lot or in parking areas designated by the Board. Specific exceptions may be approved by the Board, and such approval shall not be unreasonably withheld. Board approval, once given, may be withdrawn for good reason upon the giving of reasonable notice. Owners of such vehicles shall make a reasonable effort to screen them from the view of other members of the Community.

Section 3.27 Accessibility of Roads to Fire Vehicles. All vehicles shall be parked in such a way that each road shall have an unobstructed fire lane of twelve (12) feet. If any portion of a road is narrower than twelve (12) feet, no cars may be parked in such areas on such roads. All areas along road rights-of-way posted as "No Parking" or "Fire Lane" shall be tow away zones for vehicles parked therein. All towing shall be at the vehicle owner's expense.

Objects or material, other than vehicles, which are located within such posted rights-of-way or within any rights-of-way that reduce or obstruct the right-of-way to less than twelve (12) feet may be removed by the Association at the expense of the owner of the object or material so located, and the costs may be assessed as an individual assessment. In the event of obstruction of a posted fire lane, no notice of towing, tow-away or removal shall be required before the Association takes such action.

Section 3.28 Off-Road Motor Vehicles and Motorcycles. The Board may identify areas within the Common Area where off-road vehicles and motorcycles may, for recreational purposes, have access. Such permitted use and access shall be in compliance with any state or county ordinances and shall be conditioned upon compliance with the requirements of section 3.20 above.

Section 3.29 Electronic or Radio Transmitters. No owner shall operate an electronic or radio transmitter or sending device (except for automatic garage door openers), shortwave radio, CB radio or "ham radio" which interferes with television or radio reception to surrounding properties.

ARTICLE 4

THE ASSOCIATION

Section 4.1 Management Body. The Mt. Baldy Homeowners Association, a California corporation, shall be the Association and the "management body" of the Community as that term is used in the

California Civil Code, and shall possess and be vested with the rights, powers and duties hereinafter set forth.

Section 4.2 Continuity of Life. If the Association should be dissolved as a corporation, an unincorporated association immediately and without further action or notice shall be deemed to exist and shall succeed to all rights and duties of the Association. The affairs of such unincorporated association shall be governed by the laws of the State of California and, to the extent not inconsistent with this Declaration, by the Articles and Bylaws of the Association as if created for the purpose of governing the affairs of such unincorporated association. In the event of dissolution of the Association and the formation of an unincorporated association, the owner(s) of each lot in the Community shall have a fractional beneficial interest in all of the Association's property based on the proportionate costs borne by that lot in the original land exchange purchase price plus total capital assessments made and paid by that lot or its owners.

Section 4.3 Membership. Each owner shall, automatically upon becoming the owner of a lot within the Community, become a member of the Association until such time as his ownership ceases for any reason; at that time his membership in the Association shall automatically cease. Where more than one (1) person is an owner of any lot, all such persons shall be members.

Section 4.4 Obligation of Owners. Each owner is obligated promptly, fully and faithfully to comply with and conform to the Articles, the Declaration, the Bylaws, and any rules and regulations adopted thereunder from time to time by the Board of the Association.

Section 4.5 Transfer of Membership. Membership shall be appurtenant to and may not be separated from ownership of any lot. Membership in the Association shall not be transferred, pledged or alienated in any way, except upon the transfer of the lot to which it is appurtenant, and then only to the transferee of such lot. Any attempt to make a transfer not in compliance with this section is void. The Association may levy a reasonable transfer fee, not to exceed an amount equal to two (2) months' regular assessments, against a new owner and his lot, to reimburse the Association for the administrative cost of transferring the membership to the new owner on the books and records of the Association.

Section 4.6 Voting Members. The Association shall have only one class of voting membership. There shall be one undivided vote for each lot. Where more than one member holds an interest in any lot, the vote for that lot shall be exercised as members among themselves determine. No votes shall be attributable to Non-assessable Lots.

Section 4.7 Joint Owner Disputes. The vote for each lot may be cast only as a unit, and fractional votes shall not be allowed. If a lot is owned by more than one person or entity, and the joint members are unable to agree among themselves as to how their vote shall be cast, they shall lose their right to vote on the matter in question. A vote cast by any joint member shall be deemed to have been cast with the authority and consent of all joint members for the same lot, except that if more than one vote is cast for a particular lot, none of these votes shall be counted and all of these votes shall be deemed void.

Section 4.8 Right of Access for Maintenance. Except as otherwise provided herein, the Association, acting through the Board and officers, shall have the sole and exclusive right and duty to manage, operate, control, repair, replace or restore all of the Common Area or any portion thereof, together with all improvements, trees, shrubbery, plants and grass thereon, all as more fully set forth in this Declaration, the Articles and the Bylaws.

Section 4.9 Confirmation of Powers. All rights and powers granted to or reserved to the Association or the Board pursuant to Article 3 of this Declaration are confirmed to the Association or the Board, as applicable.

Section 4.10 Association Action; Board of Directors and Officers. Except as to matters expressly requiring the approval of members as set forth in this Declaration, the Articles or Bylaws, the affairs of the Association shall in all instances be conducted by the Board and such officers as the Board may elect or appoint. Such election or appointment to be in accordance with the Bylaws. Except as otherwise expressly provided herein, all matters requiring the approval of members shall be approved in accordance with the procedures established in the Bylaws. If the Bylaws do not provide procedures for approval, all matters requiring the approval of the members shall be deemed approved if members holding a majority of the total voting power at a meeting in which the required quorum is present assent thereto by vote or written consent as provided herein or in the Bylaws.

Section 4.11 Powers and Duties. Subject to the provisions hereof, the Association shall do and perform any and all acts which may be necessary or proper to carry out the provisions and/or fulfill the purposes of this Declaration including, but not limited to, the following:

4.11.1 Assessments. The Association shall have the power to establish, fix and levy assessments and operating and maintenance charges against the owners to raise money for common expenses, to enforce payment of such assessments, and to make or authorize expenditures from the operating fund, all in accordance with the provisions of this Declaration.

4.11.2 Right of Enforcement. The Association shall have the power and authority, in its own name and its own behalf or on behalf of any owner or owners who consent thereto, to enforce the provisions of this Declaration and the Articles, Bylaws and rules of this Association in any manner provided by law or elsewhere in this Declaration. This provision creates a power only, and does not create a corresponding obligation to take action. The discretion permitted by this subsection shall be exercised reasonably.

4.11.3 Funds and Records. The Association shall establish an operating fund containing reasonable cash reserves for contingencies, and such other funds as may be reasonable for conducting the business of the Association. The Association may borrow money for the purpose of carrying out its rights and duties under the Declaration and Bylaws. The Association shall prepare and maintain all financial records required by law and the Bylaws, including, but not limited to, audit reports, budgets and operating statements.

4.11.4 Services. The Association shall have the power to provide the following services and may provide therefor by contract, through agents, or through any reasonable means:

4.11.4.1 To operate, manage and maintain the Common Areas, and any other property in which the Association has an ownership or leasehold interest, or to provide for the same through the services of a managing agent; to keep improvements of whatever kind and for whatever purpose from time to time located thereon in good order and repair; to provide maintenance, gardening, utilities, materials, supplies and services relating to same and to employ personnel necessary for the operation and maintenance of the same.

4.11.4.2 To provide (at the discretion of the Association and to the extent that adequate services are not provided by a public authority) water, street maintenance, refuse disposal, security, fire and flood protection, and such other services, facilities and maintenance of a public or quasi-public nature as may be deemed necessary or desirable to effect the purposes of this Declaration. This power includes the right but not the obligation to provide for exterior inspections for fire and flood hazards, annually or as needed. In connection with any such facilities and services, the Association may contract with or assign its duties to any public authority, governmental body or special district.

4.11.4.3 To pay all taxes and assessments levied by a government authority against the Association or its property, including all real property taxes and assessments levied upon any property conveyed, leased or otherwise transferred to the Association to the extent not assessed to the owners. Such real property taxes and assessment may be contested or compromised by the Asso-

ciation; provided, however, that they are either paid or a bond insuring the payment is posted prior to the sale or other disposition of any property, to satisfy the payment of such taxes.

4.11.4.4 To obtain and maintain in force fire, casualty, liability, fidelity and other insurance adequately insuring the Association and its members with respect to the Common Area and the affairs of the Association, as provided more fully in Article 6.

