
MURIETA OWNERS' ASSOCIATION

Policy & Rules Regarding Enforcement of Governing Documents & Schedule of Monetary Penalties

The following discipline policy and schedule of monetary penalties was adopted by the Board of Directors of the Association on October 29, 2007, for the enforcement of the Association's Governing Documents, including, but not limited to, the Association's Amended and Restated Declaration of Covenants, Conditions and Restrictions ("CC&Rs"), Amended and Restated Bylaws ("Bylaws") and Rules. This policy is part of the Association Rules and therefore part of the governing documents of the Association. The Board's authority to adopt this Policy and Schedule of Monetary Penalties is set forth in Sections 4.6(a)(ii)(E) and 14.6(b) of the CC&Rs. This Policy shall supersede any previous policy or rule covering the same subject matters.

This Policy does not apply to delinquent assessments, which shall be governed by the provisions of the Association's governing documents and such policies relating to delinquent assessments as the Board has adopted or may adopt. Also, this policy does not cover repair or replacement of Common Area or Common Facilities damaged by an Owner or such Owner's family, tenants, guests or invitees. The cost of all such damage shall be assessed against the Owner through a Special Individual Assessment pursuant to Article V, Section 5.4(a)(i). However, such damage may also give rise to a fine or other penalty against the responsible Owner pursuant to this policy.

1. First Offense: A notice of violation/non-compliance will be mailed to the non-complying Owner describing the violation or non-compliance and, if the violation/non-compliance is continuing, requesting that the violation/non-compliance be corrected within a specified time.

2. Ongoing Violation: Any violation and/or non-compliance that is not corrected within the deadline set forth in the Association'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 Association's determination and notice of a first offense, the same Owner(s) are determined by the Association to be in non-compliance and/or violation of the same provision of the Association's governing documents, the Association has the right and ability to treat the violation/non-compliance as a continuation of the previous violation (hereinafter "repeat offense").

4. Clubhouse Usage Violation: Any violation of the Clubhouse Usage Agreement shall be considered a special violation not subject to the initial courtesy notice described in Paragraph 1 above. Any and all such violations shall be subject to a monetary

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penalty as provided in the Schedule of Monetary Penalties attached hereto as Exhibit "A".

5. Obtaining Member Compliance:

(a) Loss of Membership Rights: The Board may suspend a Member's voting rights or the right to use the Common Area Facilities for any ongoing violation or repeated offense.

(b) Monetary Penalties: The Unit Owner(s) may be fined for each day (or part of a day) that the ongoing violation or repeat offense is not corrected. If a fine is imposed by the Association, the amount of the fine shall be in accordance with the Schedule of Monetary Penalties attached hereto as Exhibit A.

(c) Referral to Counsel: The Association may, in the Board's discretion, refer ongoing violations or repeat offenses to the Association'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.

(d) Reimbursement of Costs: In addition to any monetary penalty imposed after the hearing procedure required by subpart (e) below, the Association has the right to recover from the responsible Unit Owner(s) the costs incurred by the Association in gaining the Owner's compliance with the Governing Documents, including the cost of the Association's legal counsel.

(e) Hearings: Pursuant to Civil Code Section 1363(h) and Section 14.6(f) of the Association's CC&Rs, no discipline involving suspension of membership rights and/or a monetary penalty may be imposed against a Member until the Member has been given an opportunity to appear and be heard at a meeting of the Board concerning the proposed discipline. The Board shall notify the Member at least 10 days prior to the meeting at which disciplinary action will be considered. The notice to the Member shall include the date, time and place of the meeting, the nature of the alleged violation for which discipline is being considered, and a statement that the Member may attend and has a right to address the Board at the meeting. If the Board imposes discipline on the Member, the Board shall provide a written notification of the disciplinary action by either personal delivery or first-class mail to the member within 15 days following the action. If requested by the Member being disciplined, the Board shall conduct the meeting in executive session, and the Member shall be entitled to attend the executive session.

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6. *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 Association concerning the violation(s); and (b) the right to attend any hearing on the violation(s). However, the Unit 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.

7. *Violation of Rental Restriction policy:* In the event any unit is rented in violation of the rental restrictions the Board will suspend a Member's voting rights, suspend the right of the unit to use the Common Area Facilities, refuse use of the recreational facilities, disable use of the front door directory system, and pursue any other such remedies that are deemed appropriate by the Board and available in law or in equity. This includes assessing Member for a Continuing Offense subject to a monetary penalty as provided in the Schedule of Monetary Penalties attached hereto as Exhibit "A".

8. *"Meet and Confer" Procedure:* At the written request of a member, the Board or a representative of the Board shall meet informally with the member 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 that 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 (e) above or as a separate event.

9. *Alternative Dispute Resolution:* In compliance with Civil Code Sections 1369.510 – 1369.590, the Association 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.

10. *Reimbursement Assessments:* The Board, after notice and hearing as required under subsection 5(e) above, may levy a Special Individual Assessment pursuant to Article V, Section 5.4 of the CC&Rs against an Owner and such Owner's Unit to recover costs incurred by the Association in obtaining such Owner's compliance with the Governing Documents, including costs of repair, replacement, cleanup and enforcement. However, the Special Individual Assessment shall not include any monetary penalty imposed pursuant to subsection 5(b) above. If the Owner(s) fail to timely pay the Reimbursement Assessment, the Association may proceed with

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collection of the unpaid Reimbursement Assessment in accordance with the Association's delinquent assessment collection policy and California law including the initiation of foreclosure proceedings.

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

12. General Intent of Association's Disciplinary Rules and Procedures: It is the general intent of the Association that any and all fines and/or other penalties imposed on Members 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 Member (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 Association's Schedule of Monetary Penalties. All fines or other discipline shall be in addition to any costs, attorneys' fees and/or other expenses that the Association is otherwise entitled to recover from the Member as a result of the Member'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, attorneys' fees, or other expenses (or any part thereof) as the Board determines is appropriate.

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EXHIBIT A

Schedule of Monetary Penalties

Following a hearing before the Board (or a committee appointed by the Board) pursuant to the governing documents (CC&Rs, Bylaws, rules and policies) of the Murieta Owners' Association and as required by California Law, the Board of Directors may impose the following penalties for violation of the Association's governing documents:

General Violations of the Governing Documents:

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| Initial Violation following receipt of warning letter | \$15.00 |
| Repeat Offenses (violation of same restriction more than once during a twelve month period) | 200% of last monetary penalty for the same offense |
| Continuing Offenses | \$15.00 per day for each day the violation continues after notice to cease from Board |

Clubhouse Usage Violations:

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| Littering in and around clubhouse | \$100 |
| Parking violations by persons attending clubhouse Functions | \$200 per vehicle |
| Gates/doors propped open | \$100 per gate or door |
| Use of unauthorized items or entertainment | \$300 |