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Tommy Gong

San Luis Obispo - County Clerk-Recorder
04/16/2020 03:06 PM

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Titles: 1 Pages: 7

Fees: \$114.00

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WHEN RECORDED, MAIL TO:

JACKSON TIDUS (JML)
2030 Main Street, Suite 1200
Irvine, CA 92614

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**SECOND AMENDMENT TO MASTER DECLARATION OF COVENANTS,
CONDITIONS, RESTRICTIONS AND RESERVATION OF EASEMENTS FOR
RIGHETTI RANCH**

THIS SECOND AMENDMENT TO MASTER DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND RESERVATION OF EASEMENTS FOR RIGHETTI RANCH ("*Second Amendment*") is entered into as of the date written below by **RIGHETTI RANCH, LP**, a Delaware limited partnership ("*Declarant*")

RECITALS

A. Declarant is developing a master-planned residential development known as "Righetti Ranch" in the City of San Luis Obispo, San Luis Obispo County, California (the "*Community*").

B. Declarant is the "Declarant," and Presidio WH Righetti, and WS SLO Alley 86 are each "Neighborhood Builders" as those terms are defined in that certain Master Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for Righetti Ranch (as amended from time to time, the "*Master Declaration*") which was recorded April 9, 2018 as Document No. 2018-013937, and amended by that certain First Amendment to Master Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for Righetti Ranch, which was recorded March 19, 2019, as Document No. 2019-009583, both of Official Records of San Luis Obispo County, California.

C. The Master Declaration was originally recorded against the following real property in the Community:

Lots 1 to 151, inclusive, Lots 153 to 158, inclusive, and Lots 162, 163, 165, and 166 of Tract No. 3063-Phase 1 as shown on a map filed in Book 37 at Pages 59 to 71, inclusive, of Maps, in the Office of the San Luis Obispo County Recorder.

Portions of Lot B of Tract No. 3066-Phase 1 filed in Book 36 at Pages 41 to 45, inclusive, of Maps, in the Office of the San Luis Obispo County Recorder, which portions are described as Lots 5 to

25, inclusive, and Lots 29 to 32, inclusive, of Tract No. 3066-Phase 2 (to be filed subsequently).

Lot 132 of Tract No. 1376, Unit No. 1, in the City of San Luis Obispo, County of San Luis Obispo, State of California according to map recorded August 19, 1988 in Book 14, at Page 77 of Maps, in the Office of the San Luis Obispo County Recorder.

D. Additional real property, which is described in the Master Declaration as "Annexable Area," has been, and may from time to time in the future be, annexed to the Community and the coverage of the Master Declaration by recordation in Official Records of various instruments entitled "Supplemental Master Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for Righetti Ranch," all in accordance with the Master Declaration.

E. As originally recorded, the Master Declaration inadvertently omitted references to required Master Association maintenance of landscaping and irrigation equipment on a portion of the public park on Lot 160 of Tract 3063-Phase 1. Declarant now desires to correct the inadvertent omissions. Declarant also desires to update, amend and supplement certain provisions of the Master Declaration to implement changes in law and regulations that became effective in January, 2020.

F. According to Section 13.2.7(b) of the Master Declaration, Declarant (as long as Declarant owns any portion of the Community or the Annexable Area) may unilaterally amend the Master Declaration by recording a written instrument signed by Declarant to conform the Master Declaration to correct inadvertent omissions and to cause the Master Declaration to conform to recently enacted changes in state law.

NOW, THEREFORE, Declarant hereby declares that the Master Declaration is amended as follows:

1. CORRECTION AND ADDITION OF OMITTED MASTER MAINTENANCE AREA DESIGNATION. The following provisions are added to correct inadvertent omission of a Master Maintenance Area over a portion of a public park on Lot 160 of Tract 3063-Phase 1.

1.1. Section 1.1.58 – Master Maintenance Area. Section 1.1.58(a) is hereby amended to include the following new subpart (xiv):

"(xiv) Landscaping and irrigation equipment located on a portion of the public park on Lot 160 of Tract 3063-Phase 1, as approximately shown on Exhibit A to this Second Amendment."

1.2. Section 2.2.2 – Maintenance Items. Section 2.2.2(b) is hereby amended to provide that the Master Association shall also be responsible for maintaining the landscaping and irrigation equipment on a portion of Lot 160 of Tract 3063-Phase 1, which portion is approximately shown on *Exhibit A* attached to this Second Amendment, and designated a Master Maintenance Area.

1.3. **Section 3.20 – Public Parks.** Section 3.20 of the Master Declaration is hereby deleted in its entirety and replaced with the following:

“3.20 PUBLIC PARKS. A 12-acre public regional park is planned for construction at the west of the Community on Lot 168. In addition, Lots 152, 160, and 167 of Tract No. 3063-Phase 1 have been dedicated in fee to the City as public parks. If constructed, the City will own, operate and maintain the public parks for the benefit of the public, except for that portion of Lot 160 which is a Master Maintenance Area as approximately shown on *Exhibit A* to this Second Amendment. The public parks are planned to include a mix of passive and active uses, including basketball courts. The regional park, if developed, will initially include night lighting, which may create glare in the Community. The City will review the use and impact of the regional park after it has been in operation and has reserved the right to make a final determination as to whether the night lighting will remain. Except for the Master Maintenance Area on Lot 160 described above, the Master Association will have no control over the operation or maintenance of any of the public parks in or around the Community. Owners of Separate Interests in the vicinity of the public parks will notice noise and traffic incident to use of the public parks, which have normal and foreseeable impacts on privacy and enjoyment of the Separate Interest.”

2. **REVISIONS REFLECTING CHANGES IN CALIFORNIA LAW.** To conform the Master Declaration to recent enactments of the California legislature, the Master Declaration is hereby updated, amended and supplemented in the following respects:

2.1. **Section 4.7.3 – Right to Repair Claims.** Section 4.7.3 of the Master Declaration is deleted in its entirety and replaced with the following:

“4.7.3 Relinquishment of Control Regarding Initiation of Right to Repair Law Claim. Beginning on the date of the first annual meeting of Owners, Declarant relinquishes control over the Master Association’s ability to decide whether to initiate a Right to Repair Law Claim, whether by action of the Board or action by the Owners. This means that Declarant, current employees and agents of Declarant, Board members who are appointed by Declarant, Board members elected by a majority of votes cast by Declarant, and all other Persons whose vote or written consent is inconsistent with the intent of the preceding sentence, are prohibited from participating and voting in any decision of the Board or the Owners to initiate a Right to Repair Law Claim.

2.1.1. **Section 7.2 – Master Association Maintenance Funds.** The following is added to the end of Section 7.2:

"If a Manager is retained by the Master Association, then the Manager shall maintain records and bank accounts for the Master Association separate from other associations that use the Manager's services, and the Manager shall have no authority to draw checks on, or transfer funds from, any Reserve Fund of the Master Association."

2.2. **Section 12.1.7 – Limit on Expenditures.** Section 12.1.7 of the Master Declaration is hereby amended to add to the listed exceptions litigation expenses incurred or money borrowed to fund litigation in connection with any Right to Repair Law Claim. In addition, the last sentence of Section 12.1.7 is hereby deleted in its entirety.

2.3. **New Section 12.1.9 – No Preconditions to Board Authority to Pursue Certain Claims.** The following is hereby added to the Master Declaration as a new Section 12.1.9:

"12.1.8. **No Preconditions to Board Authority to Pursue Certain Claims.** Notwithstanding Section 12.1.7 above, nothing in this Master Declaration or the other Governing Documents shall be interpreted to impose any precondition or limitation on the Board's authority to commence and pursue any of the matters described in California Civil Code Section 5986(b) against a Declarant Party, except as provided in California Civil Code Sections 5986(c) and 6150."

3. **TERMS.** Except as modified herein, the capitalized terms used in this Second Amendment shall have the meanings given them in the Master Declaration.

4. **EXHIBITS.** All exhibits to this Second Amendment are incorporated herein by this reference.

5. **COUNTERPARTS.** This Second Amendment may be executed in multiple counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument.

6. **RATIFICATION.** The Master Declaration, as amended by this Second Amendment, is hereby ratified and affirmed by Declarant.

[SIGNATURES ON FOLLOWING PAGES]

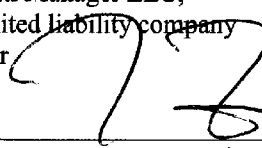
***[SIGNATURES TO SECOND AMENDMENT TO MASTER DECLARATION OF
COVENANTS, CONDITIONS, RESTRICTIONS AND RESERVATION OF EASEMENTS
FOR RIGHETTI RANCH]***

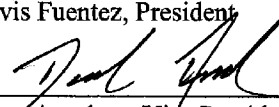
Dated: 4-15-2020

RIGHETTI RANCH, LP,
a Delaware limited partnership

By: NRE Manager, LLC,
a Delaware limited liability company
Its General Partner

By: Ambient Righetti Manager LLC,
a California limited liability company
its Sole Member

By: 
Travis Fuentez, President

By: 
Dante Anselmo, Vice President

"Declarant"

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

COUNTY OF San Luis Obispo

On April 15, 2020, before me, L. Borba, Notary Public
(here insert name and title of the officer)

personally appeared Travis Fuentes

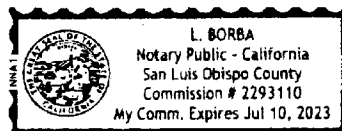
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

L. Borba
Signature

(Seal)



A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

COUNTY OF San Luis Obispo

On April 15, 2020, before me, L. Borba, Notary Public
(here insert name and title of the officer)

personally appeared Dante Anselmo

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

L. Borba
Signature

(Seal)

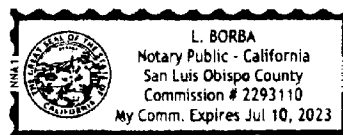
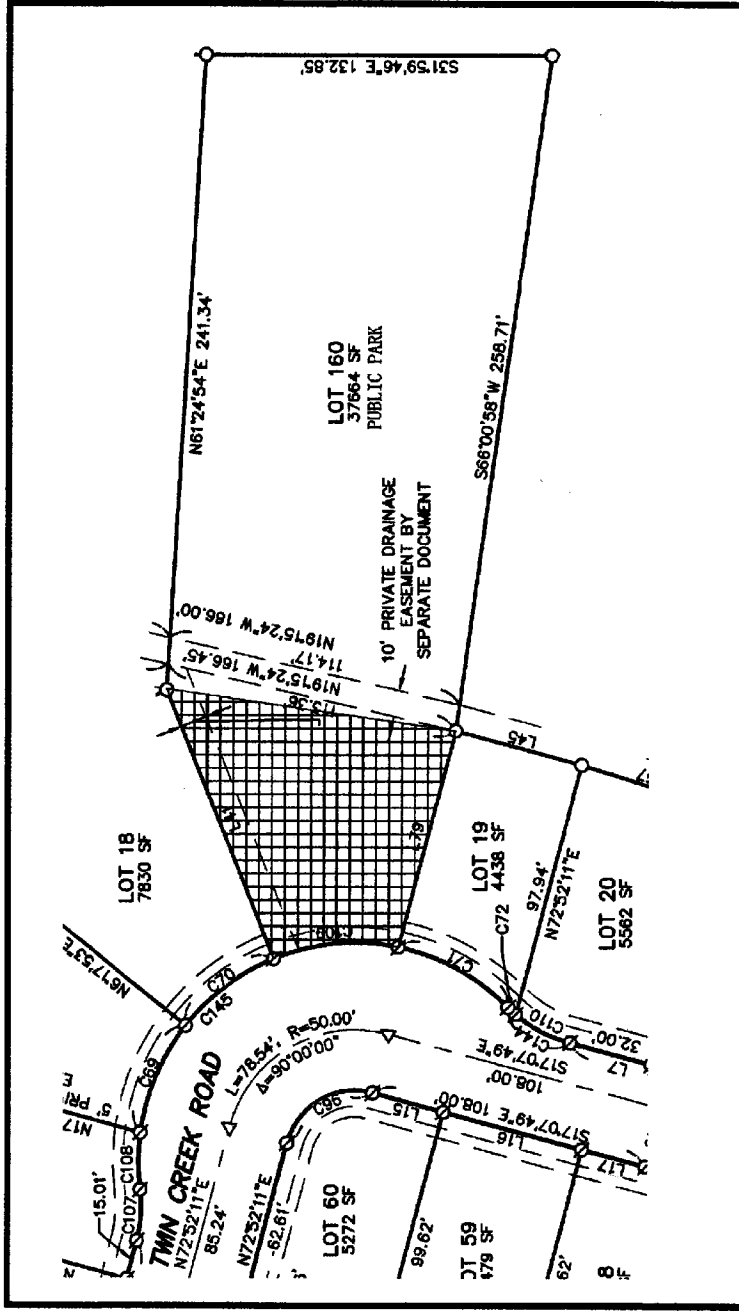


EXHIBIT A
APPROXIMATE LOCATION OF MASTER MAINTENANCE AREA ON
PUBLIC PARK LOT 160 OF TRACT 3063-PHASE 1



LEGEND

Master Maintenance Area
 consisting of landscaping and
 irrigation equipment



2019009583

Tommy Gong
San Luis Obispo - County Clerk-Recorder
03/19/2019 02:14 PM

Recorded at the request of:
PUBLIC

Titles: 1 Pages: 8

Fees: \$117.00
Taxes: \$0.00
Total: \$117.00



RECORDING REQUESTED BY:

FIRST AMERICAN TITLE COMPANY

WHEN RECORDED, MAIL TO:

JACKSON TIDUS (JML)
2030 Main Street, Suite 1200
Irvine, CA 92614

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**FIRST AMENDMENT TO MASTER DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND RESERVATION OF EASEMENTS FOR RIGHETTI RANCH**

THIS FIRST AMENDMENT TO MASTER DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND RESERVATION OF EASEMENTS FOR RIGHETTI RANCH ("**First Amendment**") is entered into as of the date written below by **RIGHETTI RANCH, LP**, a Delaware limited partnership ("**Declarant**"), **PRESIDIO WH RIGHETTI 33, LLC**, a Delaware limited liability company ("**Presidio WH Righetti**"), and **WH SLO ALLEY 86 LLC**, a Delaware limited liability company ("**WH SLO Alley 86**"),

RECITALS

A. Declarant is developing a master-planned residential development known as "Righetti Ranch" in the City of San Luis Obispo, San Luis Obispo County, California (the "**Community**").

B. Declarant is the "Declarant," and Presidio WH Righetti, and WS SLO Alley 86 are each "Neighborhood Builders" as those terms are defined in that certain Master Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for Righetti Ranch (as amended from time to time, the "**Master Declaration**") which was recorded April 9, 2018 as Document No. 2018-013937 of Official Records.

C. As of the date of this First Amendment, the Master Declaration encumbers the following real property in the Community:

Lots 1 to 151, inclusive, Lots 153 to 158, inclusive, and Lots 162, 163, 165, and 166 of Tract No. 3063-Phase 1 as shown on a map filed in Book 37 at Pages 59 to 71, inclusive, of Maps, in the Office of the San Luis Obispo County Recorder.

Portions of Lot B of Tract No. 3066-Phase 1 filed in Book 36 at Pages 41 to 45, inclusive, of Maps, in the Office of the San Luis Obispo County Recorder, which portions are described as Lots 5 to 25, inclusive, and Lots 29 to 32, inclusive, of Tract No. 3066-Phase 2 (to be filed subsequently).

Lot 132 of Tract No. 1376, Unit No. 1, in the City of San Luis Obispo, County of San Luis Obispo, State of California according to map recorded August 19, 1988 in Book 14, at Page 77 of Maps, in the Office of the San Luis Obispo County Recorder.

collectively, the ***“Initial Covered Property.”***

D. Declarant, Presidio WH Righetti, and WH SLO Alley 86 each own portions of the above-described Initial Covered Property.

E. Declarant desires to incorporate into the Master Declaration provisions respecting the establishment of a Range of Assessments Budget during the marketing and development of the Community. Declarant also desires to delete references to a level assessment procedure.

F. According to Section 13.2.7(a) of the Master Declaration, Declarant, with the consent of Presidio WH Righetti and WH SLO Alley 86 as record owners of portions of the Initial Covered Property, may amend the Master Declaration for any purpose before the first Close of Escrow in the Community. As of the date hereof, no escrows have closed in the Community.

NOW, THEREFORE, Declarant hereby declares that the Master Declaration is amended as follows:

1. **SECTION 7.8 - LEVEL ASSESSMENT PROVISION.** Section 7.8 of the Master Declaration is hereby deleted in its entirety.

2. **RANGE OF ASSESSMENTS.** The following is added to the Master Declaration as a new Section 7.8:

RANGE OF ASSESSMENTS PROCEDURE. During the period in which the Community is being built out and additional Phases may be annexed without the approval of the Master Association, as set forth in Article 16 hereof, Declarant, with DRE’s approval, has established a range of Annual Assessments in accordance with a Budget on file with and reviewed by DRE. The range in the amount of the monthly installment of Annual Assessments has been established by calculating an initial “Minimum Annual Assessment” and a “Maximum Annual Assessment.” Under this range procedure, as additional Phases are annexed into the Community, the monthly installment of Annual Assessments levied by the Master Association can automatically increase or decrease, but will remain within the range stated in the DRE-reviewed Budget as set forth in the Public Reports issued by DRE for such Phases. Except as otherwise provided herein, during any given Fiscal Year, the Board shall not levy an Annual Assessment that exceeds the approved Maximum Annual Assessment for that Fiscal Year. Notwithstanding the foregoing, Annual Assessments may be increased as provided in Section 7.5 above.

3. **REFERENCES TO CALBRE AND BRE.** All references in the Master Declaration to CalBRE and BRE or the Bureau of Real Estate shall mean and refer to the California Department

of Real Estate (also referred to as "DRE") and any department or agency of the California state government which succeeds to DRE's functions.

4. **REFERENCE TO PARTICIPATING BUILDER.** References to "Participating Builder" in Section 2.11.1 of the Master Declaration shall mean and refer to any Neighborhood Builder.

5. **TERMS.** Except as modified herein, the capitalized terms used in this First Amendment shall have the meanings given them in the Master Declaration.

6. **COUNTERPARTS.** This First Amendment may be executed in multiple counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument.

7. **RATIFICATION.** The Master Declaration, as amended by this First Amendment, is hereby ratified and affirmed by Declarant.

/SIGNATURES ON FOLLOWING PAGES/

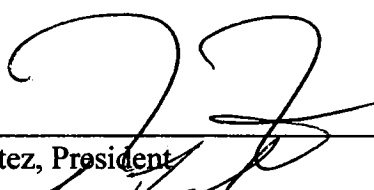
***[SIGNATURES TO FIRST AMENDMENT TO MASTER DECLARATION OF COVENANTS,
CONDITIONS, RESTRICTIONS AND RESERVATION OF EASEMENTS FOR RIGHETTI
RANCH]***

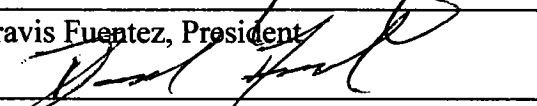
Dated: 8-29-2018

RIGHETTI RANCH, LP,
a Delaware limited partnership

By: NRE Manager, LLC,
a Delaware limited liability company
Its General Partner

By: Ambient Righetti Manager LLC,
a California limited liability company
its Sole Member

By: 
Travis Fuentes, President

By: 
Dante Anselmo, Vice President

"Declarant"

Dated: _____

PRESIDIO WH RIGHETTI 33, LLC,
a Delaware limited liability company

By: Presidio WH Master III, LLC,
a Delaware limited liability company,
its Member

By: Presidio Merced Land AM Active, LLC,
a Delaware limited liability company,
its Co-Manager

By: _____
Michael Sullivan,
its Authorized Representative

By: Williams Communities, LLC,
a California limited liability company,
its Co-Manager

By: _____
Lance Karl Williams,
its Manager

Presidio WH Righetti

**[SIGNATURES TO FIRST AMENDMENT TO MASTER DECLARATION OF COVENANTS,
CONDITIONS, RESTRICTIONS AND RESERVATION OF EASEMENTS FOR RIGHETTI
RANCH]**

Dated: _____

RIGHETTI RANCH, LP,
a Delaware limited partnership

By: NRE Manager, LLC,
a Delaware limited liability company
Its General Partner

By: Ambient Righetti Manager LLC,
a California limited liability company
its Sole Member

By: _____
Travis Fuentez, President

By: _____
Dante Anselmo, Vice President

"Declarant"

Dated: 9/10/2018

PRESIDIO WH RIGHETTI 33, LLC,
a Delaware limited liability company

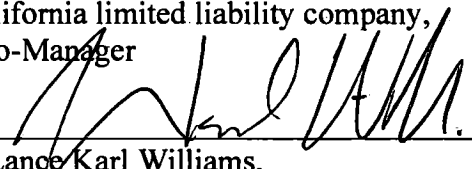
By: Presidio WH Master III, LLC,
a Delaware limited liability company,
its Member

By: Presidio Merced Land AM Active, LLC,
a Delaware limited liability company,
its Co-Manager

By: _____

~~Michael Sullivan,~~
~~its Authorized Representative~~

By: Williams Communities, LLC,
a California limited liability company,
its Co-Manager

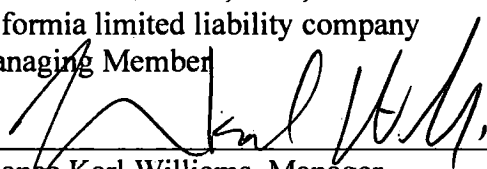
By:  _____
Lance Karl Williams,
its Manager

Presidio WH Righetti

Dated: 9/10/2018

WH SLO ALLEY 86 LLC,
a Delaware limited liability company

By: Williams Communities, LLC,
a California limited liability company
its Managing Member

By: 
Lance Karl Williams, Manager

Presidio WH Righetti

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

COUNTY OF SAN LUIS OBISPO

On Aug. 29, 2018, before me, L.A. BERTRAND, NOTARY PUBLIC
(here insert name and title of the officer)

personally appeared TRAVIS FUENTEZ and DANTE ANSELMO

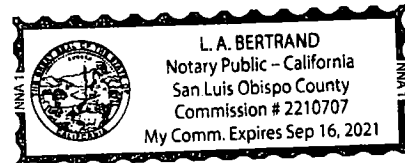
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

L. A. Bertrand
Signature

(Seal)



A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

COUNTY OF _____

On _____, _____, before me, _____
(here insert name and title of the officer)

personally appeared _____

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

(Seal)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

COUNTY OF Los Angeles

On September 10, 2018, before me, Lisa Pica, a Notary Public
(here insert name and title of the officer)

personally appeared Lance Karl Williams

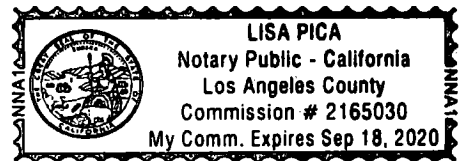
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

[Signature]
Signature

(Seal)



A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

COUNTY OF _____

On _____, _____, before me, _____
(here insert name and title of the officer)

personally appeared _____

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature (Seal)

2018013937

RECORDING REQUESTED BY:

FIRST AMERICAN TITLE COMPANY

4633848-LI

WHEN RECORDED, MAIL TO:

JACKSON TIDUS (JML)
2030 Main Street, Suite 1200
Irvine, CA 92614

Tommy Gong
San Luis Obispo - County Clerk-Recorder
04/09/2018 08:00 AM

Recorded at the request of:
FIRST AMERICAN TITLE COMPANY

Titles: 1 Pages: 223

Fees: \$762.00
Taxes: \$0.00
Total: \$762.00



(Space Above for Recorder's Use)

**MASTER DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS
AND RESERVATION OF EASEMENTS**

FOR

RIGHETTI RANCH

NOTE: CERTAIN DISPUTES ARISING UNDER THIS MASTER DECLARATION, INCLUDING DISPUTES CONCERNING THE DESIGN OR CONSTRUCTION OF THE COMMUNITY, SHALL BE SUBMITTED TO JUDICIAL REFERENCE OR BINDING ARBITRATION, FORMS OF ALTERNATIVE DISPUTE RESOLUTION, IN ACCORDANCE WITH SECTION 12.4.

If this document contains any restriction based on race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.2 of the Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

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**MASTER DECLARATION OF
COVENANTS, CONDITIONS, RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR
RIGHETTI RANCH**

THIS MASTER DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND RESERVATION OF EASEMENTS FOR RIGHETTI RANCH is made by **RIGHETTI RANCH, LP**, a Delaware limited partnership ("**Declarant**"). The capitalized terms used in the Preamble are defined in Article 1.

PREAMBLE:

A. Declarant is developing a master-planned residential development known as "Righetti Ranch" in San Luis Obispo, California (the "**Community**").

B. Declarant is the owner of real property ("**Initial Covered Property**") located in the City of San Luis Obispo, San Luis Obispo County, California, described as follows:

Lots 1 to 151, inclusive, Lots 153 to 158, inclusive, and Lots 162, 163, 165, and 166 of Tract No. 3063-Phase 1 as shown on a map filed in Book 37 at Pages 59-71, inclusive, of Maps, in the Office of the San Luis Obispo County Recorder.

Portions of Lot B of Tract No. 3066-Phase 1 filed in Book 36 at Pages 41 to 45, inclusive, of Maps, in the Office of the San Luis Obispo County Recorder, which portions are described as Lots 5 to 25, inclusive, and Lots 29 to 32, inclusive, of Tract No. 3066-Phase 2 (to be filed subsequently).

