

**DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
LAKE FOREST -- WATERFORD**

TABLE OF CONTENTS

RECITALS		1
ARTICLE I	Definitions	2
Section 1.01.	"Architectural Review Committee" or "Committee"	2
Section 1.02.	"Articles"	2
Section 1.03.	"Assessment"	2
Section 1.04.	The "Association"	3
Section 1.05.	"Association Rules"	3
Section 1.06.	"Board"	3
Section 1.07.	"Bylaws"	3
Section 1.08.	"Common Areas"	3
Section 1.09.	"Common Expense"	3
Section 1.10.	"Declarant"	3
Section 1.11.	"Development Agreement"	3
Section 1.12.	"Downslope Lot"	4
Section 1.13.	"FNMA"	4
Section 1.14.	"Governing Documents"	4
Section 1.15.	The "Lake Forest Owners Association"	4
Section 1.16.	"Landscape CC&Rs"	4
Section 1.17.	A "Lot"	4
Section 1.18.	The "Maintenance Enforcement Agreement" means	4
Section 1.19.	"Member"	4
Section 1.20.	A "Mortgage"	4
Section 1.21.	The "Owner"	4
Section 1.22.	"Properties"	5
Section 1.23.	"Residence"	5
Section 1.24.	"Scenic Corridor"	5
Section 1.25.	"Subdivision Map"	5
Section 1.26.	An "Upslope Lot"	5
ARTICLE II	Property Rights	5
Section 2.01.	Owners' Easements of Enjoyment	5

Section 2.02.	Provisions Relating to the Lake Forest Owners Association and the Landscape CC&Rs	6
Section 2.03.	Lift Station	7
Section 2.04.	Leasing of Residences and Delegation of Rights of Use and Enjoyment	8
Section 2.05.	Obligations of Owners	9
ARTICLE III	The Lake Forest -- Waterford Owners' Association	11
Section 3.01.	Association Membership	11
Section 3.02.	One Class of Membership	11
Section 3.03.	Voting Rights of Members	11
Section 3.04.	Assessments	11
Section 3.05.	Transfer of Memberships	11
Section 3.06.	Powers and Authority of the Association	12
Section 3.07.	Association Rules	13
Section 3.08.	Breach of Rules or Restrictions	14
Section 3.09.	Limitation on Liability of the Association's Directors and Officers	14
ARTICLE IV	Association Assessments	15
Section 4.01.	Agreement to Pay	15
Section 4.02.	Personal Obligations	16
Section 4.03.	Purpose of Assessments	16
Section 4.04.	Regular Assessments	16
Section 4.05.	Special Assessments	18
Section 4.06.	Special Individual Assessments	19
Section 4.07.	Assessments to Address Emergency Situations	20
Section 4.08.	Notice and Procedure for Assessments Requiring Member Approval Pursuant to Sections 4.04 and 4.05 . .	21
Section 4.09.	Maintenance of Assessment Funds	21
Section 4.10.	Estoppel Certificate	23
Section 4.11.	Collection of Assessments; Enforcement of Liens	23
Section 4.12.	Transfer of Lot by Sale or Foreclosure	26
Section 4.13.	Priorities	26
ARTICLE V	Architectural Control	27
Section 5.01.	Composition of Committee	27
Section 5.02.	Approval Required	27
Section 5.03.	Approval Procedure	27
Section 5.04.	Architectural Rules	28

Section 5.05.	Compensation	28
Section 5.06.	Inspection and Enforcement	29
Section 5.07.	New Construction	29
Section 5.08.	Licensed Contractors	30
Section 5.09.	Landscaping Requirement	30
Section 5.10.	Drainage and Erosion Control	30
Section 5.11.	Variances	30
Section 5.12.	Liability of Committee Members	31
Section 5.13.	Enforcement by Committee and Board	31
ARTICLE VI	Minimum Construction Standards	31
Section 6.01.	Approval by the Architectural Review Committee	31
Section 6.02.	Single Family Residence	32
Section 6.03.	Minimum Square Footage Requirements	32
Section 6.04.	Height of Residences	32
Section 6.05.	Garage Requirements	32
Section 6.06.	No Temporary Buildings or Other Structures	32
Section 6.07.	Storage and Service Areas; Permanent Structures	32
Section 6.08.	Driveways	33
Section 6.09.	Solar Heating and Air Conditioning Systems	33
Section 6.10.	Siding Materials and Exterior Colors and Finishes	33
Section 6.11.	Restrictions on Owners' Landscaping	33
Section 6.12.	Fences	33
Section 6.13.	Set Back Lines	34
Section 6.14.	Cross Visibility of Vehicular Traffic	35
Section 6.15.	Slope Control	35
Section 6.16.	Telephone and Electrical Service Lines	35
Section 6.17.	Prohibition on A-Frame and Geodesic Dome Structures	35
Section 6.18.	Roofing Materials and Design	35
Section 6.19.	Antennae and Other Exterior Fixtures	36
Section 6.20.	Exterior Lights	36
ARTICLE VII	Allocation of Maintenance and Repair Obligations	
	Among the Association and the Owners	36
Section 7.01.	Operation and Maintenance	36
Section 7.02.	Owners' Maintenance Obligations	38
Section 7.03.	Association Recovery of Costs of Certain Repairs and Maintenance	38
Section 7.04.	Cooperative Maintenance Obligations	38