4.11.4.5 To provide legal and accounting services incurred for the common benefit.

4.11.4.6 To commence and maintain actions and suits at law for damages or inequity to restrain or enjoin any breach or threatened breach of any provision hereof, or of the Articles, Bylaws or the Association rules. The Board, on behalf of the Association, shall have the power to compromise and settle claims and litigation on behalf of the members. In addition to the foregoing remedies, the Association shall have the right to suspend the voting rights, or assess monetary penalties against any owner or other person entitled to exercise rights or privileges by reason of any violation thereof, provided, however, that:

(i) the Association shall have provided fifteen (15) days' prior written notice of the suspension or fine to the member allegedly in violation, with the reasons therefor relied upon by the Association, which notice shall be served personally on the member, if possible, or sent through the mail by first-class or registered mail at the last address of the member in the Association's books and records;

(ii) the member shall be given an opportunity to be heard, either orally or in writing, not less than five (5) days before the effective date of the suspension or fine, before the Board;

(iii) any such monetary penalty shall be in an amount set by the Board and the rules; a monetary penalty for the first violation shall not exceed the amount of a regular monthly assessment, but monetary penalties may increase for multiple or repeated violations.

Each suspended or assessed owner or other person shall have the right to appeal such action by filing with the Board written notice of his objection and his grounds therefor within seventy-two (72) hours after such suspension or assessment. Such suspension or assessment shall then be ineffective until unanimous approval of all Board members at a regular or special meeting of the Board duly called and held, at which all such Board members are present. The owner or other person to be assessed or suspended shall have the right to appear, and to be represented by counsel, and be heard at

such meeting. It is the intent hereof that any suspension or fining procedures shall comply with the minimum procedures set forth in Corporations Code section 7341.

4.11.5 Records. The Association shall prepare and maintain appropriate records of its activities as required by law and the Bylaws. The Association shall permit inspection by any member or members of any record or records, including financial records, as provided by law or the Bylaws, subject to the limitations on this right established by law or the Bylaws. Association books and records may be audited by any owner or his duly authorized representative at the owner's sole expense provided such representative shall be either an attorney or a certified public accountant. Additionally, upon written request, the Board shall, within ten (10) days of the receipt of such request, provide the member with a copy of this Declaration and/or of the Bylaws and Articles, together with a true statement in writing as to the amount of any delinquent assessments, penalties, attorneys' fees and other charges therein as provided by this Declaration or the management documents attributable to the member's lot or the member. The Board may impose a fee for providing such documents and statement, but in no event shall the fee exceed the reasonable cost to prepare and reproduce the requested documents.

4.11.6 Rules and Regulations. The Association may make reasonable rules and regulations consistent with this Declaration and the Bylaws, to conduct, manage and control the affairs and business of the Association and to govern the use of the Common Area and other Association property, including roads and parking areas. Any Association rules and regulations shall have prospective application only and shall not apply retroactively. No Association rule shall be effective unless in writing. A copy of all Association rules and regulations in effect shall be regularly posted in a conspicuous place in the Community. No Association rule or regulation shall take effect sooner than ten (10) days from the date of adoption by the Board; provided that if the Board for good reason agrees that the rule or regulation is an urgency or emergency measure, and so states in the resolution adopting it, it may take effect on the date of adoption. No Association rule and regulation shall subject an owner to a fine or penalty unless a copy thereof has been regularly posted, as indicated above, or sent to such owner. A current copy of the Association rules and regulations shall be supplied to any owner upon the Board's receipt of written request therefor. The Board shall annually send copies of all Association rules and regulations to owners as provided in the Bylaws. The owners may, by vote at a meeting noticed for that purpose as provided in the Bylaws or by written consent of the owners of fifty-one percent (51%) of the lots, rescind and nullify any Association rule and regulation adopted by the Board.

4.11.7 Delegation of Powers. Except as provided herein, the Association may delegate any of its powers and duties to the

Board of Directors. The Board may in turn delegate any of said powers as provided in the Bylaws. Any agreement for professional management of the Community shall be terminable with or without cause and without penalty on thirty (30) days written notice and the term of any such agreement shall not exceed one (1) year, which may be renewed annually at the Association's sole discretion. The Association may not delegate to the Board the following powers and duties:

4.11.7.1 To approve budgets and regular annual assessments unless the same do not exceed the previous year's budget or regular annual assessments by more than twenty percent (20%); however, the Board may adopt a budget or regular annual assessments for any new year if the same are within twenty percent (20%) of the year immediately prior;

4.11.7.2 To amend the Articles, Declaration or Bylaws;

4.11.7.3 To elect and remove members of the Board of Directors, except as provided in the Bylaws.

Further, the Board will be prohibited from taking any of the following actions, except upon the vote or written assent of a majority of owners in the Association as provided for in the Bylaws:

1. Paying compensation to members of the Board or to officers of the Association for services performed as Directors or officers of the Association (reimbursement for costs actually incurred on behalf of the Association shall be allowed);

2. Entering into a contract with a third person wherein the third person will furnish goods or services for the Common Area or the Association for a term longer than one (1) year with the following exceptions: a contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission, provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rates;

3. Selling during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year. Notwithstanding the generality of the foregoing, Nonassessable Lots may be sold by the Association without member vote or approval for the sole purpose of relocation of current owners and members or their successors in interest whose existing lot and residence become uninhabitable (as defined by the County of San Bernardino) such that their encroachment permit into the Mt. Baldy Road right-of-way shall expire; this use and sale shall be exempt from the requirement of owners' confirmation vote. The

proceeds of the sales of such Nonassessable Lots (now identified as Lot X and Lot Y) shall reimburse the Association for its expenses relative to the said Lots and may be used, reserved and/or disbursed as the Association shall determine. If the Association seeks and receives approval of fifty-one percent (51%) of the members at a duly noticed meeting where a quorum is present, it may sell any Nonassessable Lot to any qualified buyer. The proceeds of all sales of Nonassessable Lots (excluding, for this purpose, Lot X and Lot Y) may be used by the Association only for capital improvements on the Common Area, to establish, supplement, and meet anticipated reserve requirements, or to provide a reduction to members' regular assessments, at the discretion of the Board;

4. Any other action for which Association approval is required by the terms of this Declaration or of the Bylaws.

4.11.8 Personal Liability. No member of the Board or of any committee of the Board, no agents or employees of the Association and no officer of the Association shall be personally liable to any owner or to any other party, including the Association, for any damage, loss or prejudice suffered or claimed in account of any act, omission, error or negligence of such person or entity, provided that such person has, upon the basis of information possessed by him or her, acted in good faith without willful or intentional misconduct.

4.11.9 Audit, Annual Budgets and Operating Statement. A pro forma operating budget for each calendar year shall be prepared by or under the supervision of the Board not less than sixty (60) days before the beginning of the next calendar year and distributed to all members not less than forty-five (45) days nor more than sixty (60) days before the beginning of the next calendar year. The budget shall include all of the following:

4.11.9.1 Estimated revenue and expenses on an accrual basis;

4.11.9.2 The amount of the total cash reserves currently available for replacement or major repair of Common Area and for contingencies;

4.11.9.3 An itemized estimate of the estimated remaining life and methods of funding which will be used to defray the future repair, replacement or addition to Common Area and Common Area facilities;

4.11.9.4 A general statement describing the procedures used to set, calculate and establish reserve funds described in subsection 4.11.9.3 above.

Instead of distributing the pro forma operating budgets described herein, the Board may elect to distribute a summary of the budget

to all of its members with a written notice that the budget is available at the business office of the Association, or at any other suitable location within the boundaries of the Community, and that copies will be provided upon request at the expense of the Association. The notice must be in at least ten-point bold type and must appear on the front page of the summary of the budget. Any member who requests a copy of the budget shall be provided with a copy by the Association by personal delivery or by first-class United States mail at the Association's expense, both accomplished within five days of the date the Association receives the request.

A report consisting of the following shall be distributed within one hundred twenty (120) days after the end of each calendar year:

1. A balance sheet as of the end of the calendar year;

2. An operating (income) statement for the calendar year;

3. A statement of changes in financial position for the calendar year; and

4. For any calendar year in which the gross income to the Association exceeds Seventy Five Thousand Dollars (\$75,000.00), a copy of the review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy. If the provisions of this Declaration do not require that the report be prepared by an independent public accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared from the books and records of the Association without independent audit or review.