Lot 132 of Tract No. 1376, Unit No. 1, in the City of San Luis Obispo, County of San Luis Obispo, State of California according to map recorded August 19, 1988 in Book 14, at Page 77 of Maps, in the Office of the San Luis Obispo County Recorder.

C. The Community is being developed by the Declarant with a variety of product types in accordance with a master development plan approved by the City of San Luis Obispo ("**City**"). The City also imposed numerous conditions of approval on the development of the Community. Such conditions establish, among other things, the numbers and sizes of dwellings that may be built and permitted uses in the Community. Covenants and restrictions on the maintenance, use and enjoyment of the Separate Interests in the Community are discussed in more detail in this Master Declaration. If developed as planned, the Community may eventually consist of approximately 408 Residences on Separate Interests in multiple Neighborhoods, consisting of attached planned unit development Townhome Residences, attached Condominium duplex and triplex homes, and planned unit development Neighborhoods with detached

Residences on traditional Lots, on Motor Court Lots and on Private Alley Lots, all together with common amenities. The Community is a master-planned residential development subject to the jurisdiction of the Master Association described below. If developed as planned, the Community will eventually consist of all the real property described in Preamble Paragraph B above, together with the Annexable Area described on *Exhibit A*.

D. All of the Community will be developed with certain common objectives and the Owners of Separate Interests in the Community will have certain common interests. Any area of the Annexable Area that is added to the Community will be developed with objectives designed to benefit all real property within the Community. This common development scheme created by Declarant imposes reciprocal burdens and benefits on all of the Community, so that the Community is both burdened and benefited by the provisions of this Master Declaration.

E. Declarant deems it desirable, for the efficient preservation of the amenities in the Community, to create a "master-planned development" as defined in Section 2792.32 of Title 10 of the California Code of Regulations that is also a "common interest development" within the meaning of the Davis-Stirling Common Interest Development Act at California Civil Code Sections 4000 to 6150 or subsequently enacted replacement statutes ("*CID Act*"), and a "subdivision" as defined in Section 11000 of the California Business and Professions Code. Declarant intends to impose mutually beneficial restrictions under a general plan for subdividing, maintaining, improving and selling the Separate Interests in the Community for the benefit of all the Separate Interests therein pursuant to the CID Act. The Community is planned to consist of up to five (5) or more product types which may be constructed by multiple Neighborhood Builders.

F. The general plan of development of the Community will include forming a corporation (the "*Master Association*") pursuant to the California Nonprofit Mutual Benefit Corporations Law to which will be assigned the powers of (1) owning, maintaining and administering the Master Common Property, (2) administering and enforcing the Governing Documents, and (3) collecting and disbursing the Assessments and charges hereinafter created. In addition, the Master Association will exercise such powers as are required by the CID Act. The members of the Master Association will be the Owners of Separate Interests in the Community.

G. Declarant hereby declares that the Community will be held, sold, conveyed, encumbered, hypothecated, leased, used, occupied and improved subject to the easements, restrictions, reservations, rights, covenants, conditions and equitable servitudes contained in this Master Declaration, all of which are for the purpose of enhancing the attractiveness and desirability of the Community, in furtherance of a general plan for the protection, maintenance, subdivision, improvement and sale of the Community and in accordance with the Entitlements. The provisions of this Master Declaration are imposed as equitable servitudes on the Community. The covenants, conditions, restrictions, rights, reservations, easements and equitable servitudes set forth herein will (1) run with and burden the Community and will be binding upon all Persons having or acquiring any interest in the Community or any part thereof, and their heirs, successors and assigns; (2) inure to the benefit of every portion of the Community and any interest therein; (3) inure to the benefit of and be binding upon Declarant, the Neighborhood Builders, and their respective successors-in-interest, each Owner and each

Owner's successors-in-interest; and (4) may be enforced by Declarant, any Neighborhood Builder, any Neighborhood Association, any Owner and the Master Association, except to the extent enforcement is specifically limited in this Master Declaration to one, or less than all, of the foregoing.

H. The Community is also subject to the Entitlements, defined below. Each Owner of a Separate Interest and the Master Association are bound by the applicable provisions of the Entitlements.

ARTICLE 1

DEFINITIONS AND INTERPRETATION

1.1 **DEFINITIONS** Unless otherwise expressly provided, the following words and phrases when used in this Master Declaration will have the following meanings given in this Article and be subject to the limits described in this Article.

1.1.1 **Annexable Area.** Annexable Area means the real property described in *Exhibit A*, all or any portion of which may be made subject to this Master Declaration pursuant to Article 16. Any references in this Master Declaration to Annexable Area are references to the Annexable Area as a whole and to portions thereof.

1.1.2 **Annual Assessment.** Annual Assessment means a charge against the Owners and their Separate Interests representing their share of the Common Expenses. The Annual Assessment is a "regular assessment" as described in California Civil Code Section 5605(b). Annual Assessments are composed of a "General Assessment Component," (as defined in Section 7.6.2), and, for Separate Interests which are part of a Special Benefit Area as defined in Section 1.1.111 below, a "Special Benefit Area Assessment Component" (where applicable), as defined in Section 1.1.111 below, and imposed in accordance with Section 7.6.3.

1.1.3 **Articles.** Articles means the Articles of Incorporation of the Master Association. A copy of the Articles in effect as of the date of Recordation of this Master Declaration is attached for informational purposes as *Exhibit B*. The Master Association may from time to time amend the Articles without need to amend this Master Declaration. In such event, the amended Articles shall control over the version attached hereto.

1.1.4 **Assessment.** Assessment means any Annual Assessment, Capital Improvement Assessment, Reconstruction Assessment and Special Assessment.

1.1.5 **Biological Open Space Easement.** Biological Open Space Easement means the easements for biological open space and public drainage established by Declarant over Lots 31 and 32 of Tract No. 3066-Phase 2 as required by the Entitlements. Lots 31 and 32 are closed to recreational use or other entry by Owners or members of the public. The term may be expanded to cover other portions of the Community or Annexable Area by amendment or by Supplemental Master Declaration.

1.1.6 **BMPs.** BMPs means "Best Management Practices," which are methods, protocols and procedures for the control, reduction and prevention of stormwater and pollutant runoff from the Community into storm drains and waterways. The BMPs applicable to

the Community are specified in detail in the O&M Manual and in the Islay Hill HOA Basin Deed and Assumption of Maintenance Obligations.

1.1.7 **Board or Board of Directors.** Board or Board of Directors means the Master Association's Board of Directors.

1.1.8 **Budget.** Budget means a written, itemized estimate of the Master Association's income and Common Expenses prepared and as amended from time to time, all pursuant to the Bylaws.

1.1.9 **Bylaws.** Bylaws means the Bylaws of the Master Association as adopted and amended from time to time. A copy of the initial form of Bylaws is attached for informational purposes as *Exhibit C*. The Bylaws in form adopted by the Board shall control over the version attached hereto without need to amend this Master Declaration. Moreover, the Master Association may from time to time amend the Bylaws without need to amend this Master Declaration. In such event, the Bylaws as then in effect shall control over the version attached hereto.

1.1.10 **CalBRE.** CalBRE means the California Bureau of Real Estate (also referred to as the BRE) and any department or agency of the California state government which succeeds to CalBRE's functions.

1.1.11 **Capital Improvement Assessment.** Capital Improvement Assessment means a charge against the Owners and their Separate Interests representing their share of the Master Association's costs and expenses incurred in installing, constructing, upgrading or modifying major or capital Improvements on the Master Common Property, to the extent such costs and expenses are not regular scheduled maintenance costs or reserves in the adopted Budget. Capital Improvement Assessments shall be levied in the same proportion as Annual Assessments. Capital Improvement Assessments for a particular Special Benefit Area shall be levied in the same proportion as the Special Benefit Area Assessment Component is levied against Owners of Separate Interests in such Special Benefit Area. Capital Improvement Assessments are "special assessments" which shall be levied, if at all, in accordance with the requirements of California Civil Code Section 5605(b).

1.1.12 **CID Act.** CID Act is defined in Preamble Paragraph E above.

1.1.13 **City.** City means the City of San Luis Obispo, California, and its various departments, divisions, employees and representatives.

1.1.14 **Class C Board Appointment Right.** Class C Board Appointment Right is defined in Section 4.6.3(c).

1.1.15 **Class C Termination Date.** Class C Termination Date is defined in Section 4.6.3(c).

1.1.16 **Close of Escrow.** Close of Escrow means the date on which a deed is Recorded conveying a Separate Interest in a transaction requiring the issuance of a Public Report by CalBRE. The term "Close of Escrow" used herein shall not apply to any transactions that are

exempt from the Public Report requirement, including (a) transfer of title to real property by Declarant to any “successor” of Declarant as defined in Section 1.1.26, or to any assignee of Declarant’s rights as permitted under Section 1.1.26, or to any Neighborhood Builder, (b) transfer of title to real property between Neighborhood Builders or between a Neighborhood Builder and the Declarant, (c) the transfer of title by foreclosure or other Mortgage remedy, or (d) any transfer of title for which the exemption of California Business and Professions Code Section 11010.35 is available.

1.1.17 Common Expenses. Common Expenses means those expenses for which the Master Association is responsible under this Master Declaration. Common Expenses include the actual and estimated costs incurred by the Master Association in carrying out its obligations to maintain, operate, insure, manage, and reserve for replacement of Master Common Property provided under the Governing Documents. Common Expenses are stated in more detail in the Budget, but include the following:

(a) The actual and estimated costs of and reasonable reserves for maintaining, insuring, managing, reserving for replacement of, and operating (i) the Master Common Area and Improvements thereon, and (ii) the Master Maintenance Areas;

(b) The cost of all utilities (including sewer and water) serving the Master Common Area, the cost of maintaining and operating (including energy costs) of lighting fixtures along Private Streets and paths (to the extent not part of a Special Benefit Area) and mechanical and electrical equipment serving the Master Common Area (and Master Maintenance Areas if designated in the Budget and/or in the applicable Governing Document);

(c) The cost to maintain Master Common Area and Master Maintenance Area Drainage and Water Quality Improvements in the Community and to perform and maintain BMPs described in the O&M Manual, compliance with the Private Drainage, Landscape, and Wildland Fuel Management Easement and Encroachment Agreement, and performance of maintenance and other obligations related to the Islay Hill HOA Basin obligations (including the payment of premiums for insurance) as required under the Islay Hill HOA Basin Deed and Assumption of Maintenance Obligations attached as **Exhibit E** and the Private Improvement Encroachment Agreement;

(d) The cost to perform landscape maintenance (including irrigation where designated by Declarant) in the Master Common Property, including Private Parks and Master Common Area designated private open space on the Map (in accordance with the requirements of the Restrictive Covenant for Private Open Space);

(e) The cost to perform wildland fuel management, weed abatement and creek maintenance in the Wildland Fuel Management/Reduction Zones (both on City-owned and Master Association-Owned parcels) as designated in the Fire Plan, this Master Declaration and in any Supplemental Master Declaration, in accordance with Section 6 of the Fire Plan;

(f) The cost to maintain the Private Streets, and the Master Maintenance Area Private Alleys and the Motor Courts;

(g) The Master Association's share of costs under the Mutual Benefit Agreement (defined below);

(h) The costs and fees attributable to managing and administering the Master Association, compensating the Manager, accountants, attorneys and employees, Board, officer and committee training and continuing education and seminars, and all insurance covering the Community and the Directors, officers and agents of the Master Association, and bonding the members of the Board;

(i) The cost to maintain and repair private utility Improvements in the Master Common Area, which may include private sewer and water lines (potable and recycled) and the cost to repair damage to public utility Improvements if caused by the Master Association during installation, maintenance or repair of private utility Improvements;

(j) Unpaid Special Assessments, Reconstruction Assessments and Capital Improvement Assessments;

(k) Taxes paid by the Master Association;

(l) The cost to prepare and distribute to new residents a brochure containing information about impacts associated with non-native animals, especially cats and dogs, to the Community and surrounding area, and informing residents that coyotes may prey on domestic animals;

(m) Amounts paid by the Master Association for discharge of any lien or encumbrance levied against the Community;

(n) The cost of trash removal from Master Common Area bins and maintenance of Master Common Area trash enclosures (if any);

(o) The cost to replace specialized paving in the area of public water or sewer lines as discussed in Section 2.2.2(f); and

(p) All other expenses incurred by the Master Association for the Community, for the common benefit of the Owners.

1.1.18 Community. Community means (a) the Initial Covered Property, and (b) each Phase as defined in Section 1.1.88 below (subject to limitations on the commencement of Master Association maintenance obligations in Section 2.2 and the commencement of Annual Assessments in Section 7.6.1, all as applicable). Any references in this Master Declaration to the Community are references to the Community as a whole and to portions thereof.

1.1.19 Community Wall. Community Wall means any wall or fence in the Community that is maintained entirely or partially by the Master Association. The Community Walls in the Initial Covered Property are approximately shown on **Exhibit G**. Declarant may from time to time designate and approximately depict Community Walls by exhibit attached to an amendment to this Master Declaration or in one or more Supplemental Master Declarations applicable to the Annexable Area.

(a) **General Locations.** Community Walls may be constructed (i) on or along a tract boundary; or (ii) between Neighborhood Association Property or a Separate Interest (including the exclusive use area of a Condominium) and Master Common Property or public property; or (iii) entirely within Master Common Property, or (iv) in another location designated by Declarant in a Supplemental Master Declaration. The term includes the fence enclosing the Islay Hill HOA Basin, the retaining wall and retaining wall footings adjacent to the Islay Hill HOA Basin (including portions that encroach into the public right-of-way of Tank Farm Road), fencing along both sides of the path on the Islay Hill HOA Basin parcel (Lot 132 of Tract No. 1376), and fencing along the path on Lots 164 and 165 of Tract No. 3063-Phase 1. Party Walls and other fences or walls that are maintained entirely by the adjoining Owners or by a Neighborhood Association are not Community Walls.

(b) **Terraced Retaining Walls.** The term also applies to the terraced retaining walls on the rear property lines of Lots 19 through 35 of Tract No. 3063-Phase 1, and the associated wall drains and geogrid on Lot 161. The terraced retaining walls on Lots 37 through 53 and 55 through 83 of Tract No. 3063-Phase 1 and associated Improvements are not Community Walls, but are maintained entirely by the Owners of the Lots on which they are located.

(c) **Related Improvements.** The term Community Wall also refers to monument signage, entry features, porticos, lighting fixtures, and planter walls located at Private Street entrances to the Community, and any emergency access gates in the Community Wall.

(d) **Maintenance.** Unless otherwise provided in a Supplemental Master Declaration, the Master Association is responsible for maintaining the structural components of the Community Walls, including the footings, gates, pilasters, cap, and any masonry, wood, Plexiglas, glass, tubular steel or wrought iron portions, monumentation, signage, entry features, porticos, lighting fixtures, retaining walls, planter walls, wall drains and associated geogrid, along with the surface facing Master Common Property. If a portion of a Community Wall encloses a property that is not part of the Community and is not legally accessible to Master Association personnel by easement or license, then the Master Association shall not be responsible for maintaining the inaccessible surface. If a Separate Interest or Neighborhood Association Property is enclosed by a portion of the Community Wall, then the Owner of the enclosed Separate Interest or the Neighborhood Association shall maintain the surface that faces the Separate Interest or Neighborhood Association Property, as applicable, unless otherwise provided in the Governing Documents or in applicable Neighborhood Governing Documents (if any).

(e) **Commencement of Master Association Maintenance Obligation.** Notwithstanding the depiction of Community Walls in this Master Declaration or in a Supplemental Master Declaration, the Master Association's obligation to maintain the Community Walls in a particular Phase will not arise until the commencement of Assessments in the Phase or as otherwise directed in this Master Declaration, or in a Supplemental Master Declaration. The Community Walls that are to be added to the Master Common Property in a particular Phase shall be depicted in a Recorded Supplemental Master Declaration.

1.1.20 **Condominium.** Condominium means an estate in real property as defined in the CID Act, depicted on a Condominium Plan and located in a Condominium Project.

1.1.21 **Condominium Common Area.** Condominium Common Area means volumes of airspace or other portions of real property within a Condominium Project designated as such in a Condominium Plan and owned by the Owners of Condominiums described in the Condominium Plan in undivided interest as tenants in common. The Condominium Common Area is not Master Common Area.

1.1.22 **Condominium Plan.** Condominium Plan means a Recorded condominium plan (as defined in California Civil Code Section 4120).

1.1.23 **Condominium Project.** Condominium Project means a “condominium project” as defined in California Civil Code Section 4125, and including all the real property therein designated a “unit” or Condominium Unit, Condominium Common Area or part of the Neighborhood Association Property in the applicable Condominium Plan(s) for such Condominium Project. A Condominium Project may also include additional real property not described in a Condominium Plan; such property shall be designated a part of the Neighborhood Association Property or Master Common Property in the applicable Supplemental Master Declaration. Each Condominium Project may be subject to the jurisdiction of a Neighborhood Association operating under a Neighborhood Declaration.

1.1.24 **Condominium Unit.** Condominium Unit means the unit of a Condominium, which is a Separate Interest shown and described on a Condominium Plan.

1.1.25 **County.** County means San Luis Obispo County, California, and its various departments, divisions, employees and representatives.

1.1.26 **Declarant.** Declarant means Righetti Ranch, LP, a Delaware limited partnership, its successors and any Person to which it shall have assigned any of its rights by an express written assignment. As used in this Section, “successor” means a Person who acquires Declarant or substantially all of Declarant’s assets by sale, merger, reverse merger, consolidation, sale of stock or assets, operation of law or otherwise. Declarant shall determine in its sole discretion the time, place and manner in which it discharges its obligations and exercises the rights reserved to it under this Master Declaration. Declarant is a “builder” as described in California Civil Code Section 6000 and successor provisions.

1.1.27 **Design Guidelines.** Design Guidelines means the rules or guidelines setting forth procedures and standards for submission of plans for Design Review Committee approval.

1.1.28 **Design Review Committee or Committee.** Design Review Committee or Committee means the Design Review Committee created in accordance with Article 5.

1.1.29 **Drainage and Water Quality Improvements.** Drainage and Water Quality Improvements means, collectively, the Islay Hill HOA Basin and other on-site and/or sub-regional drainage basins, water quality treatment and conveyance Improvements, Low-

Impact Development (LID)-design drainage and stormwater treatment Improvements, Master Common Area drainage channels, below-ground drain lines, subsurface drains on Master Common Area and public property, water quality treatment and conveyance Improvements, including detention and biofiltration basins, underground storm water detention systems, brow ditches, bioswales, area drains, storm drain lines, roof drains and downspouts, rain gardens, bioretention areas, tree well filters and Filterra or similar biofiltration units in the parkways (if any) and any outlet from the biofilters to the City storm drain system and appurtenant Improvements constructed in the Community, together with non-City-standard public storm drain infrastructure outside the boundaries of the Community as described. The approximate locations of the Drainage and Water Quality Improvements in the Initial Covered Property are approximately depicted on *Exhibit H*, and in the O&M Manual and on plans on file with the City.

1.1.30 **Entitlements.** Entitlements means, collectively, (a) Resolution No. 10619 (2015 Series) of the City Council of the City of San Luis Obispo, California, Approving a Vesting Tentative Tract Map No. 3063 Creating 328 Lots for Property Located at 3987 Orcutt Road (TR/ER 114-14; Tract #3063 Righetti); (b) Resolution No. 10620 (2015 Series) of the City Council of the City of San Luis Obispo, California, Approving a Vesting Tentative Tract Map No. 3066 Creating 33 Lots for Property Located at 3765 Orcutt Road (TR/ER SBDV-00672014; Tract #3066 Jones), and (c) any other conditions of approval and land use entitlement processes required by the City for the Community.

1.1.31 **Family.** Family means natural individuals, related or not, who live as a single household in a Residence.

1.1.32 **Fannie Mae.** Fannie Mae means the Federal National Mortgage Association, a government-sponsored private corporation established pursuant to Title VIII of the Housing and Urban Development Act of 1968 and its successors.

1.1.33 **FHA.** FHA means the Federal Housing Administration of the United States Department of Housing and Urban Development and its successors.

1.1.34 **FHFA.** FHFA means the Federal Housing Finance Agency, established pursuant to the Housing and Economic Recovery Act of 2008, and its successors.

1.1.35 **Fire Plan.** Fire Plan means that certain Fire Protection Plan for Righetti Hills Development prepared by Hunt Research Corporation, which is on file with the City. and which is discussed in Section 2.2.2(j) below.

1.1.36 **First Mortgage.** First Mortgage means a Mortgage with first priority over other Mortgages on a Separate Interest.

1.1.37 **First Mortgagee.** First Mortgagee means the Mortgagee of a First Mortgage.

1.1.38 **Fiscal Year.** Fiscal Year means the fiscal accounting and reporting period of the Master Association.

1.1.39 **Freddie Mac.** Freddie Mac means the Federal Home Loan Mortgage Corporation created by Title II of the Emergency Home Finance Act of 1970 and its successors.

1.1.40 **Ginnie Mae.** Ginnie Mae means the Government National Mortgage Association administered by the United States Department of Housing and Urban Development and its successors.

1.1.41 **Governing Documents.** Governing Documents means this Master Declaration, the Articles, Bylaws, Design Guidelines, Rules and Regulations and Supplemental Master Declarations.

1.1.42 **Improvement.** Improvement means a structure or appurtenance thereto, including streets, sidewalks, pedestrian/bike paths, drainage systems, buildings, walkways, irrigation systems, driveways, alleys, parking areas, fences, any type of walls, awnings, stairs, decks, any type of landscaping and planting, landscape irrigation equipment, poles, signs, exterior air conditioning and water softener fixtures or equipment, antennae or other reception devices, windbreaks, the exterior surfaces of any visible structure and the paint on such surface, in the Community. The Design Review Committee may identify additional items that are Improvements.

1.1.43 **Include, Including.** Whether capitalized or not, include and including mean “includes without limitation” and “including without limitation,” respectively.

1.1.44 **Initial Covered Property.** Initial Covered Property means all of the real property described in Paragraph B of the Preamble of this Master Declaration. The description of the Initial Covered Property in Paragraph B of the Preamble does not establish it as a Phase; rather, Declarant shall designate one or more Phases from the Initial Covered Property in the applicable Public Reports and/or in Recorded Supplemental Master Declarations in accordance with Sections 1.1.88 and 16.4.3. When the Map of Tract No. 3066-Phase 2 records, Declarant may update the Preamble B legal description of the Map and Lots thereon by Supplemental Master Declaration without having to amend this Master Declaration.

1.1.45 **Islay Hill HOA Basin.** Islay Hill HOA Basin means, collectively, Lot 132 of Tract No. 1376, Unit No. 1, in the City of San Luis Obispo, County of San Luis Obispo, as shown on the map Recorded August 19, 1988 in Book 14, Page 77 of Maps, Records of San Luis Obispo County, together with the water quality basin and related water quality and Drainage and Water Quality Improvements located thereon.

1.1.46 **Islay Hill HOA Basin Deed and Assumption of Maintenance Obligations.** Islay Hill HOA Basin Deed and Assumption of Maintenance Obligations means, collectively, (a) that certain Grant Deed with Covenant Running with the Land Recorded January 17, 2014 as Document No. 2014002035, and (b) that certain Memorandum of Transfer and Assumption of Maintenance Obligations Recorded January 17, 2014, as Document No. 2014002036, both of Official Records.

1.1.47 **Local Governmental Agency.** Local Governmental Agency means the City and any other government entity or agency and any school district, special assessment district, maintenance district or community facilities district.

1.1.48 **Lot.** Lot means any Separate Interest shown on a Recorded subdivision map, which Separate Interest is improved with a single Residence. A Lot is a Separate Interest under the Governing Documents. Parcels of Master Common Area, parcels of real property dedicated to the City or to any other governmental entity, and parcels of real property owned in fee simple by a Neighborhood Association, while designated "Lot" or "Lots" on the subdivision maps describing the Community and in legal descriptions in the Governing Documents, are not Separate Interests for purposes of interpreting the covenants, conditions and restrictions which are applicable in the Governing Documents to Separate Interests. Condominium Units are Separate Interests, but they are not Lots, unless so defined in a Supplemental Master Declaration.

1.1.49 **Maintain, Maintenance.** Whether capitalized or not, maintain and maintenance mean "maintain, repair and replace" and "maintenance, repair and replacement," respectively; provided, however, that maintain or maintenance shall not include repair and replace(ment) where the context or specific language of this Master Declaration provides another meaning.

1.1.50 **Maintenance Funds.** Maintenance Funds means the accounts created for Master Association receipts and disbursements pursuant to Article 7.

1.1.51 **Maintenance Guidelines.** Maintenance Guidelines means any current written guidelines, manuals or recommendations which may set forth maintenance practices and procedures, maintenance standards, scope of maintenance, recommended intervals for maintenance, and guidelines for the operation of, Master Common Property by the Master Association, the Separate Interests by the Owners, Neighborhood Association Property by Neighborhood Associations, and any Improvements on any of the foregoing. Maintenance Guidelines may be provided to the Master Association, to each Owner, and/or to a Neighborhood Association, by Declarant, a Neighborhood Builder, or the Master Association. The term covers such materials prepared by manufacturers or installers and those prepared by or at the direction of Declarant, a Neighborhood Builder, or the Master Association.

