

WALNUT CREEK MUTUAL 70 - RULES REGARDING ENFORCEMENT OF GOVERNING DOCUMENTS

This Policy does not apply to delinquent assessments, which shall be governed by the provisions of the Mutual's Governing Documents and such policies relating to delinquent assessments as the Board has adopted or may adopt.

1. First Offense: A notice of violation will be mailed to the Owner(s) of the non-complying Lot describing the violation and, if the violation is continuing, requesting that the violation be corrected within a specified time. If the violation is not corrected within the time specified in the notice, a second notice of violation will be sent to the Owner with a final time limit for correction. Owners who fail to correct a violation within the time period set forth in the second notice shall be subject to the provisions of Section 4 below.

2. Ongoing Violation: Any violation that is not corrected within the deadline set forth in the Mutual's notice to the Owner as described above will be considered an ongoing violation.

3. Repeat Offenses: If, within a twelve (12) month period following the Mutual's determination and notice of a first offense, the same Owner(s) are determined by the Mutual to be in violation of the same provision of the Mutual's governing documents, the Mutual has the right and ability to treat the violation as a continuation of the previous violation (hereinafter "repeat offense").

4. Obtaining Owner Compliance:

(a) Hearings: Pursuant to Civil Code Section 1363(h) and Section 12.6(f) of the Mutual's CC&Rs, no discipline involving suspension of Ownership rights and/or a monetary penalty may be imposed against an Owner until the Owner has been given an opportunity to appear and be heard at a meeting of the Board concerning the proposed discipline. The following procedure shall be followed in conducting the hearing:

(i) Notice: The Board shall notify the Owner at least 10 days prior to the meeting at which disciplinary action will be considered. The notice to the Owner shall include the date, time and place of the meeting, the nature of the alleged violation for which discipline is being considered, a description of the type of sanctions which will be considered and a statement that the Owner may attend and has a right to address the Board at the meeting.

(ii) Hearing: If requested by the Owner being disciplined, the Board shall conduct the meeting in executive session, and the Owner shall be entitled to attend the executive session. Owner and/or owner's counsel shall be permitted to speak to the Board at the hearing. Other witnesses having relevant information may also speak at the

hearing. If the owner or owner's representative fails to appear at the hearing, the hearing may proceed and a final decision may be reached by the Board based on the testimony and documents presented.

(iii) Notice of Decision: If the Board imposes discipline on the Owner, the Board shall provide a written notification of the disciplinary action by either personal delivery or first-class mail to the Owner within 15 days following the Board's decision.

(b) Sanctions for violations

(i) Loss of Ownership Rights: The Board may suspend an Owner's voting rights or the right to use the Common Facilities for any Ongoing Violation or Repeat Offense.

(ii) Monetary Penalties: The responsible Owner(s) may be fined for each day (or part of a day) that an Ongoing Violation or Repeat Offense is not corrected. If a fine is imposed by the Mutual, the amount of the fine shall be in accordance with the schedule of monetary penalties shown in Section 5.4 of the operating Rules.

(iii) Referral to Counsel: The Mutual may, in the Board's discretion, refer Ongoing Violations or Repeat Offenses to the Mutual's legal counsel for further handling. Legal counsel's response may include further warning letters and/or commencement of a lawsuit for money damages and/or injunctive relief and/or declaratory relief.

(iv) Correction by Mutual: The Mutual, using its own contractor, may enter upon the owner's separate interest after appropriate notice pursuant to Section 4.6(b)(3) of the [CC&Rs/Bylaws] and correct any violation.

(v) Reimbursement of Costs: In addition to any monetary penalty imposed after the hearing procedure required by subpart (a) above, the Mutual has the right to recover from the responsible Owner(s) the costs incurred by the Mutual in gaining the Owner's compliance with the Governing Documents, including the cost of the Mutual's legal counsel and the cost of any contractor employed pursuant to subsection (iv) above.

5. Violations by Tenants: If an Owner's tenant is responsible for the Ongoing Violation and/or Repeat Offense, that tenant shall have the following rights: (a) the right to receive copies of correspondence from the Mutual concerning the violation(s); and (b) the right to attend any hearing on the violation(s). However, the Lot Owner(s) shall remain primarily responsible for correcting any violation of the Governing Documents and may be disciplined for failing to do so, even if such violations resulted from the action or inaction of his or her tenants.

6. "Meet and Confer" Procedure: At the written request of an Owner, the Board or a representative of the Board shall meet informally with the Owner to discuss any dispute regarding an alleged violation of the governing documents. This process of informal dispute resolution shall be conducted in accordance with Civil Code Section 1363.850 or any policy of Internal Dispute Resolution adopted by the Board which is not inconsistent with Civil Code Section 1363.850. This "Meet and Confer" process may, at the discretion of the Board, be conducted concurrently with the disciplinary hearing described in Subpart

(a) above or as a separate event.

7. Alternative Dispute Resolution: In compliance with Civil Code Sections 1369.510 - 1369.590, the Mutual and non-complying Owner(s) may agree to submit any alleged violation/enforcement matter to Alternative Dispute Resolution ("ADR") consisting of either mediation or arbitration. The parties to the ADR shall equally share any costs of the ADR unless costs for the ADR are allocated in some other manner pursuant to a written agreement signed by all parties to the ADR. Any arbitration award may include an award of costs (including the costs of the arbitration) and attorney's fees to the prevailing party.

8. Reimbursement Assessments and Collection Actions: The Board, after notice and hearing as required under subsection 4(a) above, may levy a Special Individual Assessment pursuant to Article V, Section 5.4(a) of the CC&Rs against an Owner and such Owner's separate interest to recover costs incurred by the Mutual in obtaining such Owner's compliance with the Governing Documents, including attorney's fees and costs of repair, replacement, cleanup and enforcement. However, the Special Individual Assessment shall not include any monetary penalty imposed pursuant to subsection 4(b)(ii) above. If the Owner(s) fail to timely pay the Reimbursement Assessment, the Mutual may proceed with collection of the unpaid Reimbursement Assessment in accordance with the Mutual's delinquent assessment collection policy and California law including the initiation of foreclosure proceedings. Monetary penalties (fines) may be collected by a small claims court action or any other means permitted by California law.

9. Architectural Violations: If an Owner fails to correct any architectural violation(s) with the time specified by the Mutual, the Mutual may, in its discretion, correct the architectural violation and assess the Owner of the Lot with the costs of correcting the architectural violation.

10. General Intent of Mutual's Disciplinary Rules and Procedures: It is the general intent of the Mutual that any and all fines and/or other penalties imposed on Owners be reasonable in relation to the particular offense, yet sufficient to act as a deterrent. It is reasonable for the severity of the penalty and/or the amount of the fine to increase for repeat offenses by the same Owner (or Tenant). In no case shall the Board impose a fine or penalty for any specified offense or violation that is greater than the fine or penalty set forth in the Mutual's schedule of monetary penalties. All fines or other discipline shall be in addition to any costs, attorney's fees and/or other expenses that the Mutual is otherwise entitled to recover from the Owner as a result of the Owner's (or Tenant's) violation/actions. However, the Board may, in its discretion, waive and/or suspend the imposition of any fine, penalty, recoverable costs, attorney's fees, or other expenses (or any part thereof) as the Board determines is appropriate.