A copy of a statement of the Association's policies and practices in enforcing its remedies against owners for delinquent regular or special assessments (including the recording and foreclosing of liens against a delinquent owner's home and lot) shall be distributed to each owner and any mortgagee that has requested a copy within sixty (60) days prior to the beginning of each calendar year. Copies of this Declaration, the Articles, Bylaws, Association rules and regulations, and a statement regarding delinquent assessments and the Association's policies and practices in enforcing its remedies against owners for delinquent assessments shall be provided to any owner within ten (10) days of the mailing or delivery of a written request made to the Association by an owner for such material. The Board may impose a fee to provide these materials, not to exceed the Association's reasonable cost in assembling, preparing, reproducing and mailing or delivering the materials.

ARTICLE 5

COVENANT FOR ASSESSMENTS AND LIENS

Section 5.1 Creation of the Lien and Personal Obligation of Assessment. Each owner of any lot by acceptance of a deed therefor, whether or not it shall be so expressed in said deed, is deemed to covenant and agree to pay to the Association:

- 5.1.1 Regular annual assessments;
- 5.1.2 Capital assessments;
- 5.1.3 Special assessments as set forth herein; and
- 5.1.4 Individual assessments as set forth herein.

Nonassessable Lots shall not be subject to any assessments so long as title thereto is held by the Association.

The regular, special and capital assessments, together with interest, late charges, costs and reasonable attorneys' fees, shall be a charge on the lot and shall be a continuing lien on the lot against which each such assessment is made. Individual assessments may only become a lien upon a lot in accordance with Section 5.5 below. Each assessment of any kind, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

Section 5.2 Regular Annual Assessments and Allocation.

5.2.1 Regular Annual Assessments. The regular annual assessments charged and assessed to each owner as provided in this Declaration shall be due and payable in advance in equal monthly installments on the first day of each and every month, commencing on the date on which the owner of such lot became the record owner thereof and prorated to said date, or at such time and on such dates as may be established by the Association.

Not less than sixty (60) days prior to the beginning of each calendar year, the Board shall estimate the total amount of funds necessary to pay the Common Expenses of the Association for the next calendar year and, if the estimated amount is within twenty percent (20%) of the budget for the current year, the budget may be adopted by the Board without Association approval. If the budget requires total expenses in excess of twenty percent (20%) greater than the budget for the current year, the budget must be approved by a majority of owners of the Association as provided in the Bylaws. The first annual assessment shall be set in an amount,

payable monthly, which is set out in the first budget for the Association which may have been approved by the appropriate governmental entities and the California Department of Real Estate (if required).

Except as set forth in this section, the maximum regular annual assessment may be increased by the Board each year not more than twenty percent (20%) above the regular annual assessment for the previous calendar year without approval of a majority of the owners of the Association. The vote of a majority of the owners of the Association must be received to increase any regular annual assessment above twenty percent (20%) more than the regular annual assessment for the preceding calendar year. The Board may fix regular annual assessments for the upcoming calendar year in an amount not in excess of twenty percent (20%) above the previous calendar year's assessments without a vote of the members. Notwithstanding the generality of the foregoing, however, the restrictions of this section do not limit assessment increases necessary for emergency situations. An emergency situation is any one of the following:

5.2.1.1 An extraordinary expense required by an order of court.

5.2.1.2 An extraordinary expense necessary to repair or maintain any portion of the Community for which the Association is responsible where a threat to personal safety thereon or arising therefrom is discovered.

5.2.1.3 An extraordinary expense necessary to repair or maintain any portion of the Community for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the annual pro forma operating budget. However, prior to the imposition or collection of an assessment under this subsection, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolution shall be distributed to the members with a notice of assessment.

5.2.1.4 The maintenance or repair of the Common Area or of other areas which the Association is obligated to maintain, including, but not limited to, the payment of insurance premiums, the payment of utility bills, and costs incurred in maintaining or repairing structures or improvements and funding reserves.

5.2.1.5 Costs created to meet and address emergency situations.

5.2.2 Allocation of Regular Annual Assessments. Allocation of assessments shall be based on assessment units. Each assessment unit shall be equal. Residential Lots which are occupied by a single family home shall be assessed one assessment unit as the basic assessment. Any Residential Lot owned by the Association, however, shall not be subject to assessment while it is vested in the name of the Association. In the event that the Association sells Lot X and/or Lot Y to a third person or entity (as provided more specifically in Section 4.11.7.3 above), those Lots shall become Residential Lots concurrently with the vesting of title therein in such third person or entity, and subject to regular and other assessments thereafter. Nonresidential Lots, shown on that portion of the Community covered by the recorded subdivision map for Tract 13072 as Lots 24, 25 and 43 (specifically those lots currently occupied by the Mt. Baldy Lodge and the Buckhorn Motel and Restaurant) shall be assessed two assessment units as their basic assessment. In addition to this basic assessment, all of these three Nonresidential Lots shall be assessed an additional one-half ($\frac{1}{2}$) assessment unit for each individual dwelling unit thereon (a single motel room, for example, shall be considered as a "dwelling unit" for this purpose). The lot occupied by the Mt. Baldy Village Church (Lot 53) shall be deemed the equivalent, for assessment purposes, of a Residential Lot, and shall be assessed one assessment unit as the basic assessment. Any Nonassessable Lot will not be subject to any assessment so long as title thereto is vested in the Association. Such Nonassessable Lot will become subject to assessments immediately following the transfer of title thereto from the Association to any third person or entity. In the event that the encroachment permits for Lot 39 and Lot 40 are terminated, those two Lots shall not be subject to assessment once the improvements thereon have been cleared off and removed.

Allocation of assessments for any Nonresidential Lot may be changed by a vote of sixty-seven percent (67%) of the members of the Association present at a meeting with the required quorum, which meeting has been noticed for the purpose of modifying the allocation of assessments. Such vote must also receive the consent of the required number of lenders as provided elsewhere in this Declaration.

Section 5.3 Special Assessments. In addition to the regular assessments authorized above, the Board may levy in any assessment year a special assessment applicable to that year only to defray common expenses of the Association arising from unforeseen expenses not accounted for in the annual budget. Said expenses may include, but need not be limited to, cost of repair or restoration of Common Area and commonly owned assets necessitated by fire, flood, earthquake, etc., or of costs of changes necessitated by government regulations. Special assessments must be approved by a vote of fifty-one percent (51%) or more of the members at a meeting with an appropriate quorum, which meeting has been duly noticed for this

purpose. Special assessments shall be allocated equally among the assessable lots unless the vote approving the assessments also approves allocation among the Residential Lots and the Nonresidential Lots in a manner similar to the allocation of regular annual assessments.

Section 5.4 Capital Assessments. In addition to regular annual assessments authorized above, the Association may levy in any assessment year a capital assessment, applicable to that year only, to defray in whole or in part the cost of acquisition, installation or construction of any capital improvement of or an addition to the Common Area or other property of the Association. All amounts collected as capital assessments may be used only for the foregoing purposes. These amounts shall be deposited by the Board in a separate account to be held for such purposes; such fund shall not be commingled with the other funds of the Association, and contribution thereto shall not be in lieu of or an offset against regular assessments. Such funds may not be used to pay or defray ordinary or recurring operating expenses of the Association.

Capital assessments shall be allocated among all of the Residential Lots and the Nonresidential Lots in the same manner as regular annual assessments are allocated. Capital Assessments for expenditures of less than Ten Thousand Dollars (\$10,000.00) shall be approved by a vote of fifty-one percent (51%) or more of the members voting at a meeting with a quorum present and which has been duly noticed. Capital assessments for expenditures of Ten Thousand Dollars (\$10,000.00) or more shall require approval by a vote of sixty-seven percent (67%) of the members voting at such a meeting.

Section 5.5 Individual Assessments. In addition to the assessments authorized above, the Association may levy against any owner and his lot an individual assessment to reimburse the Association for costs incurred in bringing the owner and his lot into compliance with the provisions of this Declaration, any amendments thereto, the Articles, the Bylaws and the Association rules and regulations, and/or to reimburse the Association for expenses incurred due to the acts or omissions of such an owner or any other person for whom the owner may be liable. An individual assessment may be levied by a vote of the Board after notice to the owner and an opportunity for a hearing before the Board.