Notwithstanding anything to the contrary contained in this Master Declaration, Master Common Property Maintenance Guidelines provided to the Master Association by Declarant or by a Neighborhood Builder may be supplemented, amended and updated by the Board; provided, however, that for so long as Declarant or any Neighborhood Builder owns or has any interest in any portion of the Community or Annexable Area, the written consent of the Declarant and Neighborhood Builder (as applicable) is required for any such supplement, amendment or update that would materially change any of the stated maintenance practices and procedures, maintenance standards, scope of maintenance, recommended intervals for maintenance, and guidelines for the operation of the Master Common Property or Improvements thereon.

1.1.52 **Manager.** Manager means the Person retained by the Master Association to perform management functions of the Master Association as limited by the Governing Documents and the terms of the agreement between the Master Association and the Person. The Manager shall not be affiliated with any Director of the Master Association.

1.1.53 **Map.** Map means the final recorded map of Tract No. 3063-Phase 1, as described in Preamble Paragraph B above. As Annexable Area described on other maps is annexed to the Community, the term shall apply to such other maps as and when the context requires.

1.1.54 **Master Association.** Master Association means Righetti Ranch Maintenance Corporation (formed pursuant to the California Nonprofit Mutual Benefit Corporations Law), and its successors-in-interest. The Master Association is an “association” as defined in California Civil Code Section 4080.

1.1.55 **Master Common Area.** Master Common Area means real property owned in fee by the Master Association and designated by the Declarant in this Master Declaration or in a Supplemental Master Declaration as Master Common Area and therefore made subject to the restrictions on Master Common Area established in the Governing Documents. Any references in this Master Declaration to Master Common Area are references to the Master Common Area as a whole and to portions thereof. The Master Common Area satisfies the definition of “common area” as that term is defined in California Civil Code Section 4095. The Master Common Area in the Community is planned to include:

- (a) Community Walls constructed within Master Common Area, or which separate Master Common Area from public property or from other real property lying outside the Community;
- (b) Private Streets designated in the Governing Documents;
- (c) Street lights along Private Streets;
- (d) Clustered mailboxes;
- (e) Drainage and Water Quality Improvements on Master Common Area parcels in Tract No. 3063-Phase 1, the Islay Hill HOA Basin, and Tract No. 3066-Phase 2;
- (f) The land, landscaping and Improvements within the Biological Open Space Easement on Lots 31 and 32 of Tract No. 3066-Phase 2;
- (g) Private Streets (and Drainage and Water Quality Improvements therein, private water lines, and private sewer lines beneath the Private Streets);
- (h) The Private Parks and Master Common Area parcels designated private open space on Lots 153 to 158, inclusive, Lots 162, 163, and 166 of Tract No. 3063-Phase 1, and Lot 30 of Tract No. 3066-Phase 2 (which may in the future be designated part of the Neighborhood Association Property of a Condominium Project), and the Improvements thereon; and
- (i) Emergency access roads.

Master Common Area will be annexed to the Community in accordance with the Declarant’s development plan and pursuant to the requirements of Article 16. Notwithstanding

any reference to or depiction of Master Common Area in this master Declaration or a Supplemental Master Declaration, the Master Association's obligation to maintain such Master Common Area shall not commence until the date of the first Close of Escrow in the Phase that includes the Master Common Area.

1.1.56 **Master Common Property.** Master Common Property means the Master Common Area and Master Maintenance Areas. Any references to the Master Common Property are references to the Master Common Property as a whole and to portions thereof. Notwithstanding any reference to or depiction of Master Common Property in this master Declaration or a Supplemental Master Declaration, the Master Association's obligation to maintain such Master Common Property shall not commence until the date of the first Close of Escrow in the Phase that includes the Master Common Property.

1.1.57 **Master Declaration.** Master Declaration means this instrument as currently in effect.

1.1.58 **Master Maintenance Area.** Master Maintenance Area means those Improvements on Separate Interests, on public property, or on other real property not owned in fee by the Master Association but which are designated in the Governing Documents for maintenance by the Master Association. The items listed in subparagraph (a) below may be supplemented or modified for a particular site in the applicable Supplemental Master Declaration.

(a) **Generally.** The Master Maintenance Areas in a Phase of development may include one or more of the following:

(i) The terraced retaining walls and wall drains described in Section 1.1.19(b) and other Community Walls (including Community Wall-associated Improvements described in Section 1.1.19(c)) that enclose and/or are constructed in whole or in part on Separate Interests, Neighborhood Association Property or City-owned parcels ;

(ii) Frontage landscaping along the public right-of-way parkway landscaping and street trees on Tank Farm Road and Orcutt Road along the Parsons homestead lot and Lot 169 of Tract No. 3063-Phase 1 (including any maintenance necessary to preserve lines-of-sight at intersections as designated in a Supplemental Master Declaration);

(iii) Private Alleys on the Private Alley Lots;

(iv) Motor Courts on the Motor Court Lots;

(v) Landscaping in the private slope and drainage easements on Lots 37 to 55, inclusive, and Lots 68 to 83, inclusive of Tract No. 3063-Phase 1 (as shown on the Map of Tract No. 3063-Phase 1);

(vi) Replacement of specialized street paving on Motor Courts or Private Alleys in the area of public water and/or sewer mains, and replacement of such paving at public street intersections of Pio Street and Righetti Ranch Road, Pio Street and Bettenford Drive, Righetti Ranch Road at Hayfield Loop, and decorative paving bands at View

Corridor trail crossing points on Hillside Drive and Bernardo Lane (all as discussed in more detail in Section 2.2.2(f);

(vii) Certain Drainage and Water Quality Improvements and BMPs which are upslope of building sites and not approved for public maintenance by the City Engineer;

(viii) Drainage and Water Quality Improvements along Tank Farm Road and along public streets;

(ix) Drainage and Water Quality Improvements, sewer lines, and water lines in or beneath Motor Courts, Private Alleys and Private Streets, offsite swale and drainage infrastructure on Lots 159, 161 and 164 of Tract No. 3063-Phase 1;

(x) Drainage and Water Quality Improvements and BMPs in the public right of way along Tiburon Way and along the east side of Orcutt Road that treat water from outside the Community;

(xi) The Islay Hill HOA Basin retaining wall and footing Improvements on Lot 132 of Tract 1376 including the portions thereof that encroach into the Tank Farm Road right-of-way (to be maintained pursuant to the Private Improvement Encroachment Agreement described below);

(xii) Certain non-City-standard public storm drain infrastructure outside the boundaries of the Community, all as specified in the O&M Manual or in the Governing Documents; and

(xiii) Wildland Fuel Management/Reduction Zones on portions of Lots 159, 161 and 172 of Tract No. 3063-Phase 1, and Lots 31 and 32 of Tract No. 3066-2 which are described in the Fire Plan.

(b) ***Master Maintenance Areas in the Community.*** The Master Maintenance Areas in the Initial Covered Property (if any) shall be approximately depicted in an exhibit to an amendment to this Master Declaration or in one or more Supplemental Master Declarations. The obligation to maintain any of the Master Maintenance Areas in a particular Phase shall not commence until after the commencement of Annual Assessments in the Phase, notwithstanding its depiction in the Governing Documents.

(c) ***Master Maintenance Areas in the Annexable Area.*** Master Maintenance Areas in the Annexable Area shall include the items listed in subparagraph (a) above as applicable to the Separate Interests in each Tract of Annexable Area. Declarant may designate additional Master Maintenance Areas in a Supplemental Master Declaration. The Master Association's obligation to maintain any areas described generally in subparagraph (a) above which are not applicable to the Initial Covered Property shall commence in accordance with Section 2.2.1 below.

1.1.59 **Membership.** Membership means the voting and other rights, privileges, and duties established in the Governing Documents for members of the Master Association.

1.1.60 **Mixed-Use Development.** Mixed-Use Development means that certain development consisting of affordable condominium homes and commercial space located on Lots 26, 27, and 28 of Tract 3066-Phase 2. The Mixed-Use Development is not part of the Community.

1.1.61 **Mortgage.** Mortgage means any Recorded document, including a deed of trust, by which a Separate Interest, Master Common Area or Neighborhood Association Property is hypothecated to secure performance of an obligation.

1.1.62 **Mortgagee.** Mortgagee means a Person to whom a Mortgage is made, or the assignee of the Mortgagee's rights under the Mortgage by a Recorded instrument. For purposes of this Master Declaration, the term Mortgagee shall include a beneficiary under a deed of trust.

1.1.63 **Mortgagee Majority.** Mortgagee Majority means fifty-one percent (51%) or more of the First Mortgagees. For purposes of any provisions of the Governing Documents which requires the vote or approval of a Mortgagee Majority, such vote or approval is determined based on one (1) vote for each Separate Interest encumbered by a First Mortgage held by a First Mortgagee.

1.1.64 **Mortgagor.** Mortgagor means a person who has mortgaged property. For purposes of this Master Declaration, the term Mortgagor shall include a trustor under a deed of trust.

1.1.65 **Motor Court.** Motor Court means the shared driveway constructed on portions of the surrounding Motor Court Lots, over which Declarant has reserved on the Map of Tract No. 3066 Phase-2 nonexclusive, reciprocal easements for vehicular and pedestrian access purposes for the Motor Court Lots in a particular Motor Court Group, and nonexclusive maintenance easements for the Master Association in accordance with this Master Declaration. The Motor Courts are designated Sussex Court and Leghorn Court. The term also refers to the Improvements constructed in the Motor Court, including asphalt or decorative concrete driveway paving, lighting fixtures, and curb and gutter. The Motor Courts are Master Maintenance Areas.

1.1.66 **Motor Court Group.** Motor Court Group means a group of Motor Court Lots over which reciprocal easements for use of a particular Motor Court are reserved and granted.

1.1.67 **Motor Court Lot.** Motor Court Lot means a Lot on which a portion of a Motor Court is constructed. The Motor Court Lots in a particular Phase will be designated in the Governing Documents applicable to the Phase.

1.1.68 **Motor Court Master Maintenance Area.** Motor Court Master Maintenance Area means the asphalt or decorative concrete driveway paving, curb, gutter, and lighting fixtures, and Drainage and Water Quality Improvements therein, private water lines, and

private sewer lines beneath the Motor Courts, if any, all of which shall be maintained by the Master Association as Master Maintenance Areas.

1.1.69 Motor Court Lot Special Benefit Area. Motor Court Lot Special Benefit Area the cost center established in the Budget to allocate to the Motor Court Lots the Motor Court Lot Special Benefit Area Expenses. The Motor Court Lot Special Benefit Area is a Special Benefit Area as defined in Section 1.1.110.

1.1.70 Motor Court Lot Special Benefit Area Expenses. Motor Court Lot Special Benefit Area Expenses means those elements of Common Expenses which are incurred by the Master Association in maintaining the Motor Court Lot Master Maintenance Areas.

1.1.71 Mutual Benefit Agreement. Mutual Benefit Agreement means any of the Grant of Easements and Mutual Benefit Agreements Recorded by Declarant in Official Records, between the Master Association, or a Neighborhood Association that may be formed to manage and maintain Condominiums, on the one hand, and the developer of the Mixed-Use Development or other adjacent property owners that are not subject to the jurisdiction of the Master Association or the coverage of the Master Declaration or other Governing Documents of the Community, on the other hand. The purpose of the Mutual Benefit Agreement is to allocate to the Mixed-Use Development or other contracting party a fair share of the costs and expenses incurred by the Master Association or Neighborhood Association (as applicable) in the operation, maintenance, replacement, and management of components of the Master Common Property which jointly benefit the Community and the Mixed-Use Development or other property, including operating and maintenance costs and reasonable reserves for the roadway paving and parking stall striping, shared trash enclosures, walkways, lighting fixtures, utilities, and shared Drainage and Water Quality Improvements on Hatchery Lane (Lots 21, 23, and 25 of Tract No. 3066 Phase-2, which are located in the Master Common Area, but shared with the Mixed-Use Development.

1.1.72 Neighborhood. Neighborhood means any portion of the Community so designated in this Master Declaration or in a Supplemental Master Declaration. A Neighborhood may, but need not, be subject to a Neighborhood Declaration and the jurisdiction of a Neighborhood Association.

1.1.73 Neighborhood Association. Neighborhood Association means any California nonprofit corporation or unincorporated association, or its successors, established in connection with a Neighborhood Declaration to govern a Neighborhood, the membership of which is composed of the Owners of Separate Interests which are made subject to the Neighborhood Declaration.

1.1.74 Neighborhood Association Property. Neighborhood Association Property means real or personal property that is owned or maintained by a Neighborhood Association. The Neighborhood Association Property in each Neighborhood of the Community may be designated by the Declarant, or by Declarant and a Neighborhood Builder as Neighborhood Association Property in this Master Declaration or in the applicable Supplemental Master Declaration, and by the Declarant or the Neighborhood Builder (as applicable) in

Neighborhood Governing Documents. References to Neighborhood Association Property are references to Neighborhood Association Property as a whole and to portions thereof.

1.1.75 Neighborhood Builder. Neighborhood Builder means a Person who is designated by Declarant as a Neighborhood Builder in a Recorded document and who acquires a portion of the Community for the purpose of developing such portion for resale to the general public, or a Person who acquires all or a portion of a Neighborhood from such Neighborhood Builder for the purpose of developing such portion for resale to the general public, or a successor to such Neighborhood Builder who acquires Neighborhood Builder or substantially all of Neighborhood Builder's assets, including the Neighborhood. The term "Neighborhood Builder" does not include Declarant, although Declarant may develop portions of the Community on its own behalf for resale to the general public. Each Neighborhood Builder is a "builder" as described in California Civil Code Section 6000 and successor provisions.

1.1.76 Neighborhood Builder Dispute. Neighborhood Builder Dispute means any claim or controversy (including any Right to Repair Law Claim), in which the parties are limited to one or more Owners or a Neighborhood Association, on the one hand, and a Neighborhood Builder (or any director, officer, partner, shareholder, member, employee, representative, contractor, subcontractor, design professional or agent of Neighborhood Builder), on the other hand. Each Neighborhood Builder may adopt its own process for the disposition of Neighborhood Builder Disputes by complying with Section 12.4.10.

1.1.77 Neighborhood Declaration. Neighborhood Declaration means any Declaration of Covenants, Conditions and Restrictions which is Recorded against a Neighborhood to impose covenants, conditions and restrictions concerning among other things, the governance and operation of the real property it encumbers by a Neighborhood Association. Neither this Master Declaration nor any Supplemental Master Declaration is a Neighborhood Declaration.

1.1.78 Neighborhood Governing Documents. Neighborhood Governing Documents means, collectively, a Neighborhood Declaration, the Articles and Bylaws establishing a Neighborhood Association, the design guidelines, rules and regulations of a Neighborhood Association and any Neighborhood Supplemental Declaration. Not all Neighborhoods in the Community will be subjected to Neighborhood Governing Documents.

1.1.79 Neighborhood Street. Neighborhood Street means each of the private drives and alleys within a Neighborhood which are or will be owned in fee and/or maintained by a Neighborhood Association as Neighborhood Association Property. A Neighborhood Street which is owned in fee by a Neighborhood Association may nevertheless be designated a Master Maintenance Area by Declarant in a Supplemental Master Declaration, in which event, the Master Association, rather than the Neighborhood Association, shall be primarily responsible for maintenance of the Neighborhood Street.

1.1.80 Neighborhood Supplemental Declaration. Neighborhood Supplemental Declaration means a Recorded instrument solely affecting a Neighborhood or a portion thereof, which imposes conditions, covenants, or restrictions or reserves easements in addition to the conditions, covenants, restrictions and easements established in the Neighborhood

Declaration. A Neighborhood Supplemental Declaration may supplement the Neighborhood Declaration or it may annex real property to the coverage of the Neighborhood Declaration, or both. A Neighborhood Supplemental Declaration is not a Supplemental Master Declaration.

1.1.81 **Notice and Hearing.** Notice and Hearing means written notice and a hearing before the Board as provided in the Bylaws.

1.1.82 **O&M Manual.** O&M Manual means that certain Operation and Maintenance (O&M) Manual to Fund and Maintain Water Quality BMPs prepared for the Community.

1.1.83 **Official Records.** Official Records means the Official Records of the County.

1.1.84 **Operating Fund.** Operating Fund means that portion of the Common Expenses allocated for the daily operation of the Master Association.

1.1.85 **Owner.** Owner means the Person or Persons, including Declarant and Neighborhood Builders, holding fee simple interest or a long-term ground leasehold interest of Record to a Separate Interest that is subject to Annual Assessments. Each Owner has a Membership in the Master Association. The term "Owner" includes sellers under executory contracts of sale but excludes Mortgagees. The term "Owner" may be expanded in a Supplemental Master Declaration to include other Persons. For purposes of this Master Declaration, a "long term ground leasehold interest" means a leasehold interest having at least a ten (10)-year term. The inclusion of the Declarant and Neighborhood Builders in the definition of "Owner" does not limit or derogate their respective rights and exemptions as "Declarant" or "Neighborhood Builder" under the Governing Documents.

1.1.86 **Party Wall.** Party Wall means any wall or fence that is constructed by Declarant or a Neighborhood Builder to separate adjacent Separate Interests (whether or not constructed on the legal property boundary). Party Walls are not Community Walls. Demising walls between adjacent attached Condominiums are not Party Walls as that term is used in the Governing Documents. Instead, their maintenance shall be governed by the applicable Neighborhood Governing Documents.

1.1.87 **Person.** Person means a natural individual or any legal entity recognized under California law. When the word "person" is not capitalized, the word refers only to natural persons.

1.1.88 **Phase.** Phase means each of the following: (a) any portion of the real property made subject to this Master Declaration which is designated a Phase in a particular Public Report issued by CalBRE, or (b) real property consisting solely of Master Common Property as described in a Recorded Supplemental Master Declaration. Declarant may otherwise define the term "Phase" in a Recorded Supplemental Master Declaration.

1.1.89 **Private Alley.** Private Alley means a drive constructed over portions of Private Alley Lots, over which Declarant has reserved on the Map of Tract No. 3063 Phase-1 nonexclusive, reciprocal easements for vehicular and pedestrian access purposes. The term also

refers to the Improvements constructed in the Private Alley, including asphalt or decorative concrete roadway paving, curb, gutter, and lighting and sidewalk (if any). Private Alleys are subject to (a) nonexclusive easements reserved for the Master Association and its members, tenants, Families, invitees and contractors for vehicular and pedestrian access purposes, and (b) nonexclusive maintenance easements for the Master Association.

1.1.90 Private Alley Lot. Private Alley Lot means a Lot on which a portion of a Private Alley is constructed. Each Private Alley Lot is a Lot and a Separate Interest. The Private Alley Lots in a particular Phase will be designated in the Governing Documents applicable to the Phase. The Private Alley Lots in the Initial Covered

1.1.91 Private Alley Lot Master Maintenance Area. Private Alley Lot Master Maintenance Area means the asphalt or decorative concrete roadway paving, curb, gutter, lighting and sidewalk (if any), Drainage and Water Quality Improvements therein, and the private water lines and private sewer lines beneath the Private Alleys, if any, all of which shall be maintained by the Master Association as Master Maintenance Area.

1.1.92 Private Alley Lot Special Benefit Area. Private Alley Lot Special Benefit Area means the cost center established in the Budget to allocate to the Private Alley Lots the Private Alley Lot Special Benefit Area Expenses. The Private Alley Lot Special Benefit Area is a Special Benefit Area as defined in Section 1.1.110.

1.1.93 Private Alley Lot Special Benefit Area Expenses. Private Alley Lot Special Benefit Area Expenses means those elements of Common Expenses which are incurred by the Master Association in maintaining the Private Alley Lot Master Maintenance Areas.

1.1.94 Private Drainage, Landscape, and Wildland Fuel Management Easement and Encroachment Agreement. Private Drainage, Landscape, and Wildland Fuel Management Easement and Encroachment Agreement means that certain Private Drainage, Landscape, and Wildland Fuel Management Easement and Encroachment Agreement entered into by Declarant with the City which concerns a swale on Lot 161 of Tract No. 3063-Phase 1, slope, swales, basins and drainage lines and related infrastructure on Lot 159 and 164 of Tract No. 3063-Phase 1, and encroachment by certain Filterra or similar biofiltration units in parkway areas of the public right-of-way. The foregoing obligations will commence in accordance with the development plan and the CalBRE-reviewed Budget of the Master Association, as designated in one or more Supplemental Master Declarations.

1.1.95 Private Improvement Encroachment Agreement. Private Improvement Encroachment Agreement means that certain Private Improvement Encroachment Agreement be Recorded in Official Records, initially entered into between Declarant and the City, concerning (a) the encroachment into the public right-of-way of Tank Farm Road by portions of the Islay Hill HOA Basin retaining wall and footing Improvements, and (b) the maintenance of such encroaching Improvements. The Master Association will eventually assume the obligations of Declarant as "Grantee" under the Private Improvement Encroachment Agreement in accordance with the development plan and the CalBRE-reviewed Budget of the Master Association, as designated in one or more Supplemental Master Declarations.

1.1.96 **Private Park.** Private Park is defined in Section 3.21.

1.1.97 **Private Street.** Private Street means, collectively, the in-tract streets which are or will be owned by the Master Association as Master Common Area, whether they are shown on the Map, or shown in future maps, or condominium plans. Private Streets shall be designated by Declarant in this Master Declaration or in the applicable Supplemental Master Declaration. The term also applies to Improvements in the Private Street, including asphalt or decorative concrete roadway paving, curb, gutter, parkway landscaping, parkway irrigation equipment, lighting, street trees, sidewalk and private sewer mains. For purposes of interpreting the maintenance, use and easement provisions of this Master Declaration, the term does not apply to Motor Courts or Private Alleys, nor does it apply to Neighborhood Streets owned by a Neighborhood Association (if any).

1.1.98 **Public Report.** Public Report means a Final Subdivision Public Report issued by CalBRE for any Phase of the Community. The term does not refer to Conditional Subdivision Public Reports.

1.1.99 **Reconstruction Assessment.** Reconstruction Assessment means a charge against the Owners and their Separate Interests representing their share of the Master Association's cost to reconstruct Master Common Property Improvements as provided in California Civil Code Section 5610. Such charge shall be levied among all Owners and their Separate Interests in the same proportions as Annual Assessments. Reconstruction Assessments are "special assessments" which shall be levied, if at all, in accordance with the requirements of California Civil Code Sections 5605(b).

1.1.100 **Record or File.** Record or File means, with respect to any document, the entry of such document in Official Records.

1.1.101 **Reserve Fund.** Reserve Fund means that portion of the Common Expenses allocated for the future repair and replacement of, or additions to, structural elements, mechanical equipment and other major components of Master Association-maintained Improvements. The amount of the Reserve Fund will be determined annually by the Board pursuant to reserve guidelines established in accordance with prudent property management practices generally applied to a "common interest development" (as defined in California Civil Code Section 4100).

1.1.102 **Residence.** Residence means the single-family dwelling constructed on each Separate Interest in the Community. The term applies both to attached dwellings in Condominium Projects and to detached dwellings on individual Lots.

1.1.103 **Restrictive Covenant for Private Open Space.** Restrictive Covenant for Private Open Space means that certain Restrictive Covenant for Private Open Space, to be Recorded in Official Records, which reserves easements for private open space over Master Common Area Lot 172 of Tract No. 3063-Phase 1, and Lots 1 and 3 of Tract No. 3066-Phase 2. The term may be expanded to cover additional instruments affecting other portions of the Community or Annexable Area by amendment or by Supplemental Master Declaration.

1.1.104 **Right to Repair Law.** Right to Repair Law means California Civil Code Sections 895 through 945.5, and any successor statutes.

1.1.105 **Right to Repair Law Claim.** Right to Repair Law Claim means any claim brought by one or more Owners or by the Master Association against one or more Declarant Parties (as defined in Section 12.4) on any design or construction defect matters that are governed by the Right to Repair Law.

1.1.106 **Rules and Regulations.** Rules and Regulations or “Rules” means the current rules and regulations for the Community, as adopted by the Board and as amended or restated from time to time.

1.1.107 **Selection Right Termination Date.** Selection Right Termination Date is defined in Section 4.6.4.

1.1.108 **Separate Interest.** Separate Interest means, both, a Lot shown on a Recorded subdivision map, and a Condominium Unit as shown on a Recorded Condominium Plan.

1.1.109 **Special Assessment.** Special Assessment means any of the following:

(a) A reasonable monetary penalty imposed against an Owner and the Owner’s Separate Interest in accordance with California Civil Code Section 5725(b), as a disciplinary measure for the failure of an Owner to comply with the Governing Documents (but which may not be characterized nor treated in the Governing Documents as an Assessment that may become a lien enforceable by sale of the Separate Interest); or

(b) A monetary charge imposed against an Owner and the Owner’s Separate Interest in accordance with California Civil Code Section 5725(a) to recover costs incurred by the Master Association (i) to bring an Owner and the Owner’s Separate Interest into compliance with the Governing Documents, or (ii) in the repair of damage to Master Common Property caused by the Owner or the Owner’s Family, contractors, residents, tenants or guests, all as further described in the CID Act and this Master Declaration. Provided, however, that in accordance with Section 2792.26(c) of Title 10, Chapter 6, California Code of Regulations, monetary charges described in this Section 1.1.109(b) which are imposed before the last Close of Escrow in the Community or Annexable Area may not be characterized or treated as a lien enforceable by judicial foreclosure and sale of the Separate Interest; or

(c) A Capital Improvement Assessment; or

(d) A Reconstruction Assessment; or

(e) Any other Assessment or increase imposed pursuant to California Civil Code Section 5610 to pay an extraordinary expense or to make up a shortfall in any Operating Fund or Reserve Fund or for other purposes permissible thereunder.

