

ARTICLE 4
HOMEOWNERS' ASSOCIATION
A CALIFORNIA NONPROFIT CORPORATION

Section 4.1. Formation, Membership and Voting Rights. Declarant has, at its cost and expense formed an incorporated association known as "Bella Vista at Promontory Pointe Condominium Homeowners' Association", a California nonprofit mutual benefit corporation, which has the powers, rights and duties hereinafter set forth:

4.1.1 There shall be one membership in the Association for each Unit owned in the Project, which membership shall be appurtenant to the Condominium.

4.1.2 All of such memberships shall initially be the property of Declarant or its successors in interest, and shall pass automatically to the respective purchasers of Condominiums in the Project.

4.1.3 Each Member shall be obligated promptly, fully and faithfully to comply with the provisions of this Declaration, and the Bylaws of the Association, and any Rules and Regulations from time to time which may be prescribed by its officers or directors.

4.1.4 The Association shall have two (2) classes of voting membership as follows:

Class A. Class A Members shall be all Owners, with the exception of the Declarant, and shall be entitled to one (1) vote for each Condominium owned. When more than one person holds an interest in any Condominium, all such persons shall be Members. The vote for such Condominium shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Condominium.

Class B. The Class B Member shall be Declarant, and shall be entitled to two (2) votes for each Condominium owned in the Project upon which Declarant is then paying the appropriate monthly assessments provided for hereinbelow. The Class B membership shall cease and be converted to Class A membership upon the happening of the earliest of the following to occur:

(a) Two (2) years from the date of the first conveyance of a subdivision interest in the most recent Phase of the overall development; or

(b) Four (4) years from the date of the first conveyance of a subdivision interest in the first Phase of the overall development.

The Class B Member shall have the right to elect the initial members of the Board of Directors of the Association, provided that during the initial terms of the Board members elected by the Class B Member, the Class B Member shall be entitled to replace any member of the Board initially elected by Declarant using its Class B membership upon the death, resignation or

removal of any such Board member. The Class B member shall have the right to elect a majority of the Board members who shall serve the longest terms, as prescribed by the Bylaws.

4.1.5 Any provision in this Declaration, the Articles, Bylaws and Rules and Regulations of the Association calling for membership approval of action to be taken by the Association, except provisions with respect to the action to enforce the obligations of the Declarant under any completion bond as set forth in Section 11.4, shall expressly require the vote or written assent of the prescribed percentage of each class of membership during the time that there are two outstanding classes of membership. With the exception of Section 11.4 with respect to the action to enforce the obligations of the Declarant or under any completion bond, any requirement elsewhere in the Articles of Incorporation and Bylaws of the Association, and Declaration, that the vote of the Declarant shall be excluded in any determination, shall be applicable only if there has been a conversion of Class B Members to Class A Members, and the same shall be read as requiring the vote of the prescribed percentage of the Class A Members and the vote of the prescribed percentage of the Class A Members other than the Declarant.

4.1.6 The voting rights attributed to any given Condominium in the Project as provided for herein, shall not vest until the assessments provided for hereinbelow have been levied by the Association as against said Condominium.

4.1.7 The Association membership held by any Owner shall not be transferred, pledged, or alienated in any way, except upon the sale or encumbrance of such Condominium. In the event of such sale or encumbrance, the Association membership may only be transferred, pledged or alienated to a bona fide purchaser of the Condominium, or to the Mortgagee (or third-party purchaser) of such Condominium upon a foreclosure sale. Any attempt to make a prohibited transfer is void, and will not be reflected upon the books and records of the Association.

4.1.8 Membership is not intended to apply to those persons or entities who hold an encumbrance or an interest as security for the performance of an obligation to pay money, including, without limitation, any Mortgagee.

4.1.9 The purpose of the Association is to further and promote the common interest and welfare of its Members, and to operate, preserve and maintain the Project.