Section 5.6 Notice and Quorum. Any action authorizing an increase of a regular annual assessment for a calendar year by more than twenty percent (20%) over the previous calendar year or to levy a capital assessment shall be taken at a meeting called for that purpose, written notice of which shall be sent to all members not less than ten (10) days nor more than ninety (90) days in advance of the meeting. A quorum at such meeting shall be owners representing fifty-one percent (51%) of the assessable lots in the Community. The Association may not, without the vote or written

assent of a majority of the owners in the Community, levy any capital or special assessment which will exceed five percent (5%) of the total budgeted gross expenses of the Association for that calendar year.

Section 5.7 Late Payment. Any monthly assessment payment shall become delinquent thirty (30) days after its due date, and there shall accrue on each delinquent monthly assessment a late payment charge of ten percent (10%) of the delinquent assessment or Ten Dollar (\$10.00), whichever is greater, unless a different rate, not exceeding these amounts, is established by a vote of the Board.

Section 5.8 Remedies of the Association for Non-Payment of Assessments. Each owner shall be obligated to pay all regular annual and other assessments to the Association when due. The Association may bring an action at law against the owner personally obligated to pay the same, or foreclose a lien against that owner's lot by judicial proceedings or pursuant to power of sale, as set forth herein. The amount of any delinquent assessments shall be and become a lien on the defaulting owner's lot upon the execution by the Board or its representative and recordation in the official records of the appropriate county of a Notice of Delinquent Assessment similar to that provided in section 1367 of the California Civil Code. Prior to the recordation of said Notice, the Board shall deliver to the delinquent owner or owners a written notice of default and demand for payment, which shall specify that said owner or owners shall have fifteen (15) days to cure said delinquency. The Notice of Delinquent Assessment shall state the following:

5.8.1 The amount of the assessment and other sums imposed, including reasonable costs of collection, attorneys' fees, late charges;

5.8.2 A description of the owner's lot being liened and the name of the record owner of the lot against which the lien is imposed; and

5.8.3 In order for the lien to be enforced by non-judicial foreclosure under California Civil Code sections 2924, et seq., the name and address of the trustee authorized by the Association to enforce the lien by foreclosure sale.

Not less than ten (10) days from the filing of said Notice of Delinquent Assessment, the Board, or any person designated by the Board, shall file and record a Notice of Default and thereafter may cause the interest of said defaulting owner in the affected lot to be sold in the same manner as a sale under the power contained in mortgages and deeds of trust as provided by California Civil Code sections 2924, et seq., or through judicial foreclosure. The Board is authorized to appoint its attorneys, any officer or director, or any title company authorized to do business

in California, for the purpose of conducting any sale under such power. The Association or its designee may purchase at such foreclosure sale and thereafter hold, lease, mortgage and convey any lot.

If any legal action is filed to enforce the provisions of this section, any judgment rendered against the defaulting owner shall include all costs and expenses of such action, and all costs and expenses of perfecting said lien and of sale and reasonable attorneys' fees incurred in prosecuting such action. A suit to recover a money judgment for unpaid assessments shall be maintainable without foreclosing or waiving the lien securing the same. If any such lien is cured prior to foreclosure sale, judgment or judicial foreclosure, the Board shall cause to be recorded a certificate setting forth the satisfaction of such claim and release of such lien upon payment of actual expenses incurred and reasonable attorneys' fees by such defaulting owner.

Section 5.9 Subordination of the Assessment Lien/the First Deeds of Trust and First Mortgages. The assessment liens provided for herein shall be subordinate to the lien of first deeds of trust and first mortgages. The lien, however, shall be senior and prior to all other liens recorded after the date of lien recordation. Generally, a sale or transfer of any lot shall not affect an assessment lien. However, the sale or transfer of any lot pursuant to foreclosure of any first trust deed or first mortgage shall extinguish the assessment lien as to assessments which became due prior to such foreclosure sale or transfer in lieu of foreclosure. No sale or transfer shall relieve a lot from liability for any assessment thereafter becoming due or from the lien thereof.

ARTICLE 6

INSURANCE

Section 6.1 Types of Insurance; Coverage; Endorsements; and Special Provisions. The Board (which, if required, shall be deemed for the purposes of this Article 6 to be the agent, coupled with an interest, of all the owners) shall purchase, obtain, carry and maintain, with the premiums therefor being paid from common funds, the following types of insurance:

6.1.1 Casualty. An insurance policy naming as insured the Association, and containing, as a part thereof, the standard extended coverage and replacement cost endorsements and such other or special endorsements as will afford protection and insure, for the full insurable replacement cost (without deduction for depreciation) of all commonly owned property, if any, including the Common Area and improvements thereto; lots owned by the Association and improvements thereto, if any; personal property owned by the Association, wherever located; and any other real property or

interests therein owned by the Association, wherever located, for or against the following:

6.1.1.1 Loss or damage by fire or other risks covered by the standard extended coverage endorsement;

6.1.1.2 Such other risk, perils or coverage as the Board may determine.

This insurance policy or the endorsements made a part thereof shall, to the extent that the Board deems necessary or advisable,

(i) provide that the insurer issuing said policy agrees to abide by the decision of the Association whether to repair, reconstruct or restore all or any damaged or destroyed portion of the Common Area;

(ii) contain no "escape" or "other insurance" clause that would cause said policy to become void in whole or in part or cause any proceeds payable thereunder to be reduced, set off, apportioned, prorated or otherwise brought into contribution with or by reason of separate insurance obtained by or for any owner or his mortgagee;

6.1.1.3 Provide for a periodic insurance review which shall include a reassessment of the replacement value of the property insured, and an increase in the policy limits if required, or, alternatively, with agreed amount and inflation guard endorsement, if available;

6.1.1.4 Contain a waiver by said insurer of any and all rights of subrogation against any owner, the Association, its Board of Directors (and each member thereof), its officers (and each of them), the manager, and each member of his staff or employee of the Association;

6.1.1.5 Provide that said policy cannot be canceled, invalidated, suspended, substantially modified, terminated, avoided or expire in whole or in any part by reason of any act, omission or breach of any covenant by the Association, its Board of Directors, officers, manager, his staff or any one or more owners without a prior written demand that the Association cure such breach, and that in no event shall said policy be canceled, invalidated, suspended, substantially modified, terminated, avoided or expire for any reason without thirty (30) days prior written notice from the insurer to the Association;

6.1.1.6 Provide that the Board of Directors or its authorized representative shall have the exclusive authority to adjust any and all losses covered by said policy;

6.1.1.7 Provide that the insurance obtained pursuant to this Article shall not be prejudiced by the failure of the Association collectively to comply with any requirements over which the Association collectively has no control; and

6.1.1.8 Provide that the insurance obtained pursuant to this Article shall not be prejudiced by reason of the vacancy or non-occupancy of any one or more lots within the Community provided that this Declaration, as it may be amended from time to time, is in force.

6.1.2 Public Liability and Property Damage. A comprehensive public liability and property damage policy covering liability occurring upon, arising upon or relating to commonly owned property or Common Area, naming as insureds or extending coverage to (at the election of the Board) the Association, its Board of Directors (and each member thereof), its officers (and each of them), the manager, his staff, all employees of the Association and all of the owners. Said policy or the endorsements made a part thereof shall, to the extent that the Board of Directors deems necessary or advisable, provide immediate protection of not less than \$1,000,000.00 covering all claims for personal injury and/or property damage arising out of a single occurrence), and shall also to the extent that the Board deems necessary or advisable:

6.1.2.1 Insure against bodily injury, death or property damage occurring in, or about any portion of the Common Area;

6.1.2.2 Contain cross-liability and "severability of interest" endorsements so as not to prejudice the rights of a named insured against another named insured and to preclude the insurer from denying the claim of the Association due to negligent acts of any owner;

6.1.2.3 Include "non-owned automobile" coverage, theft and collision coverage, "off-premises employee" coverage; and

6.1.2.4 Subrogation, "other insurance" provisions, loss adjustment clause, cancellation clause and "no control" clauses.

The amount of liability coverage shall be increased from time to time at the discretion of the Board, upon advice of the insurance consultants and agents to the Board, as to the amount of coverage which is prudent for the Association to adequately insure in prudent amounts against foreseeable risks.

6.1.3 Workers Compensation. Workers compensation and employer's liability insurance to the extent necessary to comply with applicable laws.