1.1.110 **Special Benefit Area or SBA.** Special Benefit Area or SBA means a group of Separate Interests which (a) disproportionately benefits from the existence and

maintenance of specified Master Common Property Improvements, and/or (b) receives from the Master Association specified services not provided to all Separate Interests. The Master Association's costs to maintain and operate such Improvements and to provide such services, together with the administrative costs incurred in connection with each Special Benefit Area, shall be an additional charge payable by such benefited Owners as part of their Annual Assessments. During the development and marketing of the Community, Declarant, in its sole discretion, may from time to time determine that a group of Separate Interests benefits more from certain Improvements or services than does the Community as a whole. In such event, the Declarant shall designate the Special Interests receiving such benefits as part of a Special Benefit Area in the applicable Governing Documents. The Board may thereafter designate Special Benefit Areas under circumstances authorized in the Governing Documents. Special Benefit Areas may also be referred to as "cost centers" in the CalBRE-reviewed Budget or Public Reports affecting portions of the Community.

1.1.111 Special Benefit Area Assessment Component. Special Benefit Area Assessment Component means an extra charge added to the base Annual Assessments to be paid only by the Owners of Separate Interests in a particular Special Benefit Area. The Special Benefit Area Assessment Component allocates to the Owners in the Special Benefit Area the costs and other charges incurred by the Master Association in maintaining Improvements or providing services which exclusively or disproportionately benefit their Separate Interests. The Special Benefit Area Assessment Component shall be allocated among the Separate Interests in a Special Benefit Area in accordance with Section 7.6.5.

1.1.112 Special Benefit Area Operating Account. Special Benefit Area Operating Account means, for each Special Benefit Area, a separate Special Benefit Area Operating Account for the operating costs portion of the Special Benefit Area Assessment Component.

1.1.113 Special Benefit Area Reserve Account. Special Benefit Area Reserve Account means, for each Special Benefit Area, a separate Special Benefit Area Reserve Account for the reserves portion of the Special Benefit Area Assessment Component.

1.1.114 Supplemental Master Declaration. Supplemental Master Declaration means an instrument Recorded by Declarant against all or a portion of the Community in order to supplement, modify or clarify covenants, conditions and restrictions or easements established under this Master Declaration. A Supplemental Master Declaration may also serve as a declaration establishing the legal Condominium regime in a particular Condominium Neighborhood should it be developed as "site" Condominiums, which do not require that a separate Neighborhood Association be established to govern and maintain the Neighborhood. A Supplemental Master Declaration may affect one (1) or more Separate Interests. Declarant, or a Neighborhood Builder with Declarant's consent, may record a Supplemental Master Declaration so long as Declarant or a Neighborhood Builder owns all of the real property to be encumbered by the Supplemental Master Declaration. A Supplemental Master Declaration may apply to one or more Phases, it may modify this Master Declaration as it applies to the property encumbered by the Supplemental Master Declaration, and it may, but need not, annex additional real property to the Community and the coverage of this Master Declaration pursuant to Article 16.

1.1.115 Telecommunication Facilities. Telecommunication Facilities means equipment, cables, conduits, ducts, vaults, connecting hardware, wires poles, transmitters, towers, antennae and other devices, facilities and structures now existing or that may in the future be developed to provide Telecommunications Services to the Community.

1.1.116 Telecommunications Services. Telecommunications Services means any services provided to the Community for reception, transmission or distribution of video, audio, data, voice communications including telephony, all related vertical services, and any other communication services now existing or that may in the future be developed. Declarant may expand this definition in any Supplemental Master Declaration or in a Recorded Agreement with a provider of such services.

1.1.117 Private Street Special Benefit Area. Private Street Special Benefit Area means any cost center established in the Budget to allocate to the Separate Interests in a particular Neighborhood or other grouping of Separate Interests the costs and expenses incurred by the Master Association in maintaining the Private Streets serving the Separate Interests. A Private Street Special Benefit Area is a Special Benefit Area as defined in Section 1.1.110.

1.1.118 Private Street Special Benefit Area Expenses. Private Street Special Benefit Area Expenses means those elements of Common Expenses which are incurred by the Master Association in maintaining the Private Streets covered by a particular Private Street Special Benefit Area.

1.1.119 VA. VA means the Department of Veterans Affairs of the United States of America and any department or agency of the United States government which succeeds to the VA's function of issuing guarantees of notes secured by Mortgages on residential real estate.

1.1.120 View Corridor. View Corridor means collectively, Master Common Area parcels designated Private Park on the map and the corresponding Master Common Area parcel designated private open space on the Map, including Lots 153 through 158 of Tract No. 3063-Phase 1.

1.1.121 Water Quality Management Plan. Water Quality Management Plan means the Water Quality Management Plan for the Community, as approved by the City.

1.1.122 Wildland Fuel Management/Reduction Zone. Wildland Fuel Management/Reduction Zone means any of the 100-foot-wide fuel management and reduction zones designated in the Fire Plan.

1.2 INTERPRETATION

1.2.1 General Rules. This Master Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for subdividing, maintaining, improving and selling the Community. As used in this Master Declaration, the singular includes the plural and the plural the singular. The masculine, feminine and neuter each includes the other, unless the context dictates otherwise. Any reference in this Master Declaration to time of performance of

obligations or to elapsed time means consecutive calendar days, months or years, as applicable, unless otherwise expressly provided.

1.2.2 Articles, Sections and Exhibits. The Article and Section headings are inserted for convenience only and may not be considered in resolving questions of interpretation or construction. Unless otherwise indicated, any references in this Master Declaration to articles, sections or exhibits are to Articles, Sections and Exhibits of this Master Declaration. *Exhibits A, D, E, F, G, H, I, and J* are attached to this Master Declaration and are incorporated by this reference. The locations and dimension of any Improvements depicted on the attached Exhibits and Exhibits attached to any Supplemental Master Declaration are approximate only, and the as-built location and dimension of any such Improvements shall control. The Articles of Incorporation and Bylaws of the Master Association are attached hereto for informational purposes, but they may be amended from time to time without having to amend this Master Declaration. In the event the Articles of Incorporation or Bylaws are amended, the instrument as amended shall control notwithstanding the attachment of an earlier version thereof to this Master Declaration.

1.2.3 Priorities and Inconsistencies: Governing Documents of the Community. If there are conflicts or inconsistencies between this Master Declaration and the Articles, Bylaws, Rules and Regulations, or Design Guidelines, then the provisions of this Master Declaration shall prevail; however, the conflicting documents shall be construed to be consistent with the Master Declaration to the extent possible.

1.2.4 Priorities and Inconsistencies: Supplemental Master Declarations. As the Community is developed, Declarant or Declarant and a Neighborhood Builder may Record one (1) or more Supplemental Master Declarations which may supplement this Master Declaration with such additional covenants, conditions, restrictions and land uses as Declarant may deem appropriate for the real property described therein. The provisions of any Supplemental Master Declaration may impose additional, different or more restrictive conditions, covenants, restrictions, land uses and limitations as Declarant may deem advisable, taking into account the particular requirements of the affected real property, so long as the additional restrictions are consistent with the scheme of governance established in the Governing Documents. If there is any conflict between any Supplemental Master Declaration and the Master Declaration, the Supplemental Master Declaration shall control with respect to the real property it encumbers, provided the Supplemental Master Declaration is legally enforceable. Additional real property may be annexed to the Community by Declarant by recording a Supplemental Master Declaration that satisfies the requirements of Section 16.4.3.

1.2.5 Priorities and Inconsistencies: Neighborhood Association Documents. Each Neighborhood Declaration and Neighborhood Supplemental Declaration in the Community is subordinate to the Master Declaration and each Supplemental Master Declaration. If there are any conflicts or inconsistencies between this Master Declaration or a Supplemental Master Declaration on the one hand, and a Neighborhood Declaration or a Neighborhood Supplemental Declaration on the other hand, then, except as otherwise provided herein, the Master Declaration or Supplemental Master Declaration (as applicable) shall control in the event that the conflict or inconsistency concerns the Master Common Property, or the rights and obligations of the Master Association or the Declarant. If the conflict or inconsistency

concerns restrictions on an Owner's use or enjoyment of the Separate Interest or other portion of the Owner's Neighborhood, then the most restrictive provision will control. A Neighborhood Declaration also may, but need not, require the Neighborhood Association established thereunder to undertake some or all of the maintenance or other obligations that are imposed on Owners in the applicable Neighborhood under the Governing Documents of the Master Association, and in such event, the Neighborhood Declaration shall control as to the party performing such maintenance or other obligations.

1.2.6 Severability. The provisions of this Master Declaration are independent and severable. If for any reason, any provision of this Master Declaration becomes invalid, partially invalid, unenforceable, illegal, null and void, or against public policy, or if for any reason, a court of competent jurisdiction determines that any provision of this Master Declaration is invalid, partially invalid, unenforceable, illegal, null and void, or against public policy, the validity and enforceability of the remaining provisions of this Master Declaration shall remain in effect to the fullest extent permitted by law.

1.2.7 Statutory and Regulatory References. All references made in the Governing Documents to statutes or regulations are to those statutes or regulations as currently in effect or to subsequently enacted replacement statutes.

1.3 LAND USE DESIGNATIONS AND MAINTENANCE OBLIGATIONS IN THE INITIAL COVERED PROPERTY

1.3.1 Separate Interests. The Separate Interests in the Initial Covered Property are defined as follows:

(a) Lots 1 to 151, inclusive, of Tract No. 3063-Phase 1 are Lots, of which Lots 89 to 140, inclusive, are Private Alley Lots.

(b) Lots 5 to 13, inclusive of Tract No. 3066-Phase 2 are planned to be developed as Motor Court Lots, as defined above; portions thereof may be added to the Master Common Property in accordance with one or more Supplemental Master Declarations.

(c) Lots 14 to 20, inclusive, of Tract No. 3066-Phase 2 are planned to be further subdivided as one or more Condominium Projects subject to Neighborhood Governing Documents and one or more Supplemental Master Declarations.

1.3.2 Neighborhood Association Property. In connection with the subdivision of Lots 14 to 20, inclusive of Tract No. 3066-Phase 2 into one or more Condominium Projects, Lots 21 to 25, inclusive, and 29 to 32, inclusive, of Tract No. 3066-Phase 2 are planned to be developed as Neighborhood Association Property of the Condominium Project, subject to the jurisdiction of a Neighborhood Association and the Master Association as described in applicable Neighborhood Governing Documents and Supplemental Master Declarations.

1.3.3 Master Common Area. The Master Common Area in the Initial Covered Property consists of Lots 153 to 158, inclusive, and Lots 162, 163, 165, and 166 of Tract No. 3063-Phase 1, and the Islay Hill HOA Basin.

1.3.4 **Master Maintenance Areas (Motor Courts, Private Alleys, Slopes, Landscaping).** The Master Maintenance Areas including Motor Court Master Maintenance Areas, Private Alley Lot Master Maintenance Areas, and Master Maintenance Area slopes and landscaping in the Initial Covered Property are approximately depicted on *Exhibit I*.

1.3.5 **Community Walls.** Community Walls in the Initial Covered Property are approximately depicted on *Exhibit G*.

1.3.6 **Drainage and Water Quality Improvements.** Drainage and Water Quality Improvements in the Initial Covered Property (some of which are Master Maintenance Areas) are approximately depicted on *Exhibit H*.

1.3.7 **Special Benefit Area.** As of the date of Recordation hereof, there are no Special Benefit Areas affecting the Initial Covered Property. Declarant may from time to time designate one more Special Benefit Areas in an amendment to this Master Declaration or in one or more Recorded Supplemental Master Declarations.

1.3.8 **Neighborhood.** As of the date of Recordation hereof, the Neighborhood(s) in the Initial Covered Property have not yet been named. Declarant may from time to time designate one or more Neighborhoods in an amendment to this Master Declaration or in one or more Recorded Supplemental Master Declarations.

1.3.9 **Designated Trash Pickup Locations.** The trash pickup locations for the Separate Interests in the Initial Covered Property (if any) are approximately depicted on *Exhibit F*; those in the Annexable Area will be shown in one or more Supplemental Master Declarations.

The Initial Covered Property is not a Phase, although Declarant may designate one or more Phases in the Initial Covered Property in the applicable Public Reports.

ARTICLE 2 MAINTENANCE COVENANTS AND USE RESTRICTIONS

The Community shall be held, used and enjoyed subject to the following covenants and restrictions and subject to (a) the exemptions of Declarant and Neighborhood Builders set forth in the Governing Documents, and (b) any restrictions on non-residential property which may be set forth in a Supplemental Master Declaration.

2.1 **REPAIR AND MAINTENANCE BY OWNERS.** Except for Master Maintenance Areas and except for any Improvements the maintenance of which has been delegated to a Neighborhood Association in the applicable Neighborhood Governing Documents, each Owner shall maintain in a clean, sanitary and attractive condition, at his sole expense, all of his Separate Interest and the Improvements thereon as directed in the Governing Documents and all applicable Maintenance Guidelines. No Person shall modify, maintain or remove from the Separate Interest any Improvements that are designated Master Maintenance Areas in this Master Declaration or in a Supplemental Master Declaration. Owner-maintained Improvements shall include the following:

2.1.1 Landscaping and Hardscape on the Separate Interest. All Owner-maintained landscaping shall be properly maintained, evenly cut, evenly edged, free of bare or brown spots, debris and weeds above the level of the lawn, and in accordance with the Governing Documents. Street trees planted on individual Lots in the street tree easement areas dedicated on the Map of Tract No. 3063-Phase 1, and the Map of Tract No. 3066-Phase 2, are Owner-maintained. All trees and shrubs shall be trimmed so they do not impede pedestrian traffic and root-pruned to prevent root damage to sidewalks, driveways and structures. Trees shall be maintained so they do not intrude into neighboring properties or leave droppings on or create other nuisances to neighboring properties. Owners are responsible for maintaining any hardscape areas (e.g., paved walks, driveway, and patio) on the Separate Interest if not designated Master Maintenance Areas in the Governing Documents or maintained by a Neighborhood Association under the applicable Neighborhood Governing Documents, if any. No Owner or other person may interfere with or prevent maintenance activities in the Separate Interest by the Master Association or a Neighborhood Association. To ensure that landscaping in Separate Interests does not introduce non-native plant and tree species, all Owner-submitted landscaping plans shall be reviewed and approved by the Committee against the list of prohibited non-native species attached as *Exhibit D*.

2.1.2 Private Alleys. Private Alleys are constructed on portions of the Private Alley Lots, and they provide pedestrian and vehicular access to and from the Private Alley Lots. Although the driveway approaches, paving, sidewalks, curb, gutter, and lighting are located within the legal boundaries of each Private Alley Lot, they are Master Maintenance Areas, all of which shall be maintained by the Master Association. Owners of the Private Alley Lots may not modify, remove or block access to any portion of the Private Alley Lot Master Maintenance Areas, nor interfere with or prevent the maintenance thereof by the Master Association. Furthermore, although the Master Association will be responsible for normal maintenance and repair of Private Alley Lot Master Maintenance Areas in accordance with this Master Declaration and the latest Budget adopted by the Board, Owners shall be personally responsible for the cost of repair of damage to the Private Alley Lot Master Maintenance Areas to the extent caused by the Owner, or the Owner's Family, contractors, agents, residents, tenants or invitees. The Master Association shall have the right to enter and repair such damage and charge the reasonable cost thereof to the Owner to whom the damage is attributed, in accordance with the Governing Documents.

2.1.3 Motor Courts. Motor Courts are constructed on portions of the Motor Court Lots, and they provide pedestrian and vehicular access to and from the Residences in each Motor Court Group. Although the Motor Court Improvements are located within the legal boundaries of each Motor Court Lot, the Motor Courts are Association Maintenance Areas, and the Owners of the Motor Court Lots may not modify, remove or block access to any portion of the Motor Court, nor interfere with or prevent the maintenance thereof by the Master Association. Furthermore, although the Master Association will be responsible for normal maintenance and repair of Motor Courts in accordance with this Master Declaration and the latest Budget adopted by the Board, Owners shall be personally responsible for the cost of repair of damage to the Motor Court Improvements to the extent caused by the Owner, or the Owner's Family, contractors, agents, residents, tenants or invitees. The Master Association shall have the right to enter and repair such damage and charge the reasonable cost thereof to the Owner to whom the damage is attributed, in accordance with the Governing Documents.

2.1.4 Residence Exterior Maintenance. Owners of detached Residences are solely responsible for the maintenance of the exterior and all components of the Residence and landscaping not designated a Master Maintenance Area in the Governing Documents. Paint and other surface finishes on the detached Residence exterior shall be touched up by the Owner regularly, and promptly after damage is detected. Each Owner shall regularly inspect the Improvements on the Lot for wood-destroying pests, and if such pests are found, the Owner shall be responsible for the costs of eradication and future prevention. Attached Residences under the jurisdiction of a Neighborhood Associations shall be maintained by the Neighborhood Association in accordance with the requirements of the applicable Neighborhood Governing Documents, but at least in a manner consistent with the standards set forth in this Master Declaration.

2.1.5 Party Walls. To the extent not inconsistent with California Civil Code Section 841 and the general rules of law regarding Party Walls and liability for property damage due to negligence or willful acts or omissions, the following shall govern the maintenance of Party Walls:

(a) ***Sharing of Repair and Maintenance.*** The cost of reasonable repair and maintenance of a Party Wall shall be shared equally by the Owners of the Separate Interests separated by such Party Wall. However, each Owner shall be solely responsible for repainting the side of any Party Wall facing the Owner's Separate Interest.

(b) ***Destruction by Fire or Other Casualty.*** If a Party Wall is destroyed or damaged by fire or other casualty, any Owner whose Separate Interest is affected thereby may restore it, and the Owner of the other Separate Interest affected thereby shall contribute equally to the cost of restoration thereof, without prejudice. However, such an Owner may call for a larger contribution from the other under any rule of law regarding liability for negligence or willful acts or omissions.

(c) ***Weatherproofing.*** Notwithstanding any other provision of this Article, an Owner who by his negligence or willful act causes a Party Wall to be exposed to the elements, to deteriorate, or to require repair or replacement shall bear the whole cost of furnishing the necessary protection against such elements or the necessary repairs or replacement.

2.1.6 Fire Sprinklers/Smoke Detectors/Carbon Monoxide Detector/Alarm Systems. The Residences are equipped with fire sprinkler systems and fire detection and alarm systems. Each Owner shall regularly inspect the fire sprinklers that are in the interior of the Residence, and arrange for regular pressure testing of the fire sprinkler system. Each Owner shall regularly inspect smoke detectors and test the alarm system as directed in the Maintenance Guidelines. Keep sources of direct heat away from fire sprinklers and fire detection systems. Owners should report any leaking or malfunctioning fire sprinklers, non-functioning fire detection systems and malfunctioning alarm systems to the service provider designated in the Maintenance Guidelines, or if none is designated, the Owner must contact a suitable servicer immediately, in the case of detached Residences. No Owner may modify, disconnect or remove any part of the fire sprinkler or fire detection or alarm systems in the Residence.

2.1.7 New Construction and Remodeling. New construction and remodeling proposed by any Owner must be reviewed and approved in writing by the Committee prior to commencement of construction. In addition, Residences which are affected by restrictions related to the Wildland Fuel Management/Reduction Zone are constructed with special design features specified by the City, including enclosed eaves, fire-resistant roof vents and certain elevation enhancements. All new construction or remodeling by Owners of the Separate Interests affected thereby shall comply with the Fire Plan and then-current City fire requirements for design and construction of Improvements.

2.1.8 Drainage and Water Quality Improvements on Separate Interests. Declarant may have installed one or more Drainage and Water Quality Improvements on the Separate Interests as part of the surface water drainage plan for the Community. Drainage and Water Quality Improvements designated for Master Association maintenance in the O&M Manual or on plans on file with the City, or in any amendments to this Master Declaration or in a Supplemental Master Declaration are Master Maintenance Areas and are not Owner-maintained. Any Drainage and Water Quality Improvements on a Separate Interest which are not designated Master Maintenance Areas in the Governing Documents or by the Board shall be maintained in operable condition by the Owner (or by the applicable Neighborhood Association if so directed in the applicable Neighborhood Governing Documents), free and clear of obstructions, and in accordance with the Maintenance Guidelines and Governing Documents. No Person may block or interfere with the proper function or maintenance of any Drainage and Water Quality Improvements on the Separate Interest. No Person may modify, remove existing Improvements or change the flow of surface water without first obtaining all required Local Governmental Agency and Association approvals for an alternative drainage plan. Therefore, no Person may install, alter, modify, remove or replace any Drainage and Water Quality Improvements on or under the yard without first making alternative drainage arrangements approved in writing by the Committee and by Local Governmental Agencies. Owner-installed irrigation systems must be installed and maintained to prevent excess runoff and accumulation of surface water.

2.1.9 Wildland Fuel Management/Reduction Zones on Separate Interests. Each Owner shall be responsible for maintaining any portion of the Wildland Fuel Management/Reduction Zone that lies within the boundaries of the Separate Interest except to the extent it is required to be maintained by the Master Association or by a Neighborhood Association, in accordance with the Fire Plan. The locations and types of vegetation plantings and maintenance shall be consistent with the requirements of the Fire Plan.

2.1.10 Community Walls. The Owner of any Separate Interest that is partially or completely enclosed by a portion of the Community Wall (whether constructed on the Separate Interest or adjacent to the Separate Interest) is responsible for maintaining only the Residence-facing surface of the Community Wall. No Owner may modify or remove any portions of any Community Wall, wherever located.

2.1.11 Other Responsibilities.

(a) Subject to the requirements of applicable Neighborhood Governing Documents (if any), each Owner shall regularly inspect the Residence and other

Improvements on the Separate Interest for wood-destroying pests, and if such pests are found, the Owner shall be responsible for the costs of eradication and future prevention.

(b) Unless designated for maintenance by a Neighborhood Association under applicable Neighborhood Governing Documents, each Owner whose Separate Interest utilizes a sewer system lateral is responsible for the maintenance and repair of the portion of the lateral lying in the boundaries of the Separate Interest if the Separate Interest is located on a Private Street, Motor Court or Private Alley. If the Separate Interest is located on a public street, the Owner is responsible for the lateral up to the point of connection with the public sewer main.

(c) Subject to the requirements of applicable Neighborhood Governing Documents (if any), each Owner shall comply with and perform the BMPs that are designated for performance or maintenance by Owners.

2.1.12 Master Association Power to Perform Owner Obligations. If an Owner or Neighborhood Association fails to maintain any Improvement that the Owner or Neighborhood Association is obligated to maintain, the Master Association has the power but not the duty to perform the maintenance at the Owner's or Neighborhood Association's expense. In an emergency, the Master Association may perform the maintenance immediately; in all other cases, the Master Association may perform the maintenance after Notice and Hearing. For purposes hereof, an "emergency" is any situation where the Board determines that there is an imminent threat of injury to persons or damage to property.

2.1.13 Disputes Regarding Maintenance Obligations. Disputes between Owners or between any Owner and the Master Association regarding maintenance shall be resolved in accordance with the enforcement process described in Section 12.1.1.

2.1.14 Right to Contribution Runs with Land. The right of any Owner to contribution from any other Owner under this Article is appurtenant to the land and passes to such Owner's successors in title.

2.2 REPAIR AND MAINTENANCE BY MASTER ASSOCIATION. The Master Association shall maintain everything it is obligated to maintain in a clean, sanitary and attractive condition, free of trash, debris and graffiti, consistent with high quality residential standards as contemplated in the Entitlements. Unless specifically provided in any Declarant-produced Maintenance Guidelines, the Board shall determine, in its sole discretion, the level and frequency of maintenance of the Master Common Property and Improvements thereon; however, such maintenance shall be reasonably consistent with the level and frequency of maintenance reflected in the current adopted Budget.

2.2.1 Commencement of Obligations. The Master Association's obligation to maintain any Master Common Property in a Phase composed solely of Master Common Property (if any) shall commence on conveyance of such Master Common Property to the Master Association. **The Master Association's obligation to maintain the Master Common Property in any Phase that includes Separate Interests shall commence on the date on which Annual Assessments commence in the Phase.** Until the Master Association is responsible for

maintaining a particular portion of Master Common Property, Declarant or the applicable Neighborhood Builder shall maintain the Master Common Property. The Master Association must accept ownership of and maintenance responsibility for each portion of Master Common Property when title and maintenance responsibility are tendered by Declarant or a Neighborhood Builder, whether in fee simple, by easement or otherwise, and the Master Association shall execute each deed and any accompanying escrow instructions if requested to do so by Declarant or a Neighborhood Builder, and it shall execute any bond exonerations when presented if the bonded obligations are satisfied. No Owner shall interfere with the exercise of the foregoing rights by the Master Association, Declarant or a Neighborhood Builder.

