

ARTICLES OF ASSOCIATION
OF
HIDDEN VALLEY HOMEOWNERS' ASSOCIATION

KNOWN ALL MEN BY THESE PRESENTS THAT:

The undersigned do hereby form and constitute the Hidden Valley Homeowners' Association, an unincorporated, nonprofit association organized subject to the provisions of Title 3 Part 1 (§§ 21000, et seq.) of the California Corporations Code with the powers and for the purposes hereinafter set forth. Said Association is organized for the benefit of its members.

I

DEFINITIONS

As used herein the following terms shall have the following meanings:

Section 1. "Association" means Hidden Valley Homeowners' Association, a nonprofit, unincorporated association, its successors and assigns.

Section 2. "Architectural control committee" or "committee" means the architectural control committee established in Article VI, Section 1 of the Declaration of Covenants, Conditions and Restrictions of Hidden Valley Subdivision, its successors and assigns.

Section 3. "Subdivision" means all of the property described in that certain final subdivision map of the Hidden Valley subdivision recorded March 6, 1984 in Book 8 of Maps, Page 99, Official Records of San Benito county.

Section 4. "Subdivision map" means the final subdivision map hereinabove referred to.

Section 5. "Lot" means any of the numbered and dimensioned residential lots or parcels shown on the subdivision map.

Section 6. "Owner" or "lot owner" means the holder or holders of record fee title to any lot, including contract sellers, but excluding those having such title merely as security for the performance of an obligation.

Section 7. "Open space area" means the real property so designated on the subdivision map.

Section 8. “Recreational area” means the real property so designated on the subdivision map.

Section 9. “Equestrian trail” means the real property so designated on the subdivision map.

Section 10. “Roads” means all roads within the subdivision as shown on the subdivision map.

Section 11. “Common area” means the open space area, the recreational area, the equestrian trails and the roads.

Section 12. “Member” means a member of the Association as hereinafter defined and provided.

Section 13. “Covenants” means the Declaration of Covenants, Conditions and Restriction of Hidden Valley Subdivision.

Section 14. “Subdivider” means Hidden Valley Partnership, which is now the record owner of the subdivision.

Section 15. “Declarant” means Hidden Valley Partnership, the present owner of the subdivision.

II

PURPOSES

Section 2.01. Specific Purposes. The specific and primary purposes for which the Association is organized are:

- (a) To own, manage, preserve, maintain and improve all open space areas and recreational areas;
- (b) To maintain and improve the roads and equestrian trails; and
- (c) To regulate the use of the common areas by members, their families, guests, servants and invitees.

Section 2.02. General Purposes. The general purposes for which the Association is organized are:

(a) To exercise all of the powers and privileges and perform all of the duties and obligations of the Association as set forth in the Covenants;

(b) To fix, levy, collect and enforce payment by any lawful means of all charges or assessments affecting the subdivision pursuant to the terms of the Covenants; to pay all office and other expenses incident to the conduct of the business of the Association and all licenses, franchise taxes, and governmental charges levied or imposed against the property of the Association;

(c) To acquire by gift, purchase or otherwise real or personal property in connection with the affairs of the Association, to own, hold, enjoy, lease, operate and maintain its property and to convey, sell, lease, transfer, mortgage or otherwise encumber, dedicate, for public use or otherwise dispose of its property, subject to the conditions herein provided;

(d) To borrow money, and only with the assent (by vote or written consent) of two-thirds of the members, other than the subdivider, entitled to vote, mortgage, pledge, deed of trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, or levy special assessments to defray the costs of any action or undertaking on behalf of the Association which in the aggregate exceed 5% of the budgeted gross expenses of the Association for that fiscal year;

(e) To dedicate, sell or transfer, but only with the assent (by vote or written consent) of two-thirds of the members including a majority vote of the members other than the subdivider entitled to vote, all of or any part of its property to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by such assenting members.

Section 2.03. Limitations. Notwithstanding the purposes set out above, the Board of Directors of the Association shall be prohibited from taking any of the following actions, except with the vote of or written assent of a majority of the voting power of the Association residing in members other than the subdivider:

(1) Entering into a contract with a third person wherein the third person will furnish goods or services for the common area or the owners' Association for a term longer than one year with the following exceptions:

(A) A management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration.