6.1.4 Fidelity Bonds. Fidelity bonds in an amount equal to one hundred fifty percent (150%) of the Association's regular annual total assessments plus reserves which name the Association as obligee and insure against the misuse and misappropriation of Association property by the members of the Board of Directors, officers and employees, whether or not such persons are compensated for their services. Such bonds shall contain waivers by the insurers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees," or similar terms or expressions. Such bonds shall provide that they may not be canceled or substantially modified without thirty (30) days prior written notice.

6.1.5 Liability Coverage. The Association may also carry Directors/Officers liability coverage, or its equivalent, should the same be available and offered at reasonable cost.

Section 6.2 Federal Insurance Requirement. Notwithstanding any provisions to the contrary herein, so long as any entity in the federal secondary loan market (such as FNMA, FHLMC, GNMA) holds or insures a mortgage on a lot in the Community, or owns a lot, the Association shall continuously maintain in effect such casualty and liability insurance and fidelity bonds, meeting all requirements and containing such coverage and endorsements as may be required from time to time by such institutions, except to the extent such coverage is not available or has been waived in writing by the affected entity.

Section 6.3 Rights of Owners to Obtain Additional Insurance. Nothing herein contained shall be construed to prejudice the right of any owner to obtain, at his own expense, additional casualty, liability and/or property damage insurance to protect his own interests. Each owner acknowledges that he must insure his own lot and the improvements thereon.

Section 6.4 Additional Insurance. The Association may also purchase such additional insurance on the Common Area or improvements thereon as it may, from time to time, determine to be necessary or desirable, including, but not limited to, the following: demolition insurance in amounts adequate to cover demolition in the event of destruction and a decision not to rebuild; flood insurance; and insurance to cover unpaid or uncollected assessments.

Section 6.5 Choice of Contractor. With respect to any repairs for which proceeds of insurance are paid or payable to the Association, the Board of Directors of the Association alone shall designate the contractor to perform said repairs.

Section 6.6 Choice of Insurance Company. All policies of insurance obtained by the Association or its Board as provided in this Article shall be obtained from an insurance company or

companies qualified to do and doing business in the State of California and holding a financial rating of Class B/VI or better in Best's Insurance Reports (or the closest available equivalent rating).

Section 6.7 Expenses of Collecting Insurance Proceeds. All costs and expenses incurred by the Association to collect or recover the proceeds of any insurance policy purchased by the Association as provided in this Article (including, but not limited to, any and all fees of attorneys, appraisers and adjusters) shall be part of the common expenses.

ARTICLE 7

DAMAGE OR DESTRUCTION

Section 7.1 Damage or Destruction to Common Area. As soon as practicable after any damage or destruction to the Common Area, whether by reason of casualty, condemnation, or otherwise, the Board of Directors shall obtain bids from at least two (2) reputable contractors, licensed in California. These bids shall set forth in detail the work required to repair, reconstruct, and restore the damaged or destroyed portions of the Common Area to substantially the same condition as they were in prior to such damage, and the itemized cost of such work. The Board shall also determine the amount of all insurance or condemnation proceeds available to the Association, as trustee or otherwise, for the purpose of effecting such repair, reconstruction, and restoration.

Section 7.2 Insurance Proceeds Partially Sufficient. In the event that the insurance proceeds available to the Association, as trustee or otherwise, are sufficient to cover at least eighty-five percent (85%) of the cost of such repair, reconstruction and restoration, the Association shall promptly cause the damage to be repaired, reconstructed and restored to substantially the same condition as prior to such damage, and the difference between the insurance proceeds available to the Association for such purpose and the actual cost of such repair, reconstruction and restoration shall be assessed against each owner as a capital or special assessment (whichever is deemed appropriate) in accordance with Article 6 hereof, provided that, notwithstanding anything herein to the contrary, no repair, reconstruction or restoration provided for in this Section shall be conducted if, within sixty (60) days from the date of such damage or destruction, the owners of at least fifty-one percent (51%) of the lots in the Community determine that such repair, reconstruction and/or restoration shall not take place.

Section 7.3 Insurance Proceeds Less Than Eighty-Five Percent (85%) of the Cost to Repair. If the proceeds of insurance available to the Association, as trustee or otherwise, are insufficient to cover at least eighty-five per cent (85%) of the cost of repair,

reconstruction, and restoration to the damaged or destroyed Common Area, then fifty-one percent (51%) of the owners of the lots in the Community, at a regular or special meeting called and properly noticed in accordance with the Bylaws, shall determine whether (i) to repair, reconstruct and restore the damaged or destroyed Common Area and assess all owners as a capital assessment in accordance with Article 6 hereof for all additional funds needed for such purpose; or (ii) not to repair, reconstruct, and restore, but to distribute the insurance proceeds available for such reconstruction together with any other sums otherwise available to the Association for such purpose to the owners, each in proportion to his interest in Common Area. A vote not to repair must also receive the required approval of lienholders. The suspension of the right to partition contained in this Declaration shall not be a bar to the operation of this provision.

Section 7.4 Duties of Board During Reconstruction. If repair, reconstruction, and restoration are to take place in accordance with the provisions of this Article, the Board shall (i) enter into a written contract with a contractor licensed in California and submitting the lowest reasonable bid for such repair, reconstruction, and restoration; (ii) disburse insurance proceeds available for work and funds collected by reason of assessments authorized therefor in appropriate progress payments; and (iii) take all steps necessary to insure the commencement and completion of such repair, reconstruction, and restoration of the Common Area in a lawful, workmanlike manner at the earliest possible date.

Section 7.5 Revision of Management Documents: Reorganization. In the event it is the determination and vote of the owners not to repair, reconstruct, or restore any damaged portion of the Common Area, or not to repair the same, the Board shall, as soon as practicable, cause to be prepared, filed, and/or recorded any revised subdivision maps, or other documents, reports, schedules, or exhibits necessary to show the changed or altered status of the Community.

ARTICLE 8

CONDEMNATION

Section 8.1 Taking of a Lot. In the event of any taking of a lot, the owner (and any purchase money trust deed holder and any first mortgagee as their interests may appear) of the lot shall be entitled to receive the award for such taking as may be determined by a court of competent jurisdiction.

Section 8.2 Taking of Common Area. In the event of any taking of the Common Area, the Association, as trustee for the owners and their mortgagees, shall be entitled to receive the award for such taking; provided, however, that should it be determined to

repair or rebuild any portion of the Common Area, such proceeds shall be used for that purpose in the same manner and subject to the same terms, conditions, and limitations as are set forth above in Article 7 for repairing damaged or destroyed portions of the Common Area. A decision to repair or rebuild shall be made in the same manner and subject to the same conditions and limitations as provided above in Article 7 for determining whether to rebuild or repair following damage of destruction.

Section 8.3 Taking of the Entire Community. If the award is for the acquisition of the entire Community, the amount payable shall be paid to the Association, as trustee, for distribution to the owners, according to the fractional interest of each in proportion to his proportionate fair market value, but subject to (i) the rights of holders of purchase money trust deeds and mortgagees holding mortgages covering each such owner's lot, and (ii) all unpaid assessments of such owner together with any interest charges or fees attributable thereto. Proportionate fair market value shall be based upon the relative then-current fair market value of each lot in relation to the total fair market values of all lots, with fair market value being set by the Board based upon appraised values therefor by an appraiser or appraisers retained by the Board, in good faith, for that purpose, who shall be either a member of the American Institute of Real Estate Appraisers or an appraiser-counselor of the National Association of Independent Fee Appraisers, whose determination of fair market value shall be conclusive to all owners.

ARTICLE 9

UTILITIES

Section 9.1 Right to Use. Whenever sanitary sewer and/or water connections or electricity, gas, television cable, or telephone lines installed within the Community serve more than one lot, the owner of each lot served by said connection shall be entitled to the full use and enjoyment of such portions of said connections as service his lot, and an easement is reserved and granted to the Association on behalf of the benefitted lot owners of ingress, egress, and use of said easement.

Section 9.2 Disputes. In the event of a dispute between owners with respect to the repair or rebuilding of sanitary sewer and/or water connections or electricity, gas or telephone lines installed within the Community, or with respect to the sharing of the cost thereof, then each party shall choose one arbitrator and such arbitrator shall choose one additional arbitrator and the decision shall be by a majority of all the arbitrators, which shall be binding upon the disputing owners.

ARTICLE 10

RESPONSIBILITIES OF OWNERS AND ASSOCIATION

Section 10.1 Compliance with Declaration. All present and future owners, tenants and occupants of lots within the Project shall be subject to and shall comply with each and all of the provisions of this Declaration and the rules of the Association as the same may be amended from time to time. The acceptance of a deed to any lot and/or occupancy of any lot shall constitute an agreement that each and all other provisions of this Declaration as the same may be amended from time to time, are acceptable and ratified by such owner, tenant or occupant.

Section 10.2 Taxes and Assessments. Each owner of a lot shall be obligated to have the real property taxes for his own lot and its appurtenant interest in the Common Area assessed separately pursuant to an agreement made in accordance with the provisions of section 2188.3 of the California Revenue and Taxation Code and the tax on each such lot shall constitute a lien solely thereon. The foregoing provision shall apply to all types of taxes and improvement assessments which now are or may hereafter be assessed separately by law on each lot or the personal property and any other interest of the owner. Each owner shall execute such documents and take such action as may be reasonably specified by the Board of Directors to facilitate dealing with the proper governmental authority regarding such taxes, other taxes and assessments. If, in the opinion of the Board, any taxes or assessments may be a lien on the entire Project or any part of the Common Area, the Board may pay such taxes or assessments and shall assess the same to the affected owner as an individual assessment.

Section 10.3 Non-Responsibility for Loss. Neither the Association, the Board of Directors, its officers, manager, or any member of his staff shall be responsible to any owner nor to any member of his family, employees or invitees for any loss or damage suffered by reason of theft or otherwise of any article, vehicle or thing which may be parked, left or stored by such owner or other person in or on any lot or any portion of the Common Area.

ARTICLE 11

ENFORCEMENT OF DECLARATION

Section 11.1 Enforceability. The provisions of this Declaration shall be enforceable by the Association through its Board, or any committee, firm, corporation or other entity duly authorized by the Association through its Board to enforce all or any one or more of the provisions hereof and by any owner of a lot in the Community.

Section 11.2 Injunctive Relief. Except for the non-payment of any assessments provided for herein, it is hereby expressly declared and agreed that the remedies at law to recover damages for the breach, default or violation of any of the covenants, conditions, restrictions, limitations, reservations, grants of easement, rights, charges and equitable servitudes contained in the Declaration are inadequate and the failure of any owner, tenant, occupant or user of any lot or any portion of the Common Area or facilities thereof to comply with each and every one of the terms and provisions of this Declaration, the rules, regulations, decisions, resolutions and Bylaws of the Association and its Board of Directors, all as lawfully amended from time to time, may be enjoined by appropriate legal proceedings instituted by the Association, its officers, the manager or Board of Directors.

Section 11.3 Cumulative Remedies. The respective rights and remedies provided by this Declaration or by law or available in equity shall be cumulative and the exercise of any one or more of such rights or remedies shall not preclude or affect the exercise, at the same or at different times, of any other such rights or remedies for the same or different defaults or breaches or for the same or different failures of the owners or others to perform or observe any provision of this Declaration.

Section 11.4 Failure not a Waiver. The failure of the Association, the Board, its officers, manager or his staff to enforce any of the covenants, conditions or restrictions, limitations, reservations, easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Declaration shall not constitute a waiver of the right to enforce the same thereafter, nor shall such failure result in or impose any liability upon any of them.

Section 11.5 Cost and Attorneys' Fees. In any proceeding arising for the enforcement of this Declaration or because of an alleged breach or default hereunder, the prevailing party shall be entitled to recover the costs of the proceeding and such reasonable attorneys' fees as may be determined by the Court.

ARTICLE 12

MORTGAGEE PROTECTION CLAUSE

Section 12.1 Notification Upon Default. The Board shall, upon written request, at no charge to a holder of a first mortgage on any lot, notify in writing such holder of any default by the mortgagor of such lot in the performance of such mortgagor's obligations under this Declaration, the Articles or Bylaws which is not cured within sixty (60) days.

Section 12.2 Notification Upon Damage or Taking. The Board shall notify in writing the holders of first mortgages of the lot

of any substantial damage to or destruction of any part of the Common Area, and if the Common Area or any portion thereof is made the subject of any condemnation or eminent domain proceeding or otherwise sought to be acquired by a condemning authority.

Section 12.3 Survival of Covenants. No breach of the covenants, conditions or restrictions herein contained, nor the enforcement of any lien provisions herein shall defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but, except as provided in paragraph 4 below, all of these 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.

Section 12.4 Subordination of Assessment Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage upon any lot made in good faith and for value. Sale or transfer of any lot shall not affect the assessment lien. However, the sale or transfer of any lot pursuant to the exercise of a private power of sale or judicial or nonjudicial foreclosure on a first trust deed or mortgage shall extinguish the lien of such assessments which became due prior to such sale or transfer. No sale or transfer shall relieve such lot from lien rights for any assessments thereafter becoming due. Where the mortgagee of a first mortgage of record or other purchaser of a lot obtains title to the same as a result of foreclosure of a first trust deed or mortgage, such acquirer of title, his successors and assigns, shall not be liable for the share of the common expenses or assessments by the Association chargeable to such lot which became due prior to the acquisition of its title to such lot. Such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all of the lots including any owned by such acquirer, his successors and assigns. Any foreclosing lender shall acquire title to any lot free of non-curable defaults.

Section 12.5 Prior Approval of Mortgage Holders.

12.5.1 Each owner shall be required to notify the Association of the name and mailing address of the holder of first deed of trust or mortgage on his lot. Such notification shall be made within thirty (30) days after recordation of such first trust deed or mortgage.

12.5.2 The consent of eligible holders of mortgages on at least sixty seven percent (67%) of the lots in the Community which are subject to first trust deeds or mortgages shall be required to abandon or terminate the arrangement of commonly owned interests established by this Declaration (except abandonment or termination provided by law or this Declaration in the case of substantial destruction by fire or other casualty or in the case of a taking by condemnation or eminent domain).

12.5.3 The consent of eligible holders of mortgages on at least fifty-one percent (51%) of the lots in the Community which are subject to first trust deeds or mortgages shall be required to add to or amend any material provision of this Declaration which establishes, provides for, governs or regulates any of the following:

12.5.3.1 Voting rights;

12.5.3.2 Assessments, assessment liens or subordination of such liens;

12.5.3.3 Reserves for maintenance, repair and replacement of the Common Area;

12.5.3.4 Fire or casualty insurance or fidelity bonds maintained by the Association;

12.5.3.5 Responsibility for maintenance and repair of the Common Area of the Community;

12.5.3.6 Expansion or contraction of the Community or the addition, annexation or withdrawal of property to or from the Community (except for annexation of Phase 2 of the Community, which is expressly authorized by the provisions of this Declaration);

12.5.3.7 A material change in the boundaries of any lot if it encroaches into or lessens the Common Area (except for transfer of title to Lot X and/or Lot Y to private ownership pursuant to the provisions of this Declaration);

12.5.3.8 Reallocation of interests in the general Common Area or rights to its use (except for transfer of title to Lot X and/or Lot Y to private ownership pursuant to the provisions of this Declaration);

12.5.3.9 Convertibility of lots into Common Area or of Common Areas into lots (except for transfer of title to Lot X and/or Lot Y to private ownership pursuant to the provisions of this Declaration);

12.5.3.10 Leasing of lots (beyond the provisions regarding leasing in this Declaration);

12.5.3.11 Imposition of any right of first refusal or similar restriction on the right of an owner to sell, transfer, or otherwise convey his or her lot;

12.5.3.12 Any provisions which are for the express benefit of mortgage holders, eligible mortgage holders or eligible insurers or guarantors of first mortgages on lots;

12.5.3.13 Partitioning or subdividing of any lot (except by order of court);

12.5.3.14 Restoration or repair of the Community (after a hazard damage or partial condemnation) in a manner other than that provided for in this Declaration.

12.5.4 Any decision by the Association to establish self-management when professional management had been required previously by an eligible mortgage holder shall be approved by the required percentage of such mortgage holders. Notwithstanding the generality of the foregoing, however, it is not anticipated that lenders loaning in the Community will require professional management, so the choice of management will remain the Association's option.

12.5.5 Any provision of this Declaration which is a requirement of any federal agency shall be deemed to be material. An addition or amendment to this Declaration shall not be considered material if it is for the purpose of correcting technical errors or for clarification only.

12.5.6 If an eligible mortgage holder fails to submit a response to the Association within thirty (30) days after receipt of a request to approve additions or amendments to this Declaration which are not considered to be material changes, that mortgage holder shall be conclusively deemed to have approved such request.