2.2.2 **Maintenance Items.** The Master Association shall maintain the Master Common Area and Master Maintenance Areas in such a manner as to avoid the reasonable determination of a duly authorized official of the City that a public nuisance has been created by the absence of adequate maintenance such as to be detrimental to public health, safety, or general welfare, including the following:

(a) **Community Walls.** The Master Association shall maintain any wall or fence designated as a Community Wall in this Master Declaration or in a Supplemental Master Declaration. Owners whose Separate Interests are enclosed by a portion of a Community Wall and Neighborhood Associations whose Neighborhood Association Property is enclosed by a portion of a Community Wall shall maintain the Residence- or Neighborhood Association Property -facing surface of such portion. The Master Association shall maintain the Community Wall surface which faces away from the Separate Interest or Neighborhood Association Property it encloses, together with the structural support components, emergency access gates, entry porticos, monumentation, signage, lighting, pilasters, caissons, footings, cap, masonry and tubular steel portions, finishes and surface treatments (including graffiti removal), all as applicable.

(b) **Maintenance of Landscaped Areas and Bicycle and Pedestrian Trails, Generally.** The Master Association shall ensure that the landscaping located on the Master Common Areas and Master Maintenance Areas is properly maintained (including fertilizing, irrigating, trimming and replacing vegetation as necessary) as may be appropriate to the type(s) of plant materials used. Turf grass areas are to be evenly cut, evenly edged, free of bare or brown spots, debris and weeds above the level of the lawn. All trees and shrubs shall be trimmed so they do not impede pedestrian traffic and root-pruned to prevent root damage to sidewalks, driveways and structures. Trees shall be maintained so they do not intrude into neighboring properties or leave droppings on or create other nuisances to neighboring properties. Dead or dying vegetation shall be removed and replaced with the same species as originally installed where feasible. Irrigation equipment shall be inspected and maintained in accordance with the BMPs. Trash and debris shall be removed regularly and Master Common Area trash bins (if any) emptied as necessary. Any proposed changes to landscaping in the Master Maintenance Areas or Master Common Areas shall not include any of the non-native species listed on **Exhibit D**. Pedestrian paved walkways and bicycle and pedestrian trails in the Master Common Area shall be maintained free of trash and debris and kept passable. The City shall maintain the pedestrian trails and bicycle trails on the Islay Hill HOA Basin parcel, and on Lots 159, 160, 163 and 164 of Tract No. 3063-Phase 1. The Master Association shall maintain the landscaping in public open space Lot 164 of

Tract No. 3063-Phase 1 and the fencing along both sides of the path on the Islay Hill HOA Basin parcel (Lot 132 of Tract No. 1376), and along the path on Lots 164 and 165 of Tract No. 3063-Phase 1.

(c) ***Private Slope and Drainage Easement Areas.*** The Master Association shall maintain the private slope and drainage easement areas referenced in Section 1.1.58(a)(v).

(d) ***Private Streets and Private Alleys.*** The Master Association shall ensure that the Private Streets and Private Alleys (including sidewalks) are kept in good condition, swept and re-surfaced at the frequencies specified in the approved Budget, or as necessary to repair conditions that pose an imminent threat of damage to property or injury to Persons. Significant pavement cracks, pavement distress, excessive slab settlement, abrupt vertical variations, and debris on travel ways should be removed or repaired promptly. The City shall maintain the landscaping and irrigation equipment in the Righetti Ranch Road median and in the roundabouts at the intersection of Tiburon and Ranch House Road and the intersection of Tank Farm Road and Righetti Ranch Road and the intersection of Tiburon and Righetti Ranch Road.

(e) ***Parkways along Private Streets.*** Parkways (landscaped areas typically between sidewalks and curbs) along the Private Streets and public streets will be maintained by the Master Association or applicable Neighborhood Association, and Owners shall perform no maintenance of, nor make any modifications to, any parkway, parkway landscaping or parkway landscaping irrigation equipment.

(f) ***Specialized Paving in Portions of Streets.*** Owners are advised that there are underground public water mains and sewer mains installed beneath certain Private Streets in some portions of the Community. The City has the right to enter and excavate all affected Private Streets as necessary for maintenance of public water and sewer mains (if any). In the event that excavation is necessary, the City will pay for the excavation and maintenance work, including closure of the excavated area and resurfacing of the street with asphalt paving. The Master Association is responsible for the cost of restoring decorative pavers or other specialized paving materials on all Private Streets which are damaged or removed as a result of City excavation for maintenance of water or sewer lines. The cost of restoration of the specialized paving following City excavation is a Common Expense.

(g) ***Private Alley Lot Master Maintenance Areas.*** The Master Association shall also be responsible for maintaining the Private Alley Lot Master Maintenance Areas, as defined in Section 1.1.91 above, consistent with the Maintenance Guidelines and the Budget. The cost of such maintenance, together with a reasonable reserve for the maintained Improvements and the other items described in Section 1.1.93, shall be charged to the Owners of Private Alley Lots as the Private Alley Lot Special Benefit Area Assessment Component of Annual Assessments.

(h) ***Motor Court Master Maintenance Areas.*** The Master Association shall also be responsible for maintaining the Motor Court Master Maintenance Areas, as defined in Section 1.1.68 above, consistent with the Maintenance Guidelines and the

Budget. The cost of such maintenance, together with a reasonable reserve for the maintained Improvements and the other items described in Section 1.1.70, shall be charged to the Owners of Motor Court Lots as the Motor Court Special Benefit Area Assessment Component of Annual Assessments.

(i) ***Drainage and Water Quality Improvements and BMPs.***

Drainage and Water Quality Improvements, as shown on ***Exhibit H***, in the O&M Manual or on plans on file with the City, or in any amendments to this Master Declaration or in a Supplemental Master Declaration, and BMPs which are designated for maintenance by the Master Association, shall be maintained in accordance with the O&M Manual, the Private Drainage, Landscape, and Wildland Fuel Management Easement and Encroachment Agreement, and the Governing Documents, all as applicable. In addition, the Master Association shall perform all maintenance and other obligations related to the Islay Hill HOA Basin (including the payment of premiums for insurance) as required under the Islay Hill HOA Basin Deed and Assumption of Maintenance Obligations attached as ***Exhibit E***. The Master Association shall also take all actions necessary to ensure adequate capacity in the Islay Hill HOA Basin to continue to accept drainage from existing development located east of Tank Farm Road.

(j) ***Wildland Fuel Management/Reduction Zone.***

The Master Association is responsible for maintaining the Wildland Fuel Management/Reduction Zone in accordance with the requirements of the Fire Plan. Those portions of the Community that are identified as Wildland Fuel Management/Reduction Zone are shown in the Fire Plan and they may be approximately depicted in an exhibit to an amendment to this Master Declaration or in one or more Supplemental Master Declarations. The locations and types of vegetation plantings and maintenance shall be consistent with the requirements of the Fire Plan.

(k) ***Educational Brochure.***

The Entitlements require the Master Association to prepare and distribute to the Owners a brochure containing information about impacts associated with non-native animals, especially cats and dogs, to the Community and surrounding area, and informing residents that coyotes may prey on domestic animals.

(l) ***Additional Items.***

The Master Association shall also be responsible for maintaining any Improvements a majority of the voting power of the Master Association designates for maintenance by the Master Association. Such property shall be deemed to be Master Common Property and subject to the Governing Documents applicable to the Master Common Property.

(m) ***City Inspection and Cure Right.***

The City has the right but not the obligation to enter the Community to inspect the Master Common Area at mutually agreed times to assure the conditions of the Governing Documents and the Entitlements are being met by the Master Association. The City also has the right, but not the obligation, to enter the Community and perform such maintenance of the Master Common Area as is necessary in the event the Master Association fails to perform or begin such maintenance within thirty (30) days after the Master Association's receipt of written demand by the City. The City has the right to assess the Master Association for the City's actual cost of curative maintenance.

2.2.3 **Charges to Owners.** The Master Association's costs of maintenance, operation, reserve and insurance costs for the Master Common Areas and Master Maintenance Areas are Common Expenses funded by Annual Assessments, as detailed in the Budget. Also in accordance with the Budget, the Owners within each Special Benefit Area will also pay an additional charge representing the Master Association's costs in connection with Special Benefit Area Improvements and services which disproportionately benefit their Separate Interests.

2.2.4 **Inspection of the Community.** The Board shall require strict compliance with all provisions of this Master Declaration and shall periodically cause an inspection of the Community to be conducted to report any violations of the Master Declaration. The Board shall also cause inspections of the Master Common Property and all Improvements thereon to determine the condition of said Improvements ("**Condition Inspections**"), which shall be conducted in conformance with the applicable Maintenance Guidelines and any Maintenance Manual. In the absence of inspection frequency recommendations in any applicable Maintenance Guidelines or Maintenance Manual, the Board shall conduct Condition Inspections no less frequently than once every three (3) years, and more frequently as directed in the Maintenance Guidelines and in conjunction with the inspection required for the reserve study to be conducted pursuant to the Bylaws. Condition Inspections shall, at a minimum, (a) determine whether the Master Common Property is being maintained adequately in accordance with the standards of maintenance established in Section 2.2, (b) identify the condition of the Master Common Property and any Improvements thereon, including the existence of any hazards or defects, and the need for performing additional maintenance, refurbishment, replacement, or repair, and (c) recommend preventive actions which may be taken to reduce potential maintenance costs to be incurred in the future. The Board shall, during its meetings, regularly determine whether the required inspections and maintenance activities set forth in any applicable Maintenance Guidelines or Maintenance Manual have been followed and, if not followed, what corrective steps need to be taken to assure proper inspections and maintenance of the Master Common Property. The Board shall keep a record of such determinations in the Board's minutes. The Board shall keep Declarant fully informed of the Board's activities under this Section 2.2.4. The Board shall employ, consistent with reasonable cost management, such experts, contractors and consultants as are necessary to perform the inspections and make the reports required by this Section.

2.2.5 **Reporting Requirements.** The Board of the Master Association shall prepare for and distribute to the Owners a report of the results of the inspection required by this Section. The Board shall also furnish a copy of the same report to Declarant (at the address below or as updated from time to time) within the time set for furnishing the Budget to the Owners:

Ambient Communities
979 Osos Street, Suite E
San Luis Obispo, CA 93401

The report must include at least the following:

(a) a description of the condition of the Master Common Property, including a list of items inspected, and the status of maintenance, repair and need for replacement of all such items;

(b) a description of all maintenance, repair and replacement planned for the ensuing Fiscal Year and included in the Budget;

(c) if any maintenance, repair or replacement is to be deferred, the reason for such deferral;

(d) a summary of all reports of inspections performed by any expert, contractor or consultant employed by the Master Association to perform inspections since the Board's last Condition Inspection report;

(e) a report of the status of compliance with the maintenance, replacement and repair needs identified in the Condition Inspection report for preceding years and identified in any applicable Maintenance Guidelines; and

(f) such other matters as the Board considers appropriate.

For a period of ten (10) years after the date of the last Close of Escrow in the Community, the Board shall also furnish to Declarant (A) the report of each Condition Inspection performed for the Board, whenever such Condition Inspection is performed and for whatever portion of the Master Common Property that is inspected, within thirty (30) days after the completion of such Condition Inspection, and (B) the most recent Condition Inspection report prepared for any portion of the Master Common Property, within ten (10) days after the Master Association's receipt of a written request therefor from Declarant.

2.2.6 Damage by Owners. Each Owner is liable to the Master Association for all damage to the Master Common Property that is sustained due to the negligence or willful act of the Owner or the Owner's Family, contractors, agents, residents, tenants or invitees, and any other Persons who derive their use of the Master Common Property from the Owner or from the Owner's Family, contractors, agents, residents, tenants or invitees. The Master Association may, after Notice and Hearing, levy against the Owner a Special Assessment representing a monetary charge to reimburse the Master Association for costs incurred by the Master Association in the repair of damage to the Master Common Property for which the Owner or the Owner's Family, contractors, agents, residents, tenants or invitees were responsible. The amount of the Special Assessment may include (a) the amount of any deductible payable on the insured portion of the loss (if the Master Association elects to make a claim under its insurance policy), (b) all costs and expenses actually incurred by the Master Association to correct damage that is not covered by the Master Association's insurance or for which no claim has been made, and (c) the amount of the increase in premiums payable by the Master Association, to the extent the increase is directly caused by damage that was attributed to the Owner or the Owner's Family, contractors, agents, residents, tenants or invitees. In accordance with California Civil Code Section 5725(a), the Master Association shall have the power to impose a lien on the Separate Interest for the foregoing Special Assessment. If a Separate Interest is jointly owned, the liability

of its Owners thereof is joint and several, except to the extent that the Master Association has previously contracted in writing with the joint Owners to the contrary.

2.2.7 Damage by a Neighborhood Association. If any maintenance or restoration of the Master Common Property is necessitated in the sole judgment of the Board as a result of the willful or negligent act or neglect of a Neighborhood Association, its members, guests or invitees, then the required maintenance or restoration shall be performed by the Master Association; provided, however, that the Master Association shall have the right to pursue reimbursement from the Neighborhood Association by all legal remedies available to it.

2.3 BEST MANAGEMENT PRACTICES The Community is subject to a Water Quality Management Plan ("**WQMP**"). The WQMP required that an Operation and Maintenance Plan (or "**O&M Manual**") be developed for the Community. The O&M Manual sets out so-called Best Management Practices or "BMPs", which are methods, protocols and procedures for the control, reduction and prevention of storm water and pollutant runoff from the Community into storm drains and waterways. The BMPs applicable to the Community are specified in detail in the O&M Manual and they may be summarized in an exhibit to an amendment to this Master Declaration or in one or more Supplemental Master Declarations. The BMPs include both "source control" BMPs (which are structural or design requirements), and "non-structural" BMPs (which include maintenance requirements for the Master Association and practices and procedures that must be followed by the Master Association and by all the Owners), all of which are discussed in detail in the O&M Manual.

The Master Association shall operate and maintain the BMPs designated for the Master Association in accordance with the O&M Manual. BMPs which are designated for the Owners are the sole responsibility of the Owner of the affected Separate Interest, provided that if the Owner of the Separate Interest fails or refuses to perform the required BMP, then the Master Association may after prior written notice to the Owner, perform or maintain the Owner's BMP at the Owner's cost. No Owner whose Separate Interest contains any Drainage and Water Quality Improvements shall permit interference with or damage to same, and neither the Master Association nor any Owner shall do any act which shall contribute to the introduction of pollutants into the Drainage and Water Quality Improvements, including, but not limited to, soil, sand, sediment, oil, gasoline or other hydrocarbons, paint, fertilizers, pool chemicals, and other household chemicals.

2.4 ESTABLISHED DRAINAGE; SURFACE WATER CONTROL; GRADING Drainage and Water Quality Improvements installed in Master Common Property or on the Separate Interests are intended to collect and transport surface waters from each Separate Interest and from elsewhere in the Community to proper points of disposal.

2.4.1 Established Drainage. There shall be no interference with or obstruction of the established surface drainage pattern(s) over any Separate Interest or Master Common Area in the Community, unless an adequate alternative provision is made for proper drainage, consistent with all applicable Local Governmental Agency requirements. For the purpose hereof, "established" drainage is defined as the drainage which exists on a Separate Interest at the time of the first Close of Escrow for the sale of the Separate Interest by Declarant (or Neighborhood Builder), or as shown on any plan approved by the Committee or drainage

shown on the approved subdivision improvement plans on file at the City. Established drainage includes drainage between Separate Interests and Master Common Area and to and from property lying outside the Community.

2.4.2 Control of Surface Waters. The Master Association and the Owners must use adequate drainage and irrigation control. The installation or modification of landscaping and the construction or modification of Improvements by the Master Association or by Owners must not cause the ponding of water. Master Association-installed and Owner-installed drainage devices, including, but not limited to, concrete ditches, area drain lines and gutters should be carefully designed and installed with professional assistance and then maintained in an unobstructed condition. All Master Association-installed and Owner-installed landscape irrigation systems should be designed, constructed, and operated to prevent excessive saturation of soils. All Master Association-installed and Owner-installed landscaping must be designed to ensure that water drains away from the Residence footings and other Improvements. Obstructions such as walls should not be constructed across swales unless adequate replacement Drainage and Water Quality Improvements have been installed or created. Planters should be lined with an impervious surface and should contain outlets to drain excess water.

2.4.3 Grading. The grading design in the Community should not be altered to redirect surface water flow toward the Separate Interests or onto adjacent property, or to trap water so that it ponds or floods. Grading modifications are subject to law, approval by the Board, and the terms of any Recorded drainage easements.

2.5 RESIDENTIAL USE Each Separate Interest shall be used only for residential purposes and the uses permitted under Section 2.9. No Separate Interest may be used by any Owner exclusively for non-residential use.

2.6 FURTHER SUBDIVISION Except as otherwise provided in this Master Declaration, no Owner may physically or legally subdivide the Owner's Separate Interest in any manner, including dividing such Owner's Separate Interest into time-share estates or time-share uses. This provision does not limit the right of an Owner to (a) rent or lease the entire Separate Interest by a written lease or rental agreement subject to this Master Declaration, (b) rent a room in the Residence, (c) sell such Owner's Separate Interest, or (d) transfer or sell any Separate Interest to more than one Person to be held by them as tenants-in-common, joint tenants, tenants by the entirety or as community property.

2.7 LEASING AND RENTAL

2.7.1 Leasing or Rental to Declarant or Neighborhood Builders. Nothing in this Master Declaration shall be deemed to prevent an Owner from leasing or renting its Separate Interest to Declarant or a Neighborhood Builder for use as sales offices, model home, parking area or for other residential or non-residential purposes. Declarant and Neighborhood Builders may not lease any portion of the Master Common Area to the Owners or the Master Association.

2.7.2 Leasing or Rental to Non-Declarant Parties. Nothing in this Master Declaration shall be deemed to prevent an Owner from leasing or renting its Separate Interest for residential occupancy by a single Family, provided that:

(a) The terms of possession and occupancy are set out in a written lease or rental agreement;

(b) The lease or rental agreement is expressly made subject to this Master Declaration and the other Governing Documents of the Community;

(c) The lease or rental agreement shall be for a term of not less than thirty (30) days;

(d) The lessor or landlord shall not provide any services normally associated with transient occupancy (including hotel, inn, bed & breakfast, vacation rental, time-share or similar temporary lodging), such as providing meals, daily or weekly cleaning service or furnishing linens, cooking utensils or other household items;

(e) The lease or rental agreement shall provide that all lessees, tenants, and their Families, contractors, agents, residents, and invitees are bound by the Governing Documents when present in the Community, and any violation of the Governing Documents by a lessee, tenant or their Families, contractors, agents, residents, and invitees also constitutes a default under the lease or rental agreement;

(f) The lessor/landlord Owner shall assign its rights to use the private Master Common Area amenities (if any) during the term of the lease or rental agreement to the lessee or tenant, and may not retain a concurrent right to use any Master Common Area other than a right of access, ingress and egress through the Private Streets and any other areas of the Master Common Area which are open for public access and use;

(g) The Owner of the leased or rented Separate Interest shall be liable for all acts or omissions, whether negligent or non-negligent, of the lessee, tenants, other occupants of the Separate Interest, and their Families, contractors, agents, residents, and invitees, and the lessor/landlord Owner shall indemnify, defend and hold harmless the Master Association and other Owners from any liability arising from any such acts or omissions;

(h) Annual Assessments remain the responsibility of the lessor/landlord Owner during the term of any lease or rental agreement; and

(i) A copy of this Master Declaration, the applicable Supplemental Master Declaration(s) and any Rules and Regulations affecting the Community shall be made available to each lessee/tenant by the lessor/landlord Owner.

2.8 RESALE Nothing in this Master Declaration shall be deemed to prevent an Owner from (a) transferring or selling the Separate Interest, either to a single Person, or to more than one (1) Person to be held by them as tenants-in-common, joint tenants, tenants by the entirety or as community property.

2.9 BUSINESS OR COMMERCIAL ACTIVITY GENERALLY

2.9.1 **General Rules.** No part of the Community may be used for any business, commercial (including auctions or similar events), manufacturing, mercantile, storage, vending, gambling or other nonresidential purposes, including any activity for which the provider is compensated or receives any consideration, regardless of whether the activity is engaged in full or part-time, generates or does not generate a profit, or requires or does not require a license. This restriction includes (a) a prohibition against any transient occupancy of the Separate Interests as described in Section 2.7.2, (b) the construction or placement of any Telecommunication Facilities including reception or transmission devices, cellular sites, or towers on any portion of the Community by any person other than Declarant, or by a Neighborhood Builder or by a provider of Telecommunication Services, either of which may act only with Declarant's prior written consent, and (c) use of any Separate Interest as a sober living house, halfway house or group housing for registered sex offenders.

2.9.2 **Exceptions.** This Section shall not be interpreted to prohibit any of the following:

(a) The hiring of employees or contractors to provide maintenance, construction or repair of any Improvement consistent with this Master Declaration or any Supplemental Master Declaration;

(b) Exercise by Declarant or a Neighborhood Builder of any rights reserved to it under Article 15;

(c) The operation of small home-based service businesses that comply with all of the following:

(i) The operator of the business lives in the Residence on a permanent, full-time basis;

(ii) When conducted in the Community, business activities take place solely inside the Residence;

(iii) Visits by clientele and suppliers are limited to regular business hours and clientele and suppliers park their vehicles only in the driveway or garage of the Separate Interest;

(iv) The business complies with all laws, regulations and ordinances applicable to the Community, including zoning, health and licensing requirements;

(v) The business otherwise complies with the Master Declaration and is consistent with the residential character of the Community;

(vi) The operator of the business posts no signage anywhere in the Community;

(vii) Other than visits by clientele or suppliers, there is no visible evidence in the Community of the business;

(viii) The business does not generate noise or odors that are apparent outside the Residence;

(ix) The business does not increase the Master Association's liability or casualty insurance obligation or premium; and

(x) A home occupation permit and business license have been issued by the City where required;

(d) The provision of in-home health care or assisted living services to any resident of the Community; or

(e) The provision of family home child care services as defined in California Health and Safety Code Section 1597.40, *et seq.*, so long as such services comply with all applicable zoning requirements and state law.

2.10 NUISANCES Noxious or offensive activities are prohibited in the Community. The Board is entitled to determine if any device, noise, odor, or activity detectible from the Master Common Property or from any Residence in the Community constitutes a nuisance.

2.10.1 Nuisance Devices. Nuisance devices may not be kept or operated in the Community or on any public street abutting the Community, or exposed to the view of other Separate Interests or Master Common Area. Nuisance devices include the following:

(a) All horns, whistles, bells or other sound devices (except security devices used exclusively to protect the security of a Residence or a vehicle and its contents and except for such devices that may be required by the City or County);

(b) Noisy or smoky vehicles, power equipment (excluding lawn mowers and other equipment used in connection with ordinary landscape maintenance), and Restricted Vehicles (defined below);

(c) Devices that create or emit loud noises or noxious odors;

(d) Construction or demolition waste containers (except as permitted in writing by the Committee);

(e) Devices that unreasonably interfere with television, radio, telephone, cellular or mobile phone reception or internet access to a Separate Interest;

(f) Plants or seeds infected with noxious insects or plant diseases;
or

(g) The presence of any other thing in the Community which may (1) increase the rate of insurance in the Community, (2) result in cancellation of the insurance,

(3) obstruct or interfere with the rights of other Owners or the Master Association, (4) violate any law or provisions of this Master Declaration or the Rules and Regulations, or (5) constitute a nuisance or other threat to health or safety under applicable law or ordinance.

2.10.2 Nuisance Activities. Nuisance activities may not be undertaken in the Community or on any public street abutting the Community, or exposed to the view of other Separate Interests or Master Common Area without the Board's prior written approval. Nuisance activities include the following:

(a) Subject to Section 2.16.6, hanging, drying or airing clothing, fabrics or unsightly articles in any place that is visible from other Separate Interests, Master Common Area or public streets;

(b) The creation of unreasonable levels of noise from parties, recorded music, radios, television or related devices, or live music performance;

(c) The creation of unreasonable levels of noise from a barking dog or other animal kept in the Community (for example, chronic daily nuisance barking by a dog over extended periods of time);

(d) Repair or maintenance of vehicles or mechanical equipment (except in a closed garage or rear yard screened from view by other Separate Interests);

(e) Outdoor fires, except in barbecue grills, fire pits, and outdoor fireplaces designed and used consistent with applicable fire regulations and in such a manner that they do not create a fire hazard; or

(f) Outdoor storage of bulk materials or waste materials except in temporary storage areas designated by the Committee.

(g) Any activity which may (1) increase the rate of insurance in the Community, (2) result in cancellation of the insurance, (3) obstruct or interfere with the rights of other Owners, (4) violate any law or provisions of this Master Declaration or the Rules and Regulations, or (5) constitute a nuisance or other threat to health or safety under applicable law or ordinance.

2.11 SIGNS AND HOLIDAY DECORATIONS Subject to California Civil Code Sections 712, 713 and 4710, no sign, billboard, balloon, poster, advertising device or other display of any kind shall be displayed in the Community except for the following signs:

2.11.1 Master Association and Neighborhood Association Signs. Entry monuments, wayfinding signs, Community identification signs, management company signs and traffic or parking control signs installed by Declarant or a Participating Builder and either maintained by the Master Association in the Community or by a Neighborhood Association in a Neighborhood;

2.11.2 **Name or Address Signs.** Each Residence may have one (1) nameplate or similar Owner name or address identification sign which complies with the rules of the applicable Neighborhood Association and the Design Guidelines;

2.11.3 **Security Services Signs.** Each Residence may have one (1) sign advising of the existence of security services which complies with the rules of the applicable Neighborhood Association and the Design Guidelines;

2.11.4 **For Sale and Lease Signs.** Each Residence may have one (1) sign advertising the Residence for sale or lease that complies with the following requirements:

(a) Has reasonable design and dimensions (which shall not exceed eighteen (18) inches by thirty (30) inches in size), consists of a single panel with no additional signs affixed to it, and does not adversely affect public safety, including traffic safety; and

(b) the sign is of a color, style and location authorized by the Design Review Committee.