(B) 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 terms of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate.

(C) Prepaid casualty and/or liability insurance policies of not to exceed three years duration provided that the policy permits for short rate cancellation by the insured.

(2) Incurring aggregate expenditures for captive improvements to the common area in any fiscal year in excess of 5% of the budgeted gross expenses of the Association for that fiscal year.

(3) Selling during any fiscal year property of the Association having an aggregate fair market value greater than 5% of the budgeted gross expenses of the Association for that fiscal year.

(4) Paying compensation to members of the governing body or to officers of the Association for services performed in the conduct of the Association's business provided, however, that the governing body may cause a member or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

The Association is organized exclusively for the purposes of assisting in the maintenance of the subdivision and the improvements thereon for the benefit of the owners thereof, for their pleasure, recreation and other nonprofit purposes. No part of any net earnings of the Association shall inure to the benefit of any private member.

III

BOARD OF DIRECTORS

The powers of the Association shall be exercised, its properties controlled, and its affairs conducted, by a Board of Directors. The number of Directors shall be 5. The first Directors are the general partners of Hidden Valley Partnership, the subdivider, whose names and addresses are:

Roy R. Woods

Post Office Box 648
Monterey, California 93940

Dewey L. Carpenter

Post Office Box 648
Monterey, California 93940

The election of the full Board of Directors shall take place at the first meeting of the members of the Association at the time and place set forth in the Association's By-laws.

IV

MEMBERSHIP AND RIGHTS INCIDENTAL THERETO

Section 4.01. Appurtenant. Every owner of a lot shall be a member of the Association. Membership shall be appurtenant to the lot and may not be separated from ownership of any lot.

Section 4.02. Nature of Membership. Membership shall entitle the members, their families and guests to the use and enjoyment of the common areas and facilities within the subdivision, subject to such rules and regulations as the Board of Directors shall provide. Membership also obligates the members for assessments by the Association and to voting rights as set forth in Section 4.03.

Section 4.03. Voting Rights. Each lot shall have one vote. When more than one person holds an ownership interest in any lot, all co-owners shall be members. The vote for such lot shall be exercised as the co-owners among themselves determine, but in no event shall more than one vote be cast with respect to the lot. The co-owners shall furnish the secretary of the Association with a writing, signed by all co-owners naming the member authorized by them to cast the vote of such lot. Such designation of the voting member shall continue in effect until a new designation is furnished by the co-owners to the secretary.

Section 4.04. Proof of Membership. No person or persons shall exercise the rights of membership until satisfactory proof has been furnished to the secretary of the Association of qualification as a member and of the number of lots owned by such person or persons. Such proof may consist of a copy of a duly executed and acknowledged grant deed or deeds or a title insurance policy or policies showing said person qualified in accordance therewith, which said deeds or policies shall be deemed conclusive in the absence of a conflicting claim based upon a later deed or policy.

V

NOTICES

Any notice permitted or required herein or in the Association's By-laws or regulations or in the Covenants may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered twenty-four hours after a copy of same has been deposited in the United States mail, postage prepaid, addressed to such person at the address given by such person to the secretary for the purpose of mailing notices or to the lot of such person if no address had been given to the secretary. Such address may be changed from time to time by notice in writing to the secretary.

VI

TERM

The Association shall remain in existence until dissolution by extinguishment of the Covenants; provided, however, that the Association may be dissolved at any time by the unanimous vote of all members entitled to vote.

VII

AMENDMENT

(a) There shall be no amendment of Article IV hereof except by vote or written consent of all members including a majority vote of the members, other than the subdivider, entitled to vote.

(b) Any other provision hereof may be amended only by vote or written consent of sixty percent or more of the members entitled to vote, including a majority vote of the members, other than the subdivider, entitled to vote.

IN WITNESS WHEREOF, for the purpose of forming the Association, we, the undersigned, have executed these Articles this 10th day of March, 1980.

Signed _____
Roy R. Woods

Signed _____
Dewey L. Carpenter