

TAHOE TYROL HOMES ASSOCIATION

RULES ENFORCEMENT PROCEDURES AND SCHEDULE OF MONETARY PENALTIES

The ultimate goal of the Board of Directors (the "Board") of the Tahoe Tyrol Homes Association (the "Association") is to protect and enhance the value and appearance of the property at, and the quality of life within, Tahoe Tyrol. The Board is responsible for enforcing the rules and regulations which apply to the Tahoe Tyrol planned development as found in the Second Restated Declaration of Covenants, Conditions and Restrictions of Tahoe Tyrol (the "Declaration") and the rules adopted or approved by the Board (collectively, the "Rules"). In order to fulfill this responsibility in a fair, efficient manner, the Board has adopted the following Rules Enforcement Procedures and Schedule of Monetary Penalties for addressing violations of the Rules in accordance with Section 10.6 of the Declaration. These procedures are designed to provide notice of a violation followed by an opportunity for voluntary correction. In the rare event that voluntary correction is not obtained, the following procedures ensure that notice and opportunity for a hearing are provided to the owners alleged to be in violation of the Rules as required by the Declaration and California law.

1. Initial Determination of Credibility. When the Association becomes aware of a possible violation of the Rules, the Association's **management staff will make an initial determination** of whether there is credible evidence that a violation of the Rules has in fact occurred.

2. Reports of Violations. Violations of the Rules may be brought to the Association's attention in a variety of ways, including by the observation of the Association's manager or by the members of the Board. The Association may also be made aware of violations through reports from owners. All owner reports must be received in writing before they will be acted upon. **Any owner reporting a violation of the Rules consents to the open use of his or her report and agrees to cooperate in the Association's investigations and enforcement actions, including any related hearings.** No requests for confidentiality in this regard will be granted. Basic fairness to the owner accused of violating the Rules, and the Association's need to ensure that adequate evidence of a violation exists, require nothing less.

3. Provision of a Courtesy Notice. **If the Association's management staff concludes that there is credible evidence that a violation has occurred, a letter describing the nature of the violation, including a reference to the specific Rule in question, will be sent by first-class mail or personally delivered to the owner.** The letter will also grant the owner at least ten days to bring the owner's lot into compliance with the Rules where the violation involves architectural issues, property use restrictions or other similar matters where affirmative corrective action by the owner is required to come into compliance with the Rules. In all other circumstances, the letter will indicate that future violations of the same Rule will result in formal Association corrective action.

The Association may, but shall not be obligated to, provide a copy of the letter to the resident of the lot if the owner is not in residence. The form of the letter will be in the discretion of the Board

and may be altered from time to time. If compliance is obtained within the time frame indicated, no further action will be taken. The purpose of this letter is to gain the owner's voluntary compliance in a friendly, non-punitive and non-confrontational manner.

4. Scheduling and Notice of a Compliance Hearing. **If the violation is not corrected within the time frame specified in Paragraph 3 above, or if a violation of the same Rule reoccurs within 12 months, the Association shall schedule a compliance hearing.** The owner shall be provided with a written notification of the hearing (the "Hearing Notice"). The Hearing Notice shall be personally delivered to the owner or mailed by first class mail to the owner's address as shown on the Association's records at least 10 days prior to the date of the hearing. The Hearing Notice shall contain at least the following information: (i) the date, time and place of the hearing, (ii) the nature of the alleged violation of the Rules for which corrective action may be taken against the owner, and (iii) a statement that the owner has a right to attend and may address the Board at the hearing.

5. Conduct of the Compliance Hearing. The compliance hearing shall be held in executive session. Only the following parties may be present at the hearing: (i) the owner, (ii) legal counsel for the owner, (iii) the Board, (iv) members of the Association's management staff, (v) the Association's legal counsel, (vi) witnesses who will provide testimony, and (vii) such other persons as the Board deems helpful to the conduct of the hearing and the determination of the facts, subject to the Board's right, but not obligation, to exclude witnesses during the times they are not providing testimony.

The owner may be heard, may present and question witnesses and may present photographs or other evidence at the hearing. The owner may also choose to appear at the hearing solely in writing. **A hearing will be held whether or not the owner chooses to appear or submit evidence.** The hearing shall be conducted under the direction of the Board which shall determine the procedure to be followed including without limitation the sequence in which evidence and witnesses shall be presented.

6. Decision of the Board of Directors. **After reviewing the evidence presented at the hearing, the Board shall deliberate and reach a decision regarding whether or not a violation of the Rules has occurred and, if the Board determines that a violation has occurred, the nature of the corrective action to be imposed.** However, in its sole discretion, the Board may also take the matter under submission and set a continued hearing at which its final determination will be made. The Board may also request that additional evidence be provided for its consideration at the continued hearing. The Board shall provide the owner with notice of any continued hearing in conformance with Paragraph 4 and shall conduct the hearing in accordance with Paragraph 5, except that the Board may limit the presentation of evidence and testimony at the continued hearing to evidence and testimony not previously presented. The decision of the Board shall be final and conclusive.

7. Forms of Corrective Action. **If the Board determines that a violation has occurred, it may impose a fine in accordance with the schedule of fines attached hereto as Exhibit "A", suspend rights and take any other corrective action it deems appropriate including, without limitation, the commencement of legal proceedings to gain compliance.** A fine may be imposed for a continuing violation on a periodic basis, not more frequently than daily and in an amount as determined by the Board but not to exceed the maximum fine specified on Exhibit "A", until compliance is obtained. In its discretion, the Board may condition or suspend its imposition of corrective measures based on the owner fulfilling specific requirements designed to result in compliance with the Rules.

8. Written Notice of Corrective Action. If the Board imposes corrective action against the owner, the Board shall provide written notification of the corrective action and any other requirements imposed by the Board to obtain the owner's compliance, either by personal delivery or first-class mail, within 15 days following the hearing at which the corrective action is imposed.

9. Immediate Corrective Action/Injunctive Relief. The procedures set forth above shall not limit or prevent the Association from (i) taking immediate corrective action in the event of an emergency, a threat to the safety and well being of the residents of Tahoe Tyrol, the Board or the Association's management staff, or a threat to a threat of material damage to the common area, or (ii) from obtaining injunctive relief to preserve the status quo, preserve the Association's rights or otherwise prevent damage or injury to the Association or any owner, or the property of either.

10. Collection of Amounts Due the Association. Except to the extent that corrective action is imposed based upon an owner's nonpayment of such amounts, the collection of assessments and other amounts due to the Association shall not be subject to the above procedures, but shall be governed by a separate collection policy adopted by the Board.

CERTIFICATE OF ADOPTION

I hereby certify that:

- A. I am the Secretary of the Tahoe Tyrol Homes Association.
- B. The foregoing Rules Enforcement Procedures and Schedule of Monetary Penalties were adopted by the unanimous vote of the Board of Directors on October 10, 2003.

Dated: February 7, 2004

Richard Evon, Secretary

EXHIBIT "A"

SCHEDULE OF MONETARY PENALTIES

First Infraction	\$	50.00
Second Infraction	\$	150.00
Third Infraction	\$	200.00
All Additional Infractions	\$	200.00
Daily Penalty	\$	10.00