The Committee may adopt further restrictions or requirements for the design and dimensions of for sale and for lease signs, consistent with the requirements of the local real estate board, which restrictions or requirements shall control in the event of a conflict with the foregoing.

2.11.5 **Noncommercial Signs.** Each Owner may install a noncommercial sign, poster, flag or banner on the Owner's Separate Interest that complies with the following requirements:

(a) a noncommercial sign or poster may not be more than nine (9) square feet in size and a noncommercial flag or banner may not be more than fifteen (15) square feet in size; and

(b) a noncommercial sign, poster, flag or banner may not be made of lights, roofing, siding, paving materials, flora, or balloons, or any other similar building, landscaping, or decorative component, or include the painting of architectural surfaces.

The Board has the power, but not the duty, to impose reasonable limits on the duration of display of noncommercial signs consistent with current law and decisions interpreting restrictions on time, place and manner of noncommercial speech. A Neighborhood Association may impose additional rules on signage in its Neighborhood; in the event of a conflict with this section or any other provision of the Governing Documents applicable to signage, the more restrictive rule shall control. Notwithstanding anything to the contrary in the Governing Documents, outdoor display of the flag of the United States is permitted pursuant to California Civil Code Section 4705, as long as the flag and flag pole are located solely within, on and over the Owner's Separate Interest.

2.11.6 **Declarant or Neighborhood Builders.** Signs of any size, design or configuration used by Declarant or the Neighborhood Builders in connection with the development, marketing, sale or lease of the Community and Annexable Area.

2.11.7 **Other Signs.** Each Owner may post such other signs or displays in the Owner's yard, if authorized by the Design Review Committee and if they comply with the City Code.

2.11.8 **Holiday Decorations.** Outdoor holiday decorations, or indoor holiday decorations that are visible from outside, shall be limited to a reasonable period of time prior to the date of the holiday, as determined by the Master Association in the Rules and Regulations, and shall be removed within no more than fourteen (14) days after such holiday, unless prior written authorization has been granted by the Master Association to remove them at a later date

2.12 VEHICULAR AND PARKING RESTRICTIONS

2.12.1 **Definitions.** The following definitions shall apply to parking and vehicular restrictions set forth in this Master Declaration:

(a) **Authorized Vehicle.** An "Authorized Vehicle" is an automobile, a passenger van designed to accommodate ten (10) or fewer people, a motorcycle, or a pickup truck having a manufacturer's rating or payload capacity of three (3) tons or less. The Master Association has the power to identify additional vehicles as Authorized Vehicles in the Rules and Regulations in order to adapt this restriction to other types of vehicles that are not listed above.

(b) **Restricted Vehicles.** The following vehicles are "Restricted Vehicles:" (a) large commercial-type vehicles (for example, stake bed trucks, tank trucks, dump trucks, step vans, and concrete trucks), (b) buses, limousines or vans designed to accommodate more than ten (10) people, (c) inoperable vehicles or parts of vehicles, (d) aircraft, (e) boats, jet skis and other water craft, (f) trailers (for example, trailers designed for horses, boats, motorcycles or other equipment or materials), (g) motor homes and recreational vehicles (for example, fifth-wheels, folding camping trailers, travel trailers, but not including van conversions and truck campers), (h) any vehicle or vehicular equipment deemed a nuisance by the Master Association, (i) vehicles in violation of an ordinance of the City, and (j) any other vehicle that is not classified as an Authorized Vehicle. If a vehicle qualifies as both an Authorized Vehicle and a Restricted Vehicle, then the vehicle is presumed to be a Restricted Vehicle, unless the vehicle is expressly authorized in writing by the Master Association. The Master Association has the power to identify additional vehicles as Restricted Vehicles in the Rules and Regulations to adapt this restriction to other types of vehicles that are not listed above.

2.12.2 **Parking Restrictions.**

(a) **Restricted Vehicles.** No Restricted Vehicle may be parked, stored or kept in the Community on Private Streets except for periods of two (2) hours or less in any 24-hour period during loading, unloading, or emergency repairs. However, a resident may park a Restricted Vehicle in the garage so long as the garage door is kept closed and the presence of the Restricted Vehicle does not prevent the Owner from parking the Owner's Authorized Vehicles in the garage at the same time.

(b) **Garage Parking; Permitted Uses.** The garages shall be used for parking of vehicles and storage of personal property only, provided that no Person may store

personal property except to the extent that at least two (2) Authorized Vehicles owned or operated by the Owner and the other residents of the Separate Interest can be parked in the garage at the same time. Garages with tandem parking arrangements may not physically accommodate vehicles that otherwise satisfy the definition of Authorized Vehicles above. If an Authorized Vehicle will not fit in a tandem garage it may be parked in the driveway, provided that the vehicle does not encroach onto the sidewalk or other public or private right-of-way. No garage may be used for any dwelling, commercial, recreational, or other purpose. Garage doors must be kept closed except as necessary for entry or exit of vehicles or Persons, and for limited periods of time when necessary for cleaning, organizing, removing or adding storage items, seasonal decorations and the like. Subject to Section 2.12.2(c), all vehicles under the control of the Owner or other occupant of each Residence must be parked in the garage of the Residence; however, if a Separate Interest includes a driveway, then Authorized Vehicles may also be parked in the driveway so long as they do not encroach into the sidewalk or Private Street, and furthermore so long as the garage is fully parked with at least two Authorized Vehicles. No vehicle may be parked, stored or left unattended in any Private Street except as reasonably necessary for loading and unloading of passengers or property, or as necessary for emergency repairs.

(c) **Limited On-Street Parking.** The Community includes unassigned parking spaces in the Private Streets (collectively, "**Master Common Area Parking Spaces**") for temporary, short-term use by residents and invitees of residents only. Declarant may designate additional Master Common Area Parking Spaces in a recorded Supplemental Master Declaration without having to amend this Master Declaration. On-street parking is permitted only in the Master Common Area Parking Spaces. Residents may only park Authorized Vehicles in Master Common Area Parking Spaces. However, Master Common Area Parking Spaces shall not be used for long-term parking or for the permanent storage of any vehicle (for example, vehicles that cannot be conveniently maneuvered into garages) or for storage of other personal property. In accordance with the Entitlements, in no event may recreational vehicles be parked in Master Common Area Parking Spaces or anywhere else in the Private Street and Master Common Area Parking Spaces may not be used by any vehicle that exceeds seven (7) feet in height, seven (7) feet in width and 19 feet in length, except for loading, unloading, making deliveries and emergency repairs. The Board may, but is not required to, impose additional restrictions on Master Common Area Parking Spaces, and assign, designate or re-designate the use of some or all of the Master Common Area Parking Spaces, consistent with the Entitlements.

(d) **Private Alleys and Motor Courts.** By acceptance of a deed to a Private Alley Lot or a Motor Court Lot, each Owner understands and acknowledges that the Private Alley or Motor Court is to be used for access to and from the Residence only in accordance with Sections 6.1.8 and 6.1.9. Motor Courts and Private Alleys are to be kept clear for use as fire lanes, and they must be kept open for emergency vehicle access. No Owner shall unreasonably interfere with use of the Motor Court or Private Alley by other Owners, their Families, tenants or invitees. For purposes of this Master Declaration, "unreasonable interference" includes, without limitation, parking in the Motor Courts and Private Alleys, parking in driveway aprons, storage of property or trash in the Motor Courts and Private Alleys and parking, storage and standing of vehicles (provided that a vehicle may be parked temporarily

in the Motor Court or Private Alley as reasonably necessary for loading and unloading of passengers or property, or as necessary for emergency repairs).

(e) **City Provisions.** The Master Association, as the Owner of a Private Street, and with respect to Private Alleys and Motor Courts, the Master Association or any Owner of a Private Alley or Motor Court Lot (as applicable), may avail themselves of the vehicle-removing authority granted private property owners in Section 22658 of the California Vehicle Code when any vehicle is parked in a Private Street or in a Motor Court or Private Alley so as to unreasonably interfere with entry or access to a parcel it serves. Provided, however, that (i) in the case of Private Streets, the Master Association as the enforcing party, or (ii) in the case of Motor Courts or Private Alleys, the Master Association or the enforcing Owners, as the case may be, shall jointly and individually reimburse the City for all costs connected with the removal of vehicles from the Private Street, Motor Court or Private Alley, and will reimburse the City for, and hold the City harmless from, all final judgments against the City for damages or other liability arising from the enforcement of the aforesaid prohibition against parking. Owners understand that the City cannot regulate vehicle usage or hazards in the Private Streets, Motor Courts or Private Alleys, and they shall jointly and individually defend and hold the City harmless from all claims for damages or liability arising from the alleged failure of the City to regulate vehicles or to provide protection from hazards upon said Private Streets, Motor Courts or Private Alleys.

2.12.3 **Repair, Maintenance and Restoration.** No Person may repair, maintain or restore any vehicle in the Community, except for emergency repairs conducted on the resident's vehicle in the garage with the garage door closed. No Residence garage or other portion of the Community may be used to conduct any vehicle repair, maintenance or restoration business.

2.12.4 **Enforcement by the Board and City.** The Board has the right and power to enforce all parking and vehicle use regulations applicable to the Community to the extent permitted by the City, including the removal of violating vehicles from Private Streets and other portions of the Community in accordance with California Vehicle Code Section 22658, or other applicable laws; provided, however, that the Board shall take all actions necessary to apply California Vehicle Code Sections 21107.5, 21107.6, 21107.7 and 21107.8 to the Community. The City may, but is not required to, enforce such restrictions, rules and regulations, in addition to applicable laws and ordinances. Provided, however, that

2.12.5 **Regulation and Restriction by Board.** The Board has the power to: (a) establish additional rules and regulations concerning parking in the Master Common Area, including designating "parking," "guest parking," and "no parking" areas; (b) prohibit any vehicle parking, operation, repair, maintenance or restoration activity in the Community if it determines in its sole discretion that the activity is a nuisance; and (c) promulgate rules and regulations concerning vehicles and parking in the Community as it deems necessary and desirable, all in accordance with the Entitlements.

2.13 ANIMAL REGULATIONS

2.13.1 General Restrictions on Numbers and Types of Animals. No commercial or farm livestock, including poultry, may be kept in the Community. However, up to two (2) pet dogs or two (2) pet cats, or one (1) pet dog and one (1) pet cat may be kept on each Lot, subject to applicable law, the Governing Documents, and such Rules and Regulations as may be adopted by the Board, including weight and size limitations. In addition to pet dogs and pet cats, but subject to local ordinances and such Rules and Regulations as may be adopted by the Board, residents may keep on each Lot reasonable numbers of small household pets that live in containers or cages, including fish, rodents and birds, so long as there is no external evidence of their presence in the Community. Notwithstanding the foregoing, no person may bring or keep in the Community any dog that satisfies the definition of "vicious dog" under the Potentially Dangerous and Vicious Dogs Law at California Food and Agriculture Code Section 31601, *et seq.*, nor any animal that is determined by the Board to be a nuisance to other residents in the Community. The Board has the power and discretion to determine whether the types or numbers of any animals kept on a Separate Interest are a nuisance, and the Board shall have the power to abate the nuisance through any legal procedure that is available to the Master Association. The Board may from time to time, by duly adopted Rule and without having to amend this Master Declaration, change the numbers of dogs or cats or types of animals that may be kept in the Community (subject at all times to limits set by applicable law), and in such event, the duly adopted Rule shall control over the limits stated in this Section 2.13.1

2.13.2 Reasonable Accommodations for Service Animals. Also notwithstanding the limitations on numbers and types of animals in Section 2.13.1, the Board shall, without having to amend Section 2.13.1, make reasonable accommodations allowing residents with legally recognized disabilities to keep service animals in their homes on receipt of reasonable evidence: (a) that a resident of the Separate Interest has a legally recognized disability; (b) that the service animal is properly trained to provide a necessary service for the disabled resident, and (c) showing that the animal meets the criteria for service animals set forth in state and federal law and regulation. Qualified service animals shall not be counted as pet animals for purposes of the numeric limits in Section 2.13.1, nor shall any limitations on the types of animals set forth in Section 2.13.1 apply to a qualified service animal. Qualified service animals permitted under this Section 2.13.2 remain subject to Sections 2.13.3 and 2.13.4 and the provisions of Sections 2.10 and 2.13.1, concerning the Master Association's rights and powers to abate nuisances.

2.13.3 Animal Keeping Areas. Residents are advised to choose pets that can be kept indoors or in the fenced yard areas, if any, at all times without disturbing neighbors. Subject to restriction by the Board in accordance with applicable law, this Section, and subject to the Master Association's right to abate nuisances under Section 2.10 above, all animals belonging to an Owner, or to a resident member of an Owner's Family, or brought into the Community by contractors, tenants, guests, employees, or invitees, must at all times be kept under the control of a Person capable of controlling the animal either on a leash or other appropriate restraint or in a carrier, except when inside the Residence or in the fenced yard areas. No animal may be left unattended in any part of the Master Common Area or in the public streets in the Community for any period of time, regardless of whether the animal is restrained or in a

cage or container. Cages, containers, bedding, litter boxes, food containers and bowls must be kept inside the Residence or in the fenced yard area at all times.

2.13.4 Owner Responsibility. The Owner of the Separate Interest shall be solely responsible for ensuring that there is no evidence outside the Separate Interest of the presence of any animals kept by the Owner or by the other residents of the Separate Interest (including unreasonable noise or noticeable odor). Furthermore, each Owner shall be absolutely liable to each and all other Owners, their Families, tenants, residents and guests for damages or injuries caused by any animals brought or kept in the Community by an Owner, by members of the Owner's Family, or by the Owner's guests, tenants or invitees. Each Owner shall immediately remove any excrement or clean other unsanitary conditions caused by such Owner's animals on any portion of the Community.

2.13.5 More Restrictive Provisions Control. Notwithstanding anything to the contrary in this Master Declaration, if the restrictions on animals in a Neighborhood Declaration conflicts with this Section 2.13, the more restrictive provisions shall control.

2.14 TRASH AND RECYCLABLES Trash and recyclables must be stored in closed sanitary containers only. In Tract No. 3066-Phase 2, trash and recyclables must be placed in designated enclosed containers shown on *Exhibit F*. Recyclables and green waste must be stored in recycling bins in accordance with City requirements. Individual trash and recycling containers must be set out for pickup at designated locations on *Exhibit F* or in a Supplemental Master Declaration for a reasonable period of time on trash collection days (no earlier than noon on the day before scheduled collections and removed within twelve (12) hours of collection). The trash collector will not collect trash from containers set out along Righetti Ranch Road south of Twin Creek Road. The Master Association will coordinate times with the collection service. At all other times, Owners must store closed containers in the garage or in a fenced yard area, out of sight of other Separate Interests and Master Common Area, until scheduled collection times.

2.15 TEMPORARY BUILDINGS/TEMPORARY DWELLINGS No tent, shack, shed, trailer, mobile home, modular building, storage building, shipping or storage container or similar movable building or shelter may be placed by or on behalf of any Owner or other occupant of a Separate Interest anywhere in the Community either temporarily or permanently, without the prior written consent of the Design Review Committee. No automobile, trailer, mobile home, camper, motor home, recreational vehicle or other vehicle may be used as a dwelling in any portion of the Community, either temporarily or permanently

2.16 OWNER-INSTALLED IMPROVEMENTS

2.16.1 Outdoors. No Person shall install any permanent outdoor Improvements on a Separate Interest if the Improvements are visible from other Separate Interests, or from the Private Streets or other portions of the Master Common Area, without the prior written approval of the Design Review Committee obtained in accordance with Article 5 and the Rules and Regulations. Examples of outdoor Improvements that require prior Committee approval include the following:

(a) Roof-mounted equipment, including heating, ventilation and air conditioning equipment, vents or ducts;

(b) Screening structures that are intended to hide roof-mounted Improvements (such Improvements may be hidden from view only by extension of the main structure);

(c) Modifications to the building exteriors, including room additions, second-story additions or other cosmetic or structural changes in the architectural elements of the Residence;

(d) Permanently installed athletic equipment, including freestanding basketball standards, backboards attached to a Residence or any other Improvement on a Separate Interest, soccer goals, hockey goals, skate ramps or other such Improvements. However, portable athletic equipment (such as movable basketball standards, soccer goals, hockey goals and skate ramps) may be used in yards or driveways (but not in the Private Alleys or other Private Streets), and when not in use they must be brought indoors or stored out of the view of other Separate Interests or Private Streets);

(e) Sunshades, awnings or patio covers, if visible from other Separate Interests or Master Common Area;

(f) Temporary accessory structures, including those listed in Section 2.15, and permanent accessory structures such as sheds or casitas;

(g) Paint or other surface finishes(unless the paint or finish used is the same as originally used by the Declarant or Neighborhood Builder on the Improvement or the same as previously approved in writing by the Committee);

(h) Front yard landscaping and hardscape, including flatwork, fences or walls, or statuary, if visible from other Separate Interests or Master Common Area; and

(i) Rear yard landscaping and hardscape, including flatwork and fences or walls.

The foregoing list is provided for guidance but it is not intended to be an exhaustive list. The Committee has the power to require prior review and approval of other Improvements that are not listed above or set forth in Section 1.1.42 above. Outdoor patio or lounge furniture, potted plants and portable barbecue equipment may be kept pursuant to the Rules and Regulations.

Persons who intend to install or construct outdoor Improvements on their Separate Interests must consult the Design Review Committee prior to installation to determine if prior review and approval are required. This Section shall not apply to any Improvements installed by Declarant or by the Master Association, nor shall it apply to maintenance, repair, replacement or reconstruction of existing Improvements by Declarant or by the Master Association.

2.16.2 Installation of Front Yard Landscaping. If not already installed by the Declarant or Neighborhood Builder as part of the original construction of the Residence, and subject to additional restrictions in an applicable Supplemental Master Declaration or Neighborhood Declaration, each Owner shall complete the installation of landscaping on the unfenced portions of the Separate Interest in accordance with a plan approved by the Design Review Committee no later than six (6) months after the Close of Escrow. Each Owner shall obtain all permits necessary and shall comply with all requirements of the City.

2.16.3 Installation of Rear and Side Yard Landscaping. If not already installed by the Declarant or a Neighborhood Builder as part of the original construction of the Residence, and subject to additional restrictions in an applicable Supplemental Master Declaration or Neighborhood Declaration, each Owner shall complete the installation of landscaping on the rear and side yards (and/or fenced areas) of the Separate Interest in accordance with a plan approved by the Design Review Committee no later than six (6) months after the Close of Escrow. Each Owner shall obtain all permits necessary and shall comply with all requirements of the City.

2.16.4 Indoors. No Owner or other resident of the Community may apply paint, foil, film, or other reflective material to the glass portion of any window in the Residence. This Section shall not be interpreted to prohibit the installation of blinds, shutters, curtains and other similar window coverings.

2.16.5 No Liability. Declarant, Neighborhood Builders, Master Association and Neighborhood Association (as applicable) shall not be liable or responsible for any damage that results from Improvements installed, constructed or modified by or at the direction of an Owner. Owners are advised to consult and use qualified consultants and contractors when installing, constructing or modifying Improvements on the Owner's Separate Interest.

2.16.6 Clotheslines and Drying Racks. Clotheslines and drying racks meeting the definitions in California Civil Code Sections 4750.10(a) and (b) may be placed in the fenced yard or patio areas of the Separate Interest. The Master Association has the power to establish Design Guidelines to minimize the visibility of the clotheslines and drying racks from the Master Common Area and other Separate Interests so long as they do not effectively prohibit or unreasonably restrict the Owner's ability to use the clothesline or drying rack, and do not significantly increase its cost to use.

2.17 VIEW OBSTRUCTIONS Each Owner acknowledges that (a) there are no protected views in the Community, and no Residence is assured the existence or unobstructed continuation of any particular view, and (b) any construction, landscaping (including the growth of landscaping) or other installation of Improvements by Declarant, Neighborhood Builders or other Owners may impair the view from any Separate Interest. Therefore, each Owner, by accepting a deed to a Separate Interest, acknowledges that any construction or installation by Declarant or a Neighborhood Builder may impair the view of such Owner, and notwithstanding anything in the Governing Documents to the contrary, each Owner consents to such impairment.

2.18 ANTENNA AND SATELLITE DISH RESTRICTIONS No Person may install on any Separate Interest any antenna, satellite dish or other over-the-air receiving device

unless it meets the definition of an “Authorized Antenna” below and is installed in accordance with the following restrictions:

2.18.1 Definition. An “Authorized Antenna” is (a) an antenna designed to receive direct broadcast satellite service, including direct-to-home satellite service, that is one (1) meter or less in diameter, (b) an antenna designed to receive video programming service, including multi-channel multipoint distribution service, instructional television fixed service, and local multipoint distribution service, and is one (1) meter or less in diameter or diagonal measurement, (c) an antenna designed to receive television broadcast signals, or (d) an antenna used to receive and transmit fixed wireless signals. The foregoing definition is not intended to prohibit cordless or wireless telephones, PDAs, computers, wireless home data networking equipment or other portable wireless data or telephony devices that do not otherwise constitute a nuisance device under the Governing Documents.

2.18.2 Masts. An Authorized Antenna may be mounted on a mast to reach the height needed to receive an acceptable quality signal, subject to Local Governmental Agency permitting requirements for safety purposes. No mast shall be installed in such a way that it overhangs a neighboring Separate Interest or Master Common Area, or poses a threat of damage to property or injury to persons.

2.18.3 Preferred Installation Locations and Restrictions on Installation. Rear yards, fenced side yards and fascia boards and rooftops at the rear of the detached Residences are the preferred installation locations in the Community. In a Condominium Project, the exclusive use area yard or patio as applicable is the preferred installation location, provided that if the applicable Neighborhood Declaration imposes more restrictive conditions on installation on a particular attached Condominium Residence, then the more restrictive condition shall control. Provided, however, that no Owner or other resident of an attached Condominium may install any device on any Neighborhood Association –owned or –maintained Improvement, including the structure containing the Separate Interest, balcony or fence railings or walls, except as may be permitted in the Neighborhood Governing Documents. The Committee may also adopt further reasonable restrictions on installation and use of an Authorized Antenna as part of its Design Guidelines in order to minimize visibility of the Authorized Antenna from other Separate Interests. Such restrictions may designate one (1) or more additional preferred installation locations, or require camouflage such as paint (subject to the antenna manufacturer’s recommendations) or screening vegetation or other Improvements. In all events, Owners shall make reasonable efforts to hide antenna cables and other outdoor wiring from view of neighboring Separate Interests and Master Common Area by installing it under eaves or camouflaging it with paint or other materials. However, no restriction imposed by the Committee may (a) unreasonably delay or prevent the installation, maintenance or use of an Authorized Antenna, (b) unreasonably increase the cost of the installation, maintenance or use of an Authorized Antenna, or (c) preclude acceptable quality reception.

2.18.4 Prohibitions on Installation. Every antenna or other over-the-air receiving device that is installed outdoors in the Community by or on behalf of an Owner or other resident must meet the definition of “Authorized Antenna” in Section 2.18.1, and the installation must meet the restrictions and requirements in this Section 2.18 and elsewhere in the Governing Documents and the requirements of the San Luis Obispo City Code. The Committee

has the power to prohibit or restrict the installation of any antenna or other over-the-air receiving device that does not meet the definition of an Authorized Antenna as set forth above. No Owner or other resident may install any Authorized Antenna or any other device in the Master Common Area, or in any area that is maintained by the Master Association. Authorized Antennae may only be installed in "preferred installation locations" as identified above or in Design Guidelines adopted by the Committee. The Committee may prohibit the installation of an Authorized Antenna in a particular location (including a preferred installation location) if, in the Committee's opinion, the installation, location or maintenance of such Authorized Antenna unreasonably affects the safety of the Owners or any other Person, or for any other safety-related reason established by the Committee. The Committee may also prohibit an Owner from installing an Authorized Antenna on any real property which such Owner does not own or is not entitled to exclusively use or control under the Governing Documents, including the Master Common Area or any other property outside the Owner's Separate Interest.

2.18.5 Review after Installation. The Committee may review the location and installation of an Authorized Antenna after it is installed. After its review, the Committee may require that the Authorized Antenna be moved to a preferred location (if one has been designated) for safety reasons or to comply with reasonable restrictions subject to this Section and applicable law. Approvals shall not be unreasonably withheld or delayed but may include restrictions which do not significantly increase the cost of installation, maintenance or use of the device, or significantly decrease its efficiency or performance or preclude reception of an acceptable quality signal) and in compliance with all applicable ordinances of the City, California statutes (e.g., California Civil Code Section 4725 and successor provisions), and federal regulations, as each may be amended or revised.

2.18.6 Restatement of Applicable Law. This Section is intended to be a restatement of the authority granted to the Committee under the law. All amendments, modifications, restatements and interpretations of the law applicable to the installation, use or maintenance of an antenna or over-the-air receiving device shall be interpreted to amend, modify, restate or interpret this Section.

2.19 RIGHTS OF DISABLED Subject to Article 5, each Owner may modify the Owner's Residence and the route over the Neighborhood Association Property or Master Common Area leading to the front door of such Residence, at the Owner's sole expense to facilitate access to the Residence by persons who are blind, visually impaired, deaf or physically disabled, or to alter conditions which could be hazardous to such persons, in accordance with California Civil Code Section 4760 or any other applicable law.