ARTICLE VIII	Use Restrictions	39
Section 8.01.	Residential Use	39
Section 8.02.	Offensive Activities; Nuisances	39
Section 8.03.	Parking; Vehicles	39
Section 8.04.	Signs	40
Section 8.05.	Household Pets	40
Section 8.06.	Trash	41
Section 8.07.	Outside Drying and Laundering	41
Section 8.08.	Compliance with Laws; Insurance Considerations	42
Section 8.09.	Interference with Access	42
Section 8.10.	No Further Subdivision; Lot Combinations	42
Section 8.11.	Indemnification	42
ARTICLE IX	Association Insurance Obligations	43
Section 9.01.	Association Insurance Obligations	43
Section 9.02.	Insurance to Be Maintained by Owners	45
Section 9.03.	Annual Review of Association Insurance and Disclosure to Members	45
Section 9.04.	Board's Authority to Revise Insurance Coverage	46
ARTICLE X	Damage or Destruction of Property	46
Section 10.01.	Replacement or Repair	46
Section 10.02.	Trustee	46
Section 10.03.	Damage or Destruction of Residences	46
ARTICLE XI	Easements Affecting the Development	47
Section 11.01.	Association Easements for Maintenance and Repair	47
Section 11.02.	Utility Maintenance and Repair Easements	47
Section 11.03.	Easements for Certain Encroachments	48
Section 11.04.	Open Space Easement and Drainage Swale	48
ARTICLE XII	Protection of Mortgagees	49
Section 12.01.	Mortgage Permitted	49
Section 12.02.	Priority of Mortgages	49
Section 12.03.	Curing Defaults	49
Section 12.04.	Resale	49
Section 12.05.	Relationship with Assessment Liens	49
Section 12.06.	Special Provisions for Eligible Mortgage Holders	50
Section 12.07.	Changes Requiring Additional First Mortgagee Approval	52
Section 12.08.	Notice to First Mortgagees Upon Request	53

Section 12.09.	Rights to Inspect, Receive Statements, Attend Meetings . .	53
Section 12.10.	Right of First Refusal	54
Section 12.11.	Mortgagees' Right to Cure Defaults	54
Section 12.12.	Conflicts	54
Section 12.13.	Distribution Rights	54
ARTICLE XIII	Condemnation	55
Section 13.01.	Common Area	55
Section 13.02.	Lots	55
ARTICLE XIV	Breach and Default	56
Section 14.01.	Remedy at Law Inadequate	56
Section 14.02.	Nuisance	56
Section 14.03.	Attorneys' Fees	56
Section 14.04.	Cumulative Remedies	56
Section 14.05.	Failure Not a Waiver	57
Section 14.06.	Rights and Remedies of the Association	57
Section 14.07.	Court Actions	59
Section 14.08.	Enforcement Rights of the El Dorado Hills Community Services District	60
ARTICLE XV	Miscellaneous Provisions	60
Section 15.01.	Severability	60
Section 15.02.	Consent of County to Modification	60
Section 15.03.	Term	60
Section 15.04.	Amendment	61
Section 15.05.	Mergers and Consolidations	61
Section 15.06.	Financing Improvement of the Common Area	61
ARTICLE XVI	List of Exhibits	62
Section 16.01.	Construction	62

**DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
LAKE FOREST—WATERFORD**

The Declaration of Covenants, Conditions and Restrictions of Lake Forest -- Waterford executed by Southfork Partnership, a California general partnership ("Declarant"), and Recorded on March 17, 1988 as Instrument No. 13194 of the Official Records of El Dorado County, California, incorporating those certain documents Recorded in the Official Records of El Dorado County July 11, 1988 in Book 2976, Page 368; November 29, 1988 in Book 3053, Page 302; July 28, 1989 in Book 3175, Page 140; August 11, 1989 in Book 3183, at Page 628; October 1, 1993, in Book 4117, Pages 136 and 137; April 14, 1989 in Book 3117, Page 683; July 25, 1989 in Book 3172, Page 319, December 4, 1989 in Book 3252, Page 704, and June 1, 1990 in Book 3362, Page 58, and as amended or subject to additional annexation ("Original Declaration"), which affects all of the Properties described and commonly known as Lake Forest -- Waterford, is hereby amended and restated in its entirety to read as follows:

RECITALS

A. Declarant was the original owner of that certain real property (the "Properties") located in the County of El Dorado, State of California, which is more particularly described in the Original Declaration and incorporated herein by reference.

B. Declarant conveyed the Properties, subject to certain easements, protective covenants, conditions, restrictions, reservations, liens and charges as set forth in the Original Declaration referred to above, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of Properties and all of which shall run with the Properties and be binding on all parties having or acquiring any right, title or interest in the Properties, or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each Owner thereof.

C. It was the further intention of the Declarant to sell and convey residential Lots to the Owners, subject to the protective covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges and equitable servitudes between Declarant and such Owners which are set forth in this Declaration and which are intended to be in furtherance of a general plan for the

subdivision, development, sale and use of the Properties as a "planned development" as that term is defined in California Civil Code section 1351(k) for the subdivision, improvement, protection, maintenance and sale of Lots within the Lake Forest -- Waterford common interest development, all of which are agreed and declared to be for the purpose of enhancing, maintaining, and protecting the value and attractiveness of the Lake Forest -- Waterford development. Finally, it was the intention of Declarant that the "Common Areas" and "Common Facilities" be owned and maintained by the Lake Forest -- Waterford Owners Association, but reserved exclusively for the use and enjoyment of the Members, their tenants, lessees, guests and invitees, all subject to the terms and conditions of this Declaration and the other Governing Documents.

D. On MAY 17, 1999, the Owners of Lots representing more than 51 percent of the voting power of the Members of the Association voted by written ballot to amend and restate the Original Declaration, all in accordance with the procedures for amendment set forth in the Original Declaration. It was the intention of the Owners to amend and restate the Original Declaration, in its entirety, with the Recordation of this Declaration. The Owners' action to amend and restate the Original Declaration as set forth herein and the fact that the requisite percentage of affirmative votes required in the Original Declaration was achieved, is attested by the execution of this First Restated Declaration by duly authorized officers of the Association, as required by California Civil Code section 1355(a). As so amended and restated, the easements, covenants, restrictions and conditions set forth herein shall run with the Properties and shall be binding upon all parties having or acquiring any right, title or interest in the Properties or any portion thereof, and shall inure to the benefit of each Owner thereof.

ARTICLE I Definitions

Section 1.01. "Architectural Review Committee" or "Committee" means the Committee created in accordance with Section 5.01, below.

Section 1.02. "Articles" means the Articles of Incorporation of the Association, which are filed in the Office of the California Secretary of State, as such Articles may be amended from time to time.

Section 1.03. "Assessment" means any Regular, Special or Special Individual Assessment made or assessed by the Association against an Owner and his or her Lot in accordance with the provisions of Article IV, below.

Section 1.04. The "Association" shall mean and refer to Lake Forest -- Waterford Owners Association, a California nonprofit mutual benefit corporation.

Section 1.05. "Association Rules" means the rules, regulations and policies adopted by the Board of Directors pursuant to Section 3.07, below, as the same may be in effect from time to time. The Architectural Rules also form a part of the Association Rules (see Section 5.04, below).

Section 1.06. "Board" means the Board of Directors of the Association.

Section 1.07. "Bylaws" mean the Association's Bylaws and any amendments thereto.

Section 1.08. "Common Areas" means and refers to all that portion of the property owned or maintained by the Association for the use and enjoyment of the Owners.