12.5.7 "Eligible mortgage holder" as used herein shall mean a holder of a first mortgage on a lot who has requested the Association to notify it of any proposed action that requires the consent of a specified percentage of eligible mortgage holders.

Section 12.6 Examination of Books and Records. The holders of mortgages or their servicing contractors shall, upon written request, have the right to:

12.6.1 Inspect the books and records of the Association, during normal business hours; and

12.6.2 Receive an annual audited financial statement of the Association within ninety (90) days following the end of any calendar year and written notice of all meetings of the Association and be permitted to designate a representative to attend all such meetings.

Section 12.7 Reserves for Replacement. An adequate reserve fund for the maintenance, repair and replacement of the Common Area elements that must be replaced on a periodic basis shall be established by the Association and shall be funded by regular assessments.

Section 12.8 No Priority Over Rights of First Mortgagees. No provisions herein shall give an owner or any other party priority over any rights of first mortgagees of lots pursuant to their mortgages in the case of a distribution to an owner of insurance proceeds or condemnation awards for losses to or a taking of lots and/or the Common Area.

Section 12.9 Conflict Between Articles. Any conflict between the provisions of this Article 12 and any other provisions in the management documents including but not limited to this Declaration shall be resolved in favor of this Article 12.

Section 12.10 Breach. No breach of any provision hereof shall impair or invalidate the lien of any recorded mortgage made in good faith and for value and encumbering any lot.

Section 12.11 Notices to Mortgagees of Record. Upon any loss to the Common Area, if such loss exceeds Ten Thousand Dollars (\$10,000), or on any taking of any portion of the Common Area, notice in writing of such loss or taking shall be given to each mortgagee of record. If any owner of a lot is in default under any provision of the Bylaws or the Association rules, which default is not cured within the time period set forth herein after written notice to such owner, the Association shall give to any requesting mortgagee of record of such owner written notice of such default and of the fact that said default has not been cured within sixty (60) days.

Section 12.12 Voting Rights on Default. In case of default by any owner in any payment due under the terms of any institutional first mortgage encumbering such owner's lot, or the promissory note secured by the mortgage, the mortgagee, its servicing contractor or its representative, on giving written notice to such defaulting owner or owners, and placing of record a notice of default, is hereby granted a proxy and can exercise the voting rights of such defaulting owner attributable to such lot at any regular or special meeting of the members held during such time as such default may continue.

Section 12.13 Appearance at Meetings. Because of its financial interest in the Community any mortgagee may appear (but cannot vote except under the circumstances set forth in Section 12.12 above) at meetings of the members and the Board to draw attention to violations of this Declaration that have not been corrected or made the subject of remedial provisions or assessments.

Section 12.14 Right to Furnish Information. Any mortgagee or servicing contractor can furnish information to the Board concerning the status of any mortgage.

Section 12.15 Inapplicability of Right of First Refusal to Mortgagee. No right of first refusal or similar restriction on the right of an owner to sell, transfer or otherwise convey the owner's lot shall be granted to the Association without the written consent of any mortgagee of the lot. Any right of first refusal or option to purchase a lot that may be granted to the Association (or to such other person, firm or entity) shall not apply to any conveyance or transfer of title to such lot, whether voluntary or involuntary, to a mortgagee which acquires title to or ownership of the lot pursuant to the remedies provided in its mortgage or by reason of the foreclosure of the mortgage or deed or assignment in lieu of foreclosure.

Section 12.16 Failure to Pay Taxes or Other Charges Against the Common Area. First mortgagees may, jointly or severally, pay taxes or other charges which are in default and which may or have become a charge on the Common Area, and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage on the lapse of a policy and the failure by the Association to pay or act, as the case may be. The first mortgagees making such payments are owed immediate reimbursement by the Association, which shall levy a special assessment for the same, if it does not then have funds to repay the obligation.

Section 12.17 Amendment. No authorized amendment to this Mortgagee Protection Article shall bind non-consenting lenders, mortgagees or federal agencies then holding first mortgages in the Project.

ARTICLE 13

TERM OF DECLARATION

Subject to the provisions hereof, this Declaration shall continue in full force and effect for a term of forty (40) years from the date of recordation hereof, after which time the same shall be automatically extended for successive periods of ten (10) years each unless, within six (6) months prior to the expiration of said term or any extension thereof, a written agreement approved by seventy-five percent (75%) of the first mortgagees and by the owners representing seventy-five percent (75%) of the voting power of the membership of the Association, in writing shall be placed on record in the Office of the County Recorder of the appropriate County, terminating the effectiveness of this Declaration.

ARTICLE 14

SUSPENSION OF RIGHT OF PARTITION

Each of the owners of a lot, whether such ownership is in fee simple or as a tenant-in-common, is hereby prohibited from partitioning or in any other way severing or separating such ownership

from the Community or from the obligations and restrictions of this Declaration. Any Lot may be severed from the Community and from the restrictions of this Declaration upon the showing that: (i) three (3) years after damage or destruction to the Common Area in the Community which renders a material part thereof unfit for its use, it has not been rebuilt or repaired substantially to its state prior to its damage or destruction, or (ii) that three-fourths or more of the Common Area in the Community has been destroyed or substantially damaged, and that owners holding in the aggregate more than seventy-five percent (75%) interest in the Common Area are opposed to repair or restoration thereof. However, if any lot is owned by two (2) or more co-tenants as tenants-in-common or as joint tenants, nothing herein shall be deemed to prevent a judicial partition as between such co-tenants which does not result in a physical division of such lot.

ARTICLE 15

AMENDMENT

Section 15.1 Amendment to this Declaration. This Declaration may be amended or revoked in any respect by affirmative vote of not less than sixty-seven percent (67%) of the voting power of the then record owners and the required percentage of their respective mortgagees, if mortgagee consent is required to such amendment, by their approval of an instrument amending or revoking the same. Such amendment shall make appropriate reference to this Declaration and any amendments thereto, and shall be certified, acknowledged and recorded with the Office of the County Recorder of the appropriate County. The certificate of the president and secretary of the Association attached to the instrument certifying that the required majority of the voting power of the Association (and the required percentage of mortgagees, if required) has approved and adopted the instrument shall be conclusive proof thereof.

In addition, the Association, or any owner of a separate interest, may petition the Superior Court of San Bernardino or Los Angeles Counties for an order reducing the percentage of affirmative votes necessary for an amendment to this Declaration pursuant to the provisions of this Article. The petition shall comply in all respects with the provisions of California Civil Code section 1356, or any statute of similar import.

Section 15.2 Amendments to Conform with Mortgagee Requirements. It is the intent of all adopting parties that this Declaration and the Articles and Bylaws of the Association, and the Community in general, shall now and in the future meet all requirements necessary to purchase, guarantee, insure or subsidize any mortgage of a lot in the Community by any federal agency. The Board and each owner shall take any action or shall adopt any resolutions required by any mortgagee to conform this Declaration

to the requirements of any of said federal lending agencies or entities.

ARTICLE 16

ANNEXATION

Phase 2 of the Community and/or any other real property may be annexed to and become subject to this Declaration by any of the methods set forth below:

Section 16.1 Supplemental Declarations. Declarant intends to immediately annex Phase 2 of the Community. Such annexation shall be accomplished by recordation of a Supplemental Declaration. The Supplemental Declaration shall be in writing, in recordable form, and shall annex the real property in Phase 2 to the plan of this Declaration. The Supplemental Declaration shall incorporate by reference all of the covenants, conditions, restrictions, easements and other applicable provisions of this Declaration and shall contain such other provisions as may be set forth in this Declaration relating to supplemental declarations or as may be set out in such a Supplemental Declaration. Such Supplemental Declarations may contain such complementary additions and modifications of the covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect the different character of the annexed property and which are not inconsistent with the plan of this Declaration. In no event, however, shall any such Supplemental Declaration revoke, modify or add to the covenants established by this Declaration with respect to the real property in the Community which is initially subject to this Declaration.