2.20 SOLAR ENERGY SYSTEMS Subject to reasonable restrictions imposed by the Master Association in accordance with California Civil Code Sections 714 and 714.1, each Owner may install a solar energy system (as defined in California Civil Code Section 801.5) on his Separate Interest to serve his domestic needs, so long as (a) the design and location of the solar energy system meet the requirements of all applicable governmental ordinances, and (b) the design and location receive the prior written approval of the Design Review Committee. Declarant has not Recorded any shading restrictions in the Community, so the Master Common Area and neighboring Separate Interests will not subject to special restrictions on the heights of trees or construction of Improvements near solar energy systems. Therefore, Owners should

anticipate that. the growth of landscaping and the construction of Improvements on neighboring property may, over time, shade portions of a solar energy system and interfere with or prevent its proper operation.

2.21 MINERAL EXPLORATION AND EXTRACTION No oil drilling, oil, gas or mineral development operations, oil refining, geothermal exploration or development, quarrying or mining operations of any kind may be conducted in the Community, nor are oil wells, tanks, tunnels or mineral excavations or shafts permitted upon the surface of any Separate Interest or within five hundred (500) feet of the surface of the land.

2.22 POST-TENSION CONCRETE SLABS Concrete slabs for Improvements constructed in the Community may be reinforced with a grid of steel cable installed in the concrete slab and then tightened to create extremely high tension. This type of slab is commonly known as a "Post-Tension Slab." Cutting into a Post-Tension Slab for any reason (for example, to install a floor safe, to remodel plumbing, etc.) is very hazardous and may result in serious damage to the Separate Interest, personal injury, or both. Each Owner shall determine if the floor of their Separate Interest has been constructed with a Post-Tension Slab and, if so agrees: (a) Owner shall not cut into or otherwise tamper with the Post-Tension Slab; (b) Owner will not permit or allow any other Person to cut into or tamper with the Post-Tension Slab so long as Owner owns any interest in the Separate Interest; (c) Owner shall disclose the existence of the Post-Tension Slab to any Person who rents, leases or purchases the Separate Interest from Owner; and (d) Owner shall indemnify and hold the Declarant and the applicable Neighborhood Builder and Declarant's and Neighborhood Builder's respective agents, free and harmless from and against any and all claims, damages, losses or other liability (including attorneys' fees and costs of court) arising from any breach of this covenant by Owner.

ARTICLE 3 DISCLOSURES

Because much of the information included in this Article (a) was obtained from other sources (for example, governmental and other public agencies and public records) and (b) is subject to change for reasons beyond the control of Declarant, Neighborhood Builders and the Master Association, the Declarant, Neighborhood Builders and the Master Association do not guarantee the accuracy or completeness of any of the information in this Article. Further, Declarant, Neighborhood Builders and the Master Association are not obligated to advise any Person of any changes affecting the disclosures in this Article. Persons should make their own inquiries or investigations to determine the current status of the matters addressed in this Article 3.

3.1 NO REPRESENTATIONS OR WARRANTIES. No representations or warranties, express or implied, have been given by Declarant, Neighborhood Builders, the Master Association or their agents in connection with the Community, its physical condition, zoning, compliance with law, fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation of the Community as a planned unit development, except as expressly provided in this Master Declaration, as submitted by Declarant or Neighborhood Builders to CalBRE, or as provided by Declarant or Neighborhood Builder to the first Owner of each Separate Interest.

3.2 MASTER ASSOCIATION BUDGETS. The initial Master Association Budgets were reviewed by CalBRE, after preparation by an independent professional. The initial Budgets include information available at the date of preparation. Budgets will change from time to time due to changing maintenance requirements, geographic impacts that are not anticipated when the Budgets were prepared, the demand by Owners for different, higher, or enhanced services or standards of maintenance and/or unforeseen or unanticipated circumstances. In addition, actual costs and reserves may vary from the standard costs and reserves reflected in CalBRE-reviewed Budgets (many of which costs and reserves are derived from regulatory sources); therefore, there is no representation that the initial Budgets reflect the actual costs of operating the Master Association.

3.3 TIMING; NO ASSURANCES OF COMPLETION. Present plans anticipate that the Community will be developed in a series of phases over a period of years. There are no assurances that the entire Community will be developed in accordance with any timeline, or that a particular portion will be completed at all. Furthermore, the master development plan may be changed from time to time with the consent of the City and other governmental agencies but without prior notice to the Owners of Residences. Such changes may include increasing or decreasing the number of residential Separate Interests, changing the style, square footage and architectural appearance of some or all of the Residences, and modifying plans for Master Common Property that has not yet been constructed (except to the extent such Master Common Property is subject to written agreements reviewed by the California Bureau of Real Estate and the Master Association or applicable Neighborhood Association). Delays in completion and changes in plans may be driven by any number of factors, including changes in business plans and changes in economic conditions.

3.4 SURROUNDING USES. Land uses in the immediate vicinity of the Community include the items listed below and they are discussed in more detail elsewhere in this Article 3. Declarant may supplement this Section with a map showing approximate locations of surrounding uses in an exhibit to an amendment to this Master Declaration or in a Supplemental Master Declaration. Declarant, Neighborhood Builders and the Master Association have no control over uses of real property lying outside the Community. Owners are advised to contact applicable Local Governmental Agencies for further updated information.

3.4.1 North/East of the Community. Orcutt Road, Rural, Residential, Open Space;

3.4.2 Northwest of the Community. Proposed Rental Affordable Housing Development;

3.4.3 South of the Community. Tank Farm Road; Residential; Open Space.

3.4.4 West of the Community. Mixed-Use Development; Union Pacific Railroad; Residential; Light Industrial; Hwy 227.

3.5 IMPACTS OF SURROUNDING USES.

3.5.1 Major Thoroughfares. The Community lies south and west of Orcutt Road, and north of Tank Farm Road, both of which are major public thoroughfares with traffic at

all hours. Owners near the perimeter of the Community may notice noise and vibration from traffic, and glare from streetlights, all of which are normal and expected incidents of living near major public roads.

3.5.2 Union Pacific Railroad. Existing rail lines are located on the west side of the Community. These rail lines are owned and operated by the Union Pacific Railroad. Owners and other residents of the Community may experience noise, dust, odors, light, vibrations and other environmental impacts associated with these rail lines. Owners and other residents of the Community must always be extremely cautious to ensure that children, guests, and others never wander into or play within the railroad right-of-way. Service on these rail lines may be expanded to include more trains, such as passenger service and other types of freight, and higher operating speeds. Declarant has no control over the operations, maintenance or future use of these rail lines.

3.5.3 Mixed-Use Development; Impacts of Operations. A Mixed-Use Development is planned to be development on real property to the immediate west of the Community in Tract No. 3066-Phase 2. If developed as currently planned, the Mixed-Use Development will include up to nine affordable condominium homes and up to 15,000 square feet of commercial space. The Mixed-Use Development is not part of the Community, nor is it subject to the jurisdiction of the Master Association. By accepting title to any Separate Interest in the Community, each Owner is deemed to acknowledge, understand and accept all the following:

(a) ***Acknowledgment of General Impacts of Commercial Operations.*** The clientele of the various commercial uses in the Mixed-Use Development will visit the Mixed-Use Development throughout the day and evening hours, seven days per week. Residents of the Community should expect to encounter commercial tenants, their employees, customers and other non-resident members of the public at any hour of the day or night in and around portions of the Community. Suppliers and maintenance personnel may also visit the Mixed-Use Development before, during or after normal business hours, depending on the business and the purpose of the visit. Residents should expect that these visits will result in additional noise from voices, music, idling delivery vehicles, and maintenance and cleaning equipment, among other things, and that the ambient noise level in the residential areas of the Community will be higher than noise levels typically encountered in a traditional residential project located more distant from a commercial center, including night-time glare in the Community from signage, parking lot lighting and security lighting in the Mixed-Use Development. All of these impacts are normal, legally permitted incidents of commercial operations in the Mixed-Use Development. Residents are advised to keep windows closed to reduce the indoor impact of noise from legal commercial operations in the Mixed-Use Development.

(b) ***Acknowledgment of Restaurant and Food Service Impacts.*** The Mixed-Use Development may include one or more restaurants in which food and alcohol are prepared and served on-premises. The operating hours for the food service operations will likely extend beyond normal business hours and the operating hours for non-food retail and commercial uses. Food service operations in the Mixed-Use Development will cause the noise and traffic effects discussed above, but in addition, residents will notice smoke and odors from

food preparation and from the outdoor storage of trash. All of these impacts are normal, legally permitted incidents of food service operations. Residents are advised to keep windows closed to reduce the effects of noise, odors and smoke in the Residence.

(c) **Not a Nuisance; Waiver.** All persons who accept title to any Separate interest in the Community are deemed to:

(i) Accept the above-described impacts of the Mixed-Use Development as normal and typical of living in close proximity to businesses;

(ii) Waive any right to sue or otherwise bring legal action against Master Developer, the Mixed-Use Development Party or its tenants for injunctive relief or damages arising from the lawful conduct of business and its attendant impacts in the Community, under any theory of legal liability including nuisance, breach of agreement or any implied covenant, or trespass.

The foregoing waiver shall not, however, limit the obligation of the owner/operators of the Mixed-Use Development and their tenants to comply with all applicable governmental requirements, nor shall the foregoing waiver limit any Owner's right to file a complaint with the appropriate governmental agencies if there is a violation of applicable governmental requirements.

3.6 SUPPLEMENTAL REAL PROPERTY TAXES. The County Assessor has the authority to reassess new homes after the Close of Escrow based on the difference between its appraised value and the home's unimproved value for the period after escrow closes. The Assessor will issue a supplemental tax bill to Owners for the difference in the taxes due based upon the reassessment. The Declarant and Neighborhood Builders have no control over the valuation, timing or the amount of the supplemental bill resulting from the reassessment. Owner is solely responsible for the payment of the supplemental tax bill. The following notice is given pursuant to Section 1102.6c of the California Civil Code:

"California property tax law requires the Assessor to revalue real property at the time the ownership of the property changes. Because of this law, you may receive one or two supplemental tax bills, depending on when your loan closes. The supplemental tax bills are not mailed to your lender. If you have arranged for your property tax payments to be paid through an impound account, the supplemental tax bills will not be paid by your lender. It is your responsibility to pay these supplemental bills directly to the Tax Collector. If you have any question concerning this matter, please call your local Tax Collector's Office."

Neither Declarant nor Neighborhood Builders, nor any of their authorized agents, representatives, employees or sales people has made any representations or warranties regarding supplemental real property taxes.

3.7 SPECIAL DISTRICTS. The Community may lie within the boundaries of special tax districts, including Community Facilities Districts. Community Facilities Districts

may provide for the design and construction of infrastructure such as street, sewer, water storm drain, parks, street landscape and traffic signals. Mello-Roos Community Facilities Districts are created by Local Governmental Agencies to finance public improvements and services when no other source of funds is available. Once formed and approved, the district will levy a special tax lien against each Separate Interest in the district's boundaries. District charges will appear on each Owner's property tax bill. Such districts also have the power to sell municipal bonds to raise additional funds if they are necessary to build the public improvements or fund the services. Such districts have rights to accelerated foreclosure if assessments are delinquent for more than a specified amount of time. The amount of the special tax and any other information pertaining to any such district can be obtained from the County Assessor's office.

3.8 MEGAN'S LAW NOTICE. The following notice is given pursuant to Section 2079.10a of the California Civil Code:

"Pursuant to Section 290.46 of the Penal Code, information about specified registered sex offenders is made available to the public via an Internet Web site maintained by the Department of Justice at www.meganslaw.ca.gov. Depending on an offender's criminal history, this information will include either the address at which the offender resides or the Neighborhood of residence and ZIP Code in which he or she resides."

Declarant, Neighborhood Builders and the Master Association make no representations, warranties or guarantees regarding the presence or absence of registered sex offenders within the Community or in the surrounding area. Declarant, Neighborhood Builders and the Master Association have not investigated, nor have they any obligation or duty to investigate existing residents or buyers to determine whether they are sex offenders. Owners are solely responsible for making their own investigation.

3.9 MOLD. Molds are simple, microscopic organisms, present virtually everywhere, indoors and outdoors. Mold can be any color, but is usually green, gray, brown or black. Mold requires a food source (such as paper, wood, leaves or dirt), a source of moisture and a suitable temperature (generally 40-100 degrees Fahrenheit) to grow. Individuals are exposed to molds on a daily basis, and in most instances there are no harmful effects. However, the buildup of molds in the indoor environment may contribute to serious health problems for some individuals. Due to a variety of factors, including the fact that sensitivities to various types of molds and other potential contaminants vary from person to person, there are currently no state or federal standards concerning acceptable levels of exposure to mold. Sources of indoor moisture that may lead to mold problems include, but are not limited to flooding, leaks, seepage, sprinkler spray hitting the residence, overflow from sinks or sewers, damp basement or crawl space, steam from shower or cooking, humidifiers, wet clothes drying indoors, watering house plants, and clothes dryers exhausting indoors.

Each Owner should take precautions to prevent the growth of mold in Owner's Home from these and other sources. Preventative measures include, but are not limited to the following: (1) regularly cleaning the Home; (2) regularly checking for accumulated moisture in corners and unventilated areas; (3) running fans, dehumidifiers and air conditioners to reduce

indoor humidity; (4) stopping the source of any leak or flooding; (5) removing excess water with mops or a wet vacuum; (6) moving wet items to a dry, well-ventilated area; (7) regularly cleaning and disinfecting indoor and outdoor surfaces that may contain mold; (8) having major appliances, such as furnaces, heat pumps, central air conditioners, ventilation systems and furnace-attached humidifiers inspected, cleaned and serviced regularly by a qualified professional; (9) cleaning the refrigerator, air conditioner and dehumidifier drip pans and filters regularly and ensuring that refrigerator and freezer doors seal properly; and (10) avoiding over-watering of landscaping.

It is the Owner's responsibility to monitor Owner's Residence on a continual basis for excessive moisture, water and mold accumulation. For additional information regarding mold, please refer to the following websites: California Department of Public Health – <http://www.cdph.ca.gov>; Centers for Disease Control and Prevention – <http://www.cdc.gov/nceh>; U.S. Environmental Protection Agency – <http://www.epa.gov>; Illinois Department of Public Health – <http://www.idph.state.il.us>; and Washington State Department of Health – <http://www.doh.wa.gov>.

3.10 RIGHT TO FARM. The Community is located on or near lands that were previously used for agricultural operations, including farming operations. By reason of such prior agricultural use, you may be exposed to chemicals in the soils. You may consult the soils report for the Community for additional information regarding chemicals that may have been used historically in the Community. The following notice is provided as required by California law:

NOTICE OF RIGHT TO FARM

The Community is located within one mile of a farm or ranch land designated on the current county-level GIS "Important Farmland Map" issued by the California Department of Conservation, Division of Land Resource Protection. Accordingly, the Community may be subject to inconveniences or discomforts resulting from agricultural operations that are a normal and necessary aspect of living in a community with a strong rural character and a healthy agricultural sector. Customary agricultural practices in farm operations may include, but are not limited to, noise, odors, dust, light, insects, the operation of pumps and machinery, the storage and disposal of manure, bee pollination, and the ground or aerial application of fertilizers, pesticides and herbicides. These agricultural practices may occur at any time during the 24-hour day. Individual sensitivities to those practices can vary from person to person. You may wish to consider the impacts of such agricultural practices before you complete your purchase. Please be advised that you may be barred from obtaining legal remedies against agricultural practices conducted in a manner consistent with proper and accepted customs and standards pursuant to Section 3482.5 of the Civil Code or any pertinent local ordinance.

3.11 IMPACT OF NEARBY AGRICULTURAL USES. The Community is located in the vicinity of lands which are currently in use for agricultural purposes. By reason of such agricultural uses, Owners and other residents within the Community may notice dust, noise and odors and may be exposed to pesticides, herbicides, insecticides and other chemicals incident to agricultural operations. Many normal and necessary agricultural land uses, such as production of fruit, result in noise, noxious odors, chemical spraying, dust, irrigation or other potentially detrimental effects to residential use of adjacent properties. Each Owner, for and on behalf of himself, and the members of his Family, his tenants, lessees, guests and invitees, expressly acknowledges and accepts these existing and future impacts and forever waives any and all causes of action against Declarant, Neighborhood Builders and the Master Association, and their respective directors, officers, employees, agents, representatives and consultants for any damages or injuries which may arise from or relate to any such conditions or risks.

3.12 RURAL AREA. The Community is located in a developing area which includes various rural land uses. As a result of the rural character of the area in the vicinity of the Community, Condominiums may be affected by wildlife, noises, odors, reptiles or insect life typically found in rural areas. Snakes, rodents, mountain lions and coyotes are some of the wildlife typically encountered in rural areas. Owners should expect to encounter insects of all types including flies, ticks, Africanized (killer) bees, mosquitoes, spiders, black and red fire ants, crickets and aphids. Declarant, Neighborhood Builders and the Master Association are not responsible for wildlife control or eradication.

3.13 AVIGATION EASEMENT; IMPACT OF OVERFLIGHT. San Luis Obispo County Regional Airport is a County-operated general aviation airport located near the Community. Declarant has granted or will grant the County an avigation easement over the entire Community for the benefit of San Luis Obispo County Regional Airport. The avigation easement reserves permanent rights in the County to make flights and the noise inherent to flights, over the Community. The County also has the right to regulate or prohibit electrical radiations or emissions in the Community if they are deemed to interfere with aircraft operation, communications systems or navigational equipment. By accepting a deed to a Separate Interest in the Community, each Owner is deemed to consent to the impacts of overflying aircraft from San Luis Obispo County Regional Airport and surrounding airports, including noise, vibration or odors from overflying aircraft departing from or approaching area airports at all hours of the day and night and the possibility of safety hazards should an aircraft accident occur.

3.14 AIRPORT INFLUENCE AREA NOTICE. The following notice is included in this Master Declaration in accordance with California Civil Code Section 4255:

NOTICE OF AIRPORT IN VICINITY

This property is presently located in the vicinity of an airport, within what is known as an airport influence area. For that reason, the property may be subject to some of the annoyances or inconveniences associated with proximity to airport operations (for example: noise, vibration, or odors). Individual sensitivities to those annoyances can vary from person to person. You may wish to consider what airport annoyances, if any, are associated with the

property before you complete your purchase and determine whether they are acceptable to you.

An "airport influence area" is defined in California Civil Code Section 4255 as an area in which current or future airport-related noise, overflight, safety, or airspace protection factors may significantly affect land uses or necessitate restrictions on those uses as determined by an airport land use commission.

3.15 COMMERCIAL/INDUSTRIAL ZONE DISCLOSURE. California Code of Civil Procedure Section 731a currently provides that, except in an action to abate a public nuisance brought in the name of the people of the State of California, no Person shall be enjoined or restrained by the injunctive process from the reasonable and necessary operation in any industrial or commercial zone or airport of any use expressly permitted therein, nor shall such use be deemed a nuisance without evidence of the employment of unnecessary and injurious methods of operation, provided any city, city and county, or county shall have established zones or districts under authority of law wherein certain manufacturing or commercial or airport uses are expressly permitted. Accordingly, Declarant discloses that the Community is located within one mile of a property that is zoned by the City to allow commercial or industrial use.

3.16 RECYCLED WATER. In its efforts to conserve water, the local water district ("**Water District**") requires the use of recycled water to irrigate parks, Master Common Area landscaping, the Mixed-Use Development, temporary irrigation in mitigation areas, and detention basins. Recycled water is partially treated waste water. It is not treated to be suitable for consumption by humans or domestic animals.

3.16.1 Recycled Water System. Declarant has installed in parts of the Master Common Area irrigation equipment that is designated for recycled water service. Such equipment is purple in color for ready identification. The Water District may not have extended recycled water service to the Community by the date of recordation of this Master Declaration, and if so, Owners should assume that Declarant does not control the date on which such service will be extended. However, all Persons in the Community should always assume that water originating from purple irrigation equipment is recycled, and therefore never suitable for human or domestic animal consumption. There is no way to reliably tell the difference between potable water and recycled water without a chemical test. The water delivered to the Residences will at all times be domestic potable water.

3.16.2 Possible Impacts of Recycled Water. As with any water overspray, the repeated spray of recycled water used in irrigation may stain or discolor personal property, fences, walls and other Improvements. Declarant, the Master Association and their respective officers, directors, employees or agents are not liable for any property damage or personal injury caused by recycled water. Further information concerning recycled water is available at the Water District's headquarters.

3.17 DETENTION BASINS AND OTHER WATER HAZARDS. Detention basins in the Community are a part of the storm drainage system. During periods of heavy rain, water and debris may accumulate in the basins. Other water hazards are located in the Community

including creeks, floodways and drain inlets. Owners and other residents are advised to keep children and animals away from the basins and other water hazards at all times.

3.18 PEDESTRIAN AND VEHICULAR ACCESS. None of the Private Streets or Private Alleys in the Community (including interior Private Streets and Private Alleys in Neighborhoods) will be gated. There are also trails and other pedestrian access ways in and around the Community (which are disclosed in more detail below in this Master Declaration). Because pedestrian and vehicular access into the Community will not be controlled, residents should expect that cars, pedestrians and bicyclists from outside the Community will pass by or through the Community, and there may be some effect on privacy. It is also reasonable to expect that cars, pedestrians and bicyclists may contribute to the ambient noise in the Community, and that this noise will be noticeable to Residents in the Community. These impacts are normal, legally permitted incidents of living near public and uncontrolled access ways.

3.19 PUBLIC AND PRIVATE TRAILS The Master Association will maintain certain trails in the Master Common Area, but it is a requirement of the City that the public and private trails and access ways remain open for use by members of the public. Owners of Separate Interests near the trails will notice noise and traffic incident to use of the trails, which are normal and foreseeable impacts on privacy and enjoyment of the Separate Interest.

3.20 PUBLIC PARKS A 12-acre public regional park is planned for construction at the west of the Community on Lot 168. In addition, Lots 152, 160, and 167 of Tract No. 3063-Phase 1 have been dedicated in fee to the City as public parks. If constructed, the City will own, operate and maintain the public parks for the benefit of the public. The public parks are planned to include a mix of passive and active uses, including basketball courts. The regional park, if developed, will initially include night lighting, which may create glare in the Community. The City will review the use and impact of the regional park after it has been in operation and has reserved the right to make a final determination as to whether the night lighting will remain. The Master Association will have no control over the operation or maintenance of any of the public parks in or around the Community. Owners of Separate Interests in the vicinity of the public parks will notice noise and traffic incident to use of the public parks, which have normal and foreseeable impacts on privacy and enjoyment of the Separate Interest.

3.21 PRIVATE PARKS The Community is planned to include various private parks, including the View Corridor defined as Lots 153-158 and 166 of Tract No. 3063-Phase 1 in Article 1 above and a proposed Private Park on Lot 30 of Tract No. 3066-Phase 2 (which may in the future be designated part of the Neighborhood Association Property of a Condominium Project) (each, a ***“Private Park”***). If constructed as planned, the each Private Park will eventually be turned over to and maintained by the Master Association as part of the Master Common Area. While the Private Parks in the Community will be privately owned and maintained by the Master Association, they will not be gated; members of the public may use the Private Parks from time to time. Owners of Separate Interests in the vicinity of the Private Parks will notice noise and traffic incident to use of the Private Parks, which have normal and foreseeable impacts on privacy and enjoyment of the Separate Interest.

3.22 SOIL CONDITIONS According to the Soils Engineering Report/Orcutt Expansion Area Specific Plan, dated April 15, 2013 and prepared for Declarant by GeoSolutions, Inc., the soils in the Community exhibit the following characteristics:

3.22.1 Expansive Soil. Soil in the Community is highly expansive in nature. Expansive soil will expand when it becomes wet and contract when it dries out. This expansion and contraction may cause movement, lifting, cracking and distress in slabs, patios, courtyards, sidewalks and other flatwork Improvements. Over-watering the soil or ponding of water adjacent to the foundation of the Residence may cause additional damage to the structures or accelerate the time period over which damage occurs. Imbalances in soil moisture from one Lot to adjacent Lots will contribute to horizontal and vertical movement of the soil. By its very nature, concrete will crack. Since movement of Improvements constructed on expansive soil is normal and will occur, Owners should take this into account in the design of the landscaping and other permitted Improvements installed. Contractors, engineers or architects should be advised of the presence of these expansive soils so that their effect may be mitigated by appropriate design and construction techniques.

3.22.2 Fill Soil. Some of the Residences in the Community are constructed on fill soil in accordance with the recommendations and inspection of licensed civil and soils engineers. Buildings constructed on fill soil will demonstrate some post-placement settlement. A soils report certifying the compaction of fill soil is available for review at the City.

3.22.3 Soils Experts. Before installing concrete flatwork, buildings, and other permitted Improvements on a Separate Interest, Owners must consult with a licensed soils engineer to ensure that such work is constructed correctly in light of current soils conditions. Although consulting with a soils expert may add substantially to the cost of installation of Improvements, failure to do so may result in significant breaking, lifting, separating, tilting or cracking in Improvements.