Section 1.09. "Common Expense" means any use of Association funds authorized by Article IV, below, and Article IX of the Bylaws and includes, without limitation: (a) All expenses or charges incurred by or on behalf of the Association for the management, maintenance, administration, insurance, operation, repairs, additions, alterations or reconstruction of the Common Area or Common Facilities; (b) all expenses or charges reasonably incurred to procure insurance for the protection of the Association and its Board of Directors; (c) any amounts reasonably necessary for reserves for maintenance, repair and replacement of the Common Areas and Common Facilities, and for nonpayment of any Assessments; and (d) the use of such funds to defray the costs and expenses incurred by the Association in the performance of its functions or in the proper discharge of the responsibilities of the Board as provided in the Governing Documents.

Section 1.10. "Declarant" means the original developer of the Properties, namely Southfork Partnership, a California general partnership.

Section 1.11. "Development Agreement" shall mean the Development Agreement by and between the County of El Dorado and Southfork Partnership relative to the development known as Lake Forest, adopted by the County of El Dorado on June 30, 1987, and recorded on October 16, 1987, in Book 2841, Page 534, of Official Records of the County of El Dorado as such Development Agreement presently reads and as it may be modified or amended from time to time.

Section 1.12. "Downslope Lot" shall mean and refer to a Lot in which there is a decrease in elevation between the lowest point on the centerline of any road serving the Lot and the center point of that Lot.

Section 1.13. "FNMA" shall mean and refer to the Federal National Mortgage Association.

Section 1.14. "Governing Documents" is a collective term that means and refers to this Declaration and to the Articles, the Bylaws and the Association Rules.

Section 1.15. The "Lake Forest Owners Association" shall mean the owners association established by the Landscape CC&Rs as hereafter defined.

Section 1.16. "Landscape CC&Rs" shall mean and refer to the Master Declaration of Covenants, Conditions and Restrictions for Lake Forest recorded on March 17, 1988, in Book 2913, Page 98, of Official Records of El Dorado County.

Section 1.17. A "Lot" shall mean and refer to any of the separate plots of land shown upon any recorded subdivision map of the Properties with the exception of the Common Area.

Section 1.18. The "Maintenance Enforcement Agreement" means the agreement between the El Dorado Hills Community Services District and the Declarant, regarding enforcement of certain landscape maintenance obligations of declarant and its successors, recorded on November 24, 1987, in Book 2862, Page 386, of the Official Records of the County of El Dorado.

Section 1.19. "Member" means any person holding a membership in the Association.

Section 1.20. A "Mortgage" means a mortgage or deed of trust encumbering a Lot or other portion of the development. A "mortgagee" and "mortgage holder" shall include the beneficiary under a deed of trust. An "institutional mortgagee" or "institutional holder" is a mortgagee that is a bank or savings and loan association, or established mortgage company or other entity chartered under federal or state laws, any corporation or insurance company, or any federal or state agency, and that holds a first mortgage on any Lot or on the Common Area.

Section 1.21. The "Owner" means and refers to the record owner, whether one or more person or entity, of a fee simple title to any Lot which is part of the properties.

If the Lot is subject to a recorded Land Installment Sale Contract, "Owners" shall mean and refer to the contract vendee. "Owner" shall not include those having any such interest merely as security for the performance of an obligation.

Section 1.22. "Properties" means all the property constituting the Lake Forest -- Waterford common interest development, as more particularly described in the Original Declaration.

Section 1.23. "Residence" means the improvements constructed on an individual Lot.

Section 1.24. "Scenic Corridor" refers to the medians and setback along Francisco Drive shown as Lots A, B and C on the Subdivision Map which the Lake Forest Owners Association owns and is obligated to maintain in accordance with the Landscape CC&Rs.

Section 1.25. "Subdivision Map" means the final subdivision map filed with El Dorado County for any phase of the Lake Forest -- Waterford common interest development.

Section 1.26. An "Upslope Lot" shall mean and refer to a Lot in which there is an increase in elevation between the highest point on the centerline of any road serving the Lot and the center point of that Lot.

ARTICLE II Property Rights

Section 2.01. Owners' Easements of Enjoyment. In connection with the development of the Properties, the Declarant conveyed all Common Area parcels to the Association by grant deed. Every Owner shall have a right and nonexclusive easement of enjoyment in and to the Common Area, if any, in all phases of the development including ingress and egress to and from his or her Lot, which shall be appurtenant to and shall pass with the title to every Lot. The Owner's property rights are subject to the following provisions:

(a) The right of the Association to limit the number of guests, and to adopt association rules and regulations ("Association rules") regulating the use and enjoyment of the Common Area, if any, including reasonable rules and regulations regarding parking privileges and the use of the recreational facilities situated on the Common Area, if any.