16.1.1 Annexation of Phase 2 Without Approval in Connection With the General Plan for the Community. All of Phase 2 of the Community may be annexed to and become subject to this Declaration and subject to the jurisdiction of the Association without the approval, assent or vote of the members of the Association, provided that a Supplemental Declaration covering Phase 2 shall be executed and recorded by Declarant. No annexation without member approval and no recordation of any Supplemental Declaration shall be made after the third anniversary of the recordation of this Declaration. The recordation of a Supplemental Declaration for Phase 2 shall constitute and effect the annexation of Phase 2, making said real property and the component parts thereof subject to this Declaration and subject to the functions, powers and jurisdiction of the Association. Thereafter, said annexed real property shall be part of the Community, and all of the owners of units in said annexed real property shall automatically be members of the Association. Rights to operate, maintain and oversee the Common Area in Phase 2 shall accrue to the Association upon the recordation of a Supplemental Declaration. Declarant in such Supplemental Declaration shall expressly reserve for the benefit of Phase 2 and all real property then subject to this Declaration,

reciprocal easements of use, enjoyment, access, ingress and egress over the Common Area in Phase 2 by the owners of the Covered Property, and over the Common Area in the Covered Property by the owners in Phase 2. Such easements may be used by Declarant and all members of the Association and all owners of lots or units in the Community, their guests, tenants and invitees, for walkways, vehicular ingress, egress and access, and such other purposes reasonably necessary to the use and enjoyment of the Common Area of all of the Community. The Supplemental Declaration may contain such complementary additions, amendments and modifications to this Declaration as may be necessary to reflect the different character of Phase 2. Upon the annexation of Phase 2, both Phase 1 and Phase 2 shall be treated as if they were originally part of the overall community. Assessments from either phase which become part of the general fund for common expenses may be used by the Association, in its sole discretion, for common expenses incurred anywhere in the Community.

16.1.2 Annexation Pursuant to Approval. Upon approval in writing of the Association pursuant to a two-thirds majority of the voting power of the members (and the concurrence, in writing, of two-thirds of the holders of first mortgages, based on one vote for each first mortgage on each lot or unit), any real property may be brought within the general plan and scheme of the Community by the recordation of an additional Supplemental Declaration. The certificate of the president and the secretary of the Association attach to any such recorded Supplemental Declaration certifying that the required two-thirds majority has approved the recordation of such Supplemental Declaration shall be deemed conclusive proof thereof. The Board shall exercise the powers, duties and responsibilities conferred hereunder over any annexed phase as it did for the first real property subject to this Declaration.

Section 16.2 De-Annexation. All or any portion of the real property covered by this Declaration may be deleted from this Declaration and from the jurisdiction of the Association, providing that:

16.2.1 The notice of de-annexation of territory is recorded in the same manner as a supplemental declaration would be required to be recorded.

16.2.2 No Association vote has occurred with respect to any portion of the real property to be deleted.

16.2.3 Assessments have not yet commenced with respect to any portion of the real property to be deleted.

16.2.4 The Association has not yet made any expenditures or incurred any obligations with respect to any portion of the real property to be deleted.

A certificate executed by the president and secretary of the Association attesting to the foregoing shall be conclusive evidence thereof.

ARTICLE 17

MISCELLANEOUS PROVISIONS

Section 17.1 Notice. Any communication or notice of any kind permitted or required herein may be delivered as provided in this Declaration and shall be in writing and may be served, as an alternative to personal service, by mailing same as follows:

If to an owner:	To the post office box or street address of his lot or at such other address as said owner may from time to time designate in writing to the Association.
If to the Association:	To Mt Baldy Homeowners Association at the street address or post office box which it maintains.

Section 17.2 Interpretation. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a system for the use, operation and maintenance of the Community. In case any term, covenant, provision, phrase, section or other element contained in any management document for any reason is held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect, alter, modify or impair in any manner whatsoever any other term, covenant, provision, phrase, section or other element contained in the management documents, the provisions of which shall be carried out as if such invalid, illegal or unenforceable provisions were not contained therein. In the event of a conflict between this Declaration and the Articles, Bylaws, and/or the rules and regulations, this Declaration shall control. Whenever the context so requires, the singular number includes the plural, the plural includes the singular, the masculine gender includes the feminine gender and/or neuter and the neuter gender includes the masculine and/or feminine.

Section 17.3 Successors and Assigns. This Declaration shall inure to the benefit of and be binding upon all owners of all lots covered hereby, and on their heirs, personal representatives, grantees, lessees, successors and assigns.

Section 17.4 Mechanic's Liens and Other Litigation. In the event that a lawsuit is brought against all or substantially all of the members within the Community which will or could result in any lien or encumbrance being levied against the Common Area, the Association shall defend such lawsuit and the costs of such defense

shall be a special assessment against all affected members; provided, however, in the event that an insurance carrier is obligated to provide such defense under a policy of insurance carried by the Association, the Association shall be relieved of the obligation to provide such defense. Nothing contained herein shall in any way limit the rights of any member or members to retain counsel of their choice to represent them in such lawsuit at their own expense. In the event that a member so chooses, he shall not be relieved of liability for the special assessment provided for in this paragraph.

In the event that a lien or encumbrance not covered by California Civil Code section 1366 or 1369 attaches to all or substantially all of the Common Area by reason of a judgment or otherwise, the Association shall promptly take appropriate steps to remove such lien, including but not limited to the payment of money or the posting of a bond. The Association may have the power to borrow money and to take such other steps as are necessary to free the Common Area of such liens. Simultaneously therewith, the Association may levy a special assessment against all of the members whose lots were subject to the lien or encumbrance equal to each such member's pro rata share of such lien or encumbrance. In the event that such Special Assessment is not paid within thirty (30) days of its due date, the Board may effect the remedies provided for herein relating to nonpayment of assessments.

In the event that it shall be found by a court of competent jurisdiction that a judgment resulting in a lien on all or a portion of the Common Area was primarily due to the acts or omissions of a particular member or members or the families thereof, such member or members shall reimburse the Association for all expenses incurred by it pursuant to the provisions of this paragraph. Upon such reimbursement, the Association shall distribute the funds received to the members against whom Special Assessments were levied pursuant to the provisions hereof.

IN WITNESS WHEREOF, the undersigned, constituting all of the owners of real property in the Community covered by this Declaration, have executed this Declaration to be effective the day and year first hereinabove written.

MT. BALDY HOMEOWNERS ASSN.

By:

(Name)

(Title)

KRESS PANDZIC

By:

(Name)

(Title)

HEATHER HILDEBRANDT

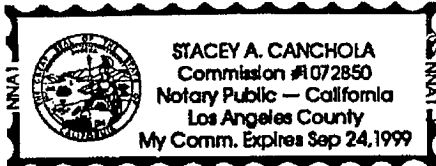
CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA

COUNTY OF SAN BERNARDINO

On 11/08, 1995 before me, Stacey A Canchola, personally appeared, Kress Pandzic
Heather Hildebrandt

☐ personally known to me - OR - ☒ proved to me on the basis of satisfactory evidence to be the person(s) whose names(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

(SIGNATURE OF NOTARY)

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

- ☐ INDIVIDUAL
☐ CORPORATE OFFICER

TITLE(S)

- ☐ PARTNER(S) ☐ LIMITED
☐ GENERAL
☐ ATTORNEY-IN-FACT
☐ TRUSTEE(S)
☐ GUARDIAN/CONSERVATOR

☐ OTHER: _____

DESCRIPTION OF ATTACHED DOCUMENT

TITLE OR TYPE OF DOCUMENT

NUMBER OF PAGES

DATE OF DOCUMENT

SIGNER IS REPRESENTING:
 (NAME OF PERSON(S) OR ENTITY(IES))

SIGNER(S) OTHER THAN NAMED ABOVE

EXHIBIT "A"

Legal Description -- Common Area

Covered Property

Lot "A", through and including Lot "Y," of Tract No. 13072, as per plat recorded in Book 259, pages 36 THRU 41, official records of San Bernardino County, California.

EXHIBIT "B"

Legal Description -- Residential Lots

Lots 1 through 23, 26 through 42, 44 through 53, and 55 through 90, inclusive, of Tract No. 13072, as per plat recorded in Book 259, pages 36 THRU 41, official records of San Bernardino County, California.

Legal Description -- Nonresidential Lots

Lots 24, 25, 43 and 54, inclusive, of Tract No. 13072, as per plat recorded in Book 259, pages 36 THRU 41, official records of San Bernardino County, California.

EXHIBIT "C"

(Phase 2)

Legal Description

Lot 1 of Tract No. 47547, as per plat recorded in Book 1214 of Maps, pages 87 through 89, inclusive, official records of the County Recorder of Los Angeles County, California.