3.23 BIOLOGICAL OPEN SPACE EASEMENTS Declarant has dedicated on the face of the map of Tract No. 3066-Phase 2, Biological Open Space Easements over portions of Lots 31 and 32 of Tract No. 3066-Phase 2, for the benefit of the public. The Biological Open Space Easements shall be preserved by the Master Association as natural protected habitat for Owl Clover and native Bunchgrass in accordance with the Entitlements. No Improvements may be constructed in the Biological Open Space Easement, nor may the land or vegetation be modified except as directed by the City. The Biological Open Space Easements are not a recreational area; and they are hereby declared to be off-limits to all Owners, residents and members of the public.

3.24 ELECTRIC POWER LINES, WIRELESS COMMUNICATIONS FACILITIES AND HUMAN HEALTH Underground and overhead electric transmission and distribution lines and transformers (collectively, "**Power Lines**") are located within or in the vicinity of all residential communities, including this Community. The Power Lines within, and in the vicinity of, the Community produce electric and magnetic fields ("**EMF**"). Antennas and other equipment for wireless telecommunications (for example, cellular phones) may also be located in or in the vicinity of the Community. Like all wireless communications facilities, these facilities produce radio-frequency fields ("**RF**"). Numerous studies concerning the effects of

EMF and/or RF on human health have been undertaken over the past several years and some are ongoing. There are studies that have reported a possible relationship between EMF exposure and some health conditions, such as childhood leukemia, miscarriages, and certain neurological disorders, while other studies found no such relationship. Some studies have reported associations between RF exposure and brain cancer, while other studies found no such relationship. Additional information about EMF and RF is available from the following agencies:

- the World Health Organization's International EMF Project website at http://www.who.int/topics/electromagnetic_fields/en/;
- the Southern California Edison EMF safety page at <https://www.sce.com/wps/portal/home/safety/family/environmental-health>;
- the U.S. National Institute of Environmental Health Sciences website at <http://www.niehs.nih.gov/health/topics/agents/emf/>;
- the U.S. Food and Drug Administration website at <http://www.fda.gov/cdrh/wireless/html/>; and
- Electric and Magnetic Fields Program, <http://www.ehib.org/emf/>

3.25 CHANGE IN PLANS Declarant and Neighborhood Builders have the right to develop the Annexable Area with Improvements that may be different in design, size, character, style and price from those in the Initial Covered Property or any other Phase.

3.26 PROPERTY LINES The boundaries of each Separate Interest in the Community and the Master Common Area owned in fee simple by the Master Association are delineated on subdivision (tract) maps, lot line adjustments, unit line adjustments, certificates of compliance or parcel maps that are public records and are available at the County Recorder's office.

3.27 OFFERS OF DEDICATION Portions of the Master Common Area are subject to irrevocable offers of dedication as shown on the Recorded tract maps for the Master Community. The City may accept the offer of dedication and assume responsibility for maintaining these portions of the Master Common Area at any time.

ARTICLE 4 MASTER ASSOCIATION

4.1 GENERAL DUTIES AND POWERS The Master Association has the duties and powers listed in the Governing Documents and also has the general and implied powers of a nonprofit mutual benefit corporation, generally to do all things that a corporation organized under the laws of the State of California may lawfully do which are necessary or proper in operating for the general welfare of the Owners, subject only to the limits on the exercise of such powers listed in the Governing Documents including the exemptions of Declarant and Neighborhood Builders herein, and the Supplemental Master Declarations. Unless otherwise

indicated in the Articles, Bylaws, this Master Declaration, or the Supplemental Master Declarations, the powers of the Master Association may be exercised by the Board.

4.2 SPECIFIC DUTIES AND POWERS In addition to its general powers and duties, the Master Association has the following specific powers and duties.

4.2.1 Master Common Property. The power and duty to accept, maintain and manage the Master Common Property. The Master Association may install or remove Capital Improvements on the Master Common Property. The Master Association may reconstruct, replace or refinish any Improvement on the Master Common Property.

4.2.2 Utilities. The power and duty to obtain, for the benefit of all the Community, all commonly metered water, gas and electric services, and the power, but not the duty, to provide for trash collection, recycling and cable or master television service.

4.2.3 Cooperation with Utility Providers. The power and the duty to establish and follow procedures to provide access if necessary to public utility providers in exercise of their easements for operation and maintenance of their facilities in the Community, subject to utility provider approval.

4.2.4 Granting Rights. The power, subject to prior City approval, to grant exclusive or nonexclusive easements, licenses, rights of way or fee interests in the Master Common Area owned in fee simple by the Master Association, to the extent any such grant is reasonably required (a) for Improvements to serve the Community, (b) for purposes of conformity with the as-built location of Improvements installed or authorized by Declarant or the Master Association, (c) in connection with any lawful lot line adjustment, or (d) for other purposes consistent with the intended use of the Community. This power includes the right to create and convey easements for one or more Owners over portions of the Master Common Area. The Master Association may, with the City's prior approval, de-annex any portion of the Community from the encumbrance of the Master Declaration in connection with any lawful lot line adjustment. After the Master Association acquires fee title to or any easement right over Common Property, the affirmative vote of members owning at least sixty-seven percent (67%) of the Separate Interests in the Community shall be required before the Board may grant exclusive use of any portion of that Common Property to any member, except as provided in California Civil Code Sections 4202(a)(4) and 4600. Any measure placed before the members requesting that the Board grant exclusive use of any portion of the Common Property shall specify whether the Master Association will receive any monetary consideration for the grant and whether the Master Association or the transferee will be responsible for providing any insurance coverage for exclusive use of the Common Property.

4.2.5 Employ Personnel. The power to employ Persons necessary for the effective operation and maintenance of the Master Common Property, including legal, management and accounting services.

4.2.6 Insurance. The power and duty to keep insurance for the Master Common Area in accordance with this Master Declaration.

4.2.7 **Sewers and Storm Drains.** The power and duty to maintain all private sewer systems, Drainage and Water Quality Improvements designated for Master Association maintenance in the Governing Documents whether located in the Master Common Property in the Community or as off-site Master Maintenance Areas.

4.2.8 **Maintenance Guidelines.** The power and duty to (a) operate, maintain and inspect the Master Common Property and its various components in conformance with any Maintenance Guidelines and any Maintenance Manual, and (b) review any Maintenance Manual for necessary or appropriate revisions no less than annually after the Board has prepared the Budget; provided however, that the Master Association shall not revise any Maintenance Manual without obtaining the prior written consent of Declarant as provided in Section 13.2.3 of this Master Declaration.

4.2.9 **Rules and Regulations.** The power, but not the duty, to adopt, amend, repeal and create exceptions to, the Rules and Regulations.

(a) ***Standards for Enforceability.*** To be valid and enforceable, a Rule must satisfy all the following requirements:

- (i) The Rule must be in writing;
- (ii) The Rule is within the authority of the Board conferred by law or by this Master Declaration, the Articles or the Bylaws;
- (iii) The Rule is not inconsistent with governing law, this Master Declaration, the Articles or the Bylaws;
- (iv) The Rule is adopted, amended or repealed in good faith and in substantial compliance with the requirements of Article 4 of Title 6 of Part 4 of Division 2 of the California Civil Code;
- (v) The Rule is reasonable; and
- (vi) The Rule complies with the operating rules provisions of California Civil Code Section 4350 (as amended from time to time).

(b) ***Areas of Regulation.*** The Rules and Regulations may concern use of the Community, signs, parking restrictions, minimum standards of property maintenance, and any other matter under the Master Association's jurisdiction.

(c) ***Limits on Regulation.*** The Rules and Regulations must apply uniformly to all Owners and must comply with this Master Declaration and all applicable state and local laws. The rights of Owners to display in or on their Residences religious, holiday and political signs, symbols and decorations of the kinds normally displayed in single family residential neighborhoods shall not be abridged. However, the Master Association may adopt time, place and manner restrictions for such displays if they are visible outside the Residence. No modification to the Rules and Regulations may require an Owner to dispose of personal property that was in compliance with all rules previously in force; however, this exemption shall

apply only during the period of such Owner's ownership of the Residence and it shall not apply to: (i) subsequent Owners who take title to a Residence after the modification is adopted; or (ii) clarifications to the Rules and Regulations.

(d) ***Procedure for Adoption, Amendment and Repeal.*** Rules or procedures concerning (1) the use of Common Property, (2) the use of a Residence, including any aesthetic standards or Design Guidelines that affect Residences, (3) Owner discipline, including any schedule of monetary penalties for violation of the Governing Documents, (4) any procedure for the imposition of penalties, (5) any standards for delinquent assessment payment plans, (6) any procedures adopted by the Master Association for resolution of assessment disputes, (7) any procedures for reviewing and approving or disapproving a proposed physical change to a Separate Interest, and (8) procedures for elections (each, a "***Covered Rule***") may only be adopted, amended or repealed (each, a "***Rule Change***") in accordance with the following procedure:

(i) The Board must provide written notice ("***Notice***") of a proposed Rule Change to the members at least thirty (30) days before making the Rule Change, except for an Emergency Rule Change (defined below). The Notice must include the text of the proposed Rule Change and a description of the purpose and effect of the proposed Rule Change (written Notice is not required if the Board determines that an immediate change is required to address an imminent threat to public health or safety, or an imminent risk of substantial economic loss to the Master Association);

(ii) The decision on a proposed Rule Change shall be made at a Board meeting after consideration of comments made by the members of the Master Association;

(iii) The Board shall deliver Notice of the Rule Change to every member of the Master Association within fifteen (15) days of adoption. If the change was an Emergency Rule Change, the Notice shall include the text of the Emergency Rule Change, a description of the purpose and effect of the Emergency Rule Change, and the date on which the Emergency Rule Change expires;

(iv) If the Board determines that an immediate Rule Change is required to address an imminent threat to public health or safety, or an imminent risk of substantial economic loss to the Master Association, it may make the change on an emergency basis ("***Emergency Rule Change***") and no Notice will be required. An Emergency Rule Change is effective for one hundred-twenty (120) days, unless the Emergency Rule Change provides for a shorter effective period. Any Rule Change that is adopted as an Emergency Rule Change may not be re-adopted under authority of this subpart;

(v) A Notice required by this Section 4.2.9(d) is delivered by one of the document delivery methods approved under California Civil Code Section 4360;

(vi) A Rule Change made pursuant to this Section 4.2.9(d) may be reversed as provided in the operating rules provisions of California Civil Code Section 4365.

(e) **Exceptions to Procedure.** The procedure in Section 4.2.9(d) does not apply to:

- (i) Rules that do not meet the definition of Covered Rules above;
- (ii) Decisions of the Board regarding maintenance of Common Property;
- (iii) A decision on a specific matter that is not intended to apply generally;
- (iv) A decision setting the amount of an Annual Assessment or a Special Assessment;
- (v) A Rule Change that is required by law if the Board has no discretion as to the substantive effect of the changes; or
- (vi) Issuance of a document that merely repeats existing law or the Governing Documents.

4.2.10 **Borrowings.** The power, but not the duty, to borrow money for purposes authorized by the Articles, Bylaws, Master Declaration or any Supplemental Master Declarations, and to use the Master Common Area owned by the Master Association as security for the borrowing.

4.2.11 **Contracts.**

(a) **Contracts at the Discretion of the Board.** Except as specified in Section 4.2.11(b) below, the power, but not the duty, to enter into contracts. This includes contracts with Owners or other Persons to provide services or to maintain Improvements in the Community and elsewhere which the Master Association is not otherwise required to provide or maintain by this Master Declaration.

(b) **Assumption of O&M Manual.** The power and the duty, when directed to do so by the Declarant in a Recorded Supplemental Master Declaration, to assume the rights and obligations of Declarant (as applicable to the Master Association) under the O&M Manual, together with right, power and authority to act on behalf of the Master Association, its members and tenants under the O&M Manual.

(c) **Private Drainage, Landscape, and Wildland Fuel Management Easement and Encroachment Agreement.** The power and duty to assume all the maintenance and hold harmless obligations of the Master Association under the Private Drainage, Landscape, and Wildland Fuel Management Easement and Encroachment Agreement when tendered by Declarant.

(d) **Private Improvement Encroachment Agreement.** The power and duty to assume all the maintenance and hold harmless obligations of "Grantee" under the

Private Improvement Encroachment Agreement when assigned by Declarant with the City's consent.

4.2.12 **Resale Program.** After Declarant no longer owns any portion of the Community or the Annexable Area, or with Declarant's consent, the Master Association may provide services related to the sale of real property and may own, operate and staff a center for the purpose of facilitating sale of real property in the Community. Any such center shall be operated in accordance with policies and procedures adopted by the Master Association.

4.2.13 **Indemnification.**

(a) ***For Master Association Representatives.*** To the fullest extent authorized by law, the Master Association has the power and duty to indemnify Board members, Master Association officers, Design Review Committee members, and all other Master Association committee members for all damages, pay all expenses incurred, and satisfy any judgment or fine levied as a result of any action or threatened action brought because of performance of an act or omission within what such person reasonably believed to be the scope of the Person's Master Association duties ("***Official Act***"). Board members, Master Association officers, Design Review Committee members, and all other Master Association committee members are deemed to be agents of the Master Association when they are performing Official Acts for purposes of obtaining indemnification from the Master Association pursuant to this Section 4.2.13. The entitlement to indemnification under this Master Declaration inures to the benefit of the estate, executor, administrator and heirs of any person entitled to such indemnification.

(b) ***For Other Agents of the Master Association.*** To the fullest extent authorized by law, the Master Association has the power, but not the duty, to indemnify any other Person acting as an agent of the Master Association for damages incurred, pay expenses incurred, and satisfy any judgment or fine levied as a result of any action or threatened action because of an Official Act.

(c) ***Provided by Contract.*** The Master Association also has the power, but not the duty, to contract with any Person to provide indemnification in addition to any indemnification authorized by law on such terms and subject to such conditions as the Master Association may impose.

4.2.14 **Annexing Additional Property.** The power, but not the duty, to annex, pursuant to Section 16.2, additional property to the Community encumbered by this Master Declaration.

4.2.15 **Vehicle Restrictions.** The power granted in Section 2.12 to identify Authorized Vehicles or Restricted Vehicles and to modify the restrictions on vehicles.

4.2.16 **License and Use Agreements.** The Master Association may enter into agreements with Declarant, Neighborhood Builders, any Neighborhood Association or any homeowners association having jurisdiction over the Annexable Area to share facilities located on the Master Common Area (the "***Facility***") with the Owners of Residences in the Annexable Area that is not annexed to the Community. Any such agreement shall be in form and content

acceptable to Declarant, any involved Neighborhood Builder or Neighborhood Association, the Board of Directors (without the approval of Owners) and the board of directors of any adjacent homeowners association and shall include provisions regarding use and sharing of maintenance costs for the Facility.

4.2.17 **Landscaping.** The Board has the power, but not the duty, to grant Owners revocable licenses that allow Owners to replace and/or add landscaping Improvements to any portion of the Master Common Area, subject to the prior written approval of the Board, any reasonable restrictions or conditions the Board may impose, and the right of the Board to revoke such license, remove the landscaping Improvements and charge the Owner for the cost of such removal.

4.2.18 **Special Events.** Neighborhood Associations or other Persons may desire to sponsor special events and activities in the Community. The Master Association has the authority to issue such Persons, their guests, invitees, employees, agents, contractors and designees, a nonexclusive license of access and use over some or all of the Master Common Property as reasonably necessary for the operation of the special event or activity. The Master Association may also issue permits which authorize the sponsor and its guests and invitees to park vehicles on the Private Streets within the Community at reasonable times before, during and after the special event or activity. The Master Association may charge fees it determines are appropriate in connection with allowing groups to use the Master Common Property.

4.2.19 **Standing to Resolve Disputes.** The Master Association shall have standing to institute, defend, settle or intervene in litigation, alternative dispute resolution or administrative proceedings (each, an **"Action"**) in its own name as the real party in interest and without joining the Owners, in matters pertaining to (a) damage to the Master Common Area, (b) damage to portions of the Separate Interests which the Master Association is obligated to maintain or repair (if any), and (c) damage to portions of the Separate Interests which arises out of, or is integrally related to, damage to the Master Common Area or portions of the Separate Interests that the Master Association is obligated to maintain or repair (each, a **"Claim"**). However, the Master Association shall not have standing to institute, defend, settle or intervene in any Action in any matter pertaining only to an individual Separate Interest and not included in clauses (b) and (c) above.

The Master Association may, in its sole discretion, elect to institute, intervene in, continue, settle or dismiss an Action at any time. If the Master Association institutes or intervenes in an Action on a Claim, the Master Association's standing shall be exclusive, and the Owners shall thereafter be barred from instituting a new Action or maintaining a pending Action on the same Claim. The Master Association's election to institute or intervene in an Action on a particular Claim shall not create any affirmative obligation on the part of the Master Association to maintain, settle or dismiss the Action, except in the Master Association's sole discretion, and subject to Section 12.4. If the Master Association elects to settle an Action, the terms of the settlement shall be binding on the Owners, and the Owners shall be barred from instituting a new Action or maintaining a pending Action on the same Claim. If the Master Association elects to dismiss an Action, the dismissal shall be with prejudice to the institution or continuation by one or more Owners of any Action on the same Claim.

4.2.20 **Duty to File Contact Information with City.** The Master Association has the power and the duty to file the names, addresses, and telephone numbers of at least one member of the Board and, where applicable, a manager of the Community before January 1st of each year with the City of San Luis Obispo Community Development Department, for the purpose of providing contact information in case of emergency or in those cases where the City has an interest in violations of the Governing Documents.

4.3 **PERMITTED FUNCTIONS** The Master Association is formed exclusively for those social welfare purposes and activities which are specifically and directly related to (a) maintaining, operating and using the Master Common Area, including the social, recreational and other Improvements thereon, (b) collecting Assessments to finance the maintenance and use of the Master Common Property, and (c) administering and enforcing the Master Association Governing Documents (collectively, the ***“Permitted Functions”***). Permitted Functions do not include those activities prohibited by Section 4.4 below. The funds and resources of the Master Association shall be used exclusively for the direct costs of Permitted Functions. This Section does not preclude the use of the Master Common Area facilities by Declarant or the Neighborhood Builders for promotional special events and other purposes.

4.4 **PROHIBITED ACTIVITIES** The Master Association is prohibited from undertaking or performing any of the following activities (***“Prohibited Activities”***), or expending or using the Master Association funds or resources for any Prohibited Activities without a vote of sixty-seven percent (67%) of the voting power of each Class of the Master Association.

4.4.1 **Off-Site Nuisances.** Abating any annoyance or nuisance emanating from outside the physical boundaries of the Community.

4.4.2 **Political Activities.** Engaging in any Federal, State or local political activities or activities intended to influence a governmental action affecting areas outside the boundaries of the Community (e.g., endorsement or support of legislative or administrative actions by a local government authority). These activities include endorsement or support of legislative or administrative actions by a Local Governmental Agency, candidates for elected or appointed office, initiatives, recall elections or other ballot proposals. The Master Association is prohibited from conducting, sponsoring, participating in or expending funds or resources on any activity, campaign or event, including any social or political campaign, event or activity, which does not directly and exclusively pertain to a Permitted Function. The foregoing is not intended to prohibit discussion of political and legislative issues by members of the Master Association.

4.4.3 **Abridging Rights and Exemptions.** Taking any action which is inconsistent with, or which would abrogate, any right or exemption in Article 14 or elsewhere in the Governing Documents.

4.4.4 **Neighborhood Association or Special Benefit Area.** For so long as Declarant has a veto right under Section 4.9 of this Master Declaration, no Neighborhood Builder, Owner, or the Master Association, without the prior written consent of Declarant, shall (a) form an Owner's association to manage any portion of the Community or (b) create a Special Benefit Area or other such device to apportion any Common Expenses of the Master Association against fewer than all of the Owners and their Separate Interests.

4.5 STANDARD OF CARE, NON-LIABILITY

4.5.1 Scope of Powers and Standard of Care.

(a) **General Scope of Powers.** Rights and powers conferred on the Board, the Design Review Committee or other committees or representatives of the Master Association by the Governing Documents are not duties, obligations or disabilities charged upon those Persons unless the rights and powers are explicitly identified as including duties or obligations in the Governing Documents or law. Unless a duty to act is imposed on the Board, the Design Review Committee or other committees or representatives of the Master Association by the Governing Documents or law, the Board, the Design Review Committee and the committees have the right to decide to act or not to act. Any decision not to act is not a waiver of the right to act in the future.

(b) **Business Affairs.** This Section 4.5.1(b) applies to Board member actions in connection with management, personnel, maintenance and operations, insurance, contracts and finances and Design Review Committee member actions. Each Board member shall perform his duties in good faith, in a manner the Board member believes to be in the best interests of the Master Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. When performing his duties, a Board member is entitled to rely on information, opinions, reports or statements, including financial data prepared or presented by:

(i) One (1) or more officers or employees of the Master Association whom the Board member believes to be reliable and competent in the matters presented;

(ii) Counsel, independent accountants or other Persons as to matters which the Board member believes to be within such Person's professional or expert competence; or

(iii) A committee of the Board upon which the Board member does not serve, as to matters under its designated authority, which committee the Board member believes to merit confidence, so long as the Board member acts in good faith, after reasonable inquiry when the need is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

This Section 4.5.1(b) is intended to be a restatement of the business judgment rule established in applicable law. All modifications and interpretations of the business judgment rule applicable to the Master Association shall be interpreted to modify and interpret this Section 4.5.1(b).

(c) **Master Association Governance.** This Section 4.5 applies to Board actions and Design Review Committee decisions in connection with interpretation and enforcement of the Governing Documents, architectural and landscaping control, regulation of uses within the Community, rulemaking and oversight of committees. Actions taken or decisions made in connection with these matters shall be reasonable, fair and nondiscriminatory.

4.5.2 **Non-liability.**

(a) **General Rule.** No Person is liable to any other Person (other than the Master Association or a party claiming in the name of the Master Association) for injuries or damage resulting from such Person's Official Acts, except to the extent that such injuries or damage result from the Person's willful or malicious misconduct. No Person is liable to the Master Association (or to any party claiming in the name of the Master Association) for injuries or damage resulting from such Person's Official Acts, except to the extent that such injuries or damage result from such Person's negligence or willful or malicious misconduct. The Master Association is not liable for damage to property in the Community unless caused by the negligence of the Master Association, the Board, the Master Association's officers, the Manager or the Manager's staff.

(b) **Non-liability of Volunteer Board Members and Officers.** A volunteer Board member or volunteer Master Association officer shall not be personally liable to any Person who suffers injury, including bodily injury, emotional distress, wrongful death or property damage or loss as a result of the tortious act or omission of the volunteer officer or Board member if all applicable conditions specified in California Civil Code Section 5800 are met.

(c) **Non-liability of Owners.** Pursuant to California Civil Code Section 5805 and successor provisions, no Owner shall be liable for any cause of action in tort which can be brought against the Owner solely because of the Owner's undivided interest in the Master Common Area so long as the Master Association keeps one (1) or more policies of insurance which include coverage for general liability of the Master Association in the amount required by California Civil Code Section 5805 and successor provisions and that insurance is in effect for the cause of action being brought.

4.6 **MEMBERSHIP**

4.6.1 **Generally.** Ownership of a Separate Interest subject to this Master Declaration is the sole qualification for Membership.

(a) **Owners under Public Report Transactions.** Every Owner of a Separate Interest who has taken title in a transaction requiring issuance of a Public Report shall automatically acquire a Membership in the Master Association upon Close of Escrow for such Owner's Separate Interest. The Owner shall retain the Membership until such Owner's Separate Interest ownership ceases, at which time such Owner's Membership shall automatically cease.

(b) **Declarant.** Declarant shall be the sole member of the Master Association until the first Close of Escrow occurs in the Community. Thereafter, Declarant shall continue to be a member so long as Declarant owns a Separate Interest in the Community.

(c) **Neighborhood Builders.** Each Neighborhood Builder shall be a member of the Master Association so long as the Neighborhood Builder owns a Separate Interest that is subject to Assessment.

4.6.2 **Transfer.** Memberships are not assignable except to the Person to whom title to the Separate Interest is transferred, and every Membership is appurtenant to and may not be separated from the fee ownership of such Separate Interest. The rights, duties, privileges and obligations of all Owners are as provided in the Governing Documents. The Membership of any Owner may not be transferred, pledged or alienated in any way, except on the transfer or encumbrance of such Owner's Separate Interest, and then only to the transferee or Mortgagee of such Separate Interest. A prohibited transfer is void and will not be reflected in the records of the Master Association. Any Owner who has sold his Separate Interest to a contract purchaser under an agreement to purchase may delegate the Owner's Membership rights to the contract purchaser. The delegation must be in writing and must be delivered to the Board before the contract purchaser may vote. The contract seller shall remain liable for all Assessments attributable to the contract seller's Separate Interest which accrue before title to the Separate Interest is transferred. If the contract seller fails or refuses to delegate his Membership rights to the contract purchaser before the Close of Escrow, the Master Association may record the transfer to the contract purchaser in the Master Association's records. However, no contract purchaser will be entitled to vote at Master Association meetings during the term of a purchase contract without satisfactory evidence of the delegation of the contract seller's Membership rights to the contract purchaser. The Master Association may levy a reasonable transfer fee against a new Owner and such Owner's Separate Interest (which fee shall be paid through escrow or added to the Annual Assessment chargeable to such new Owner) to reimburse the Master Association for the administrative cost of transferring the Membership to the new Owner on the Master Association's records. Such fee may not exceed the Master Association's actual cost involved in changing its records.

4.6.3 **Classes of Membership.** The Master Association's classes of Membership are as follows:

(a) **Class A.** Class A members are all Owners except Declarant and Neighborhood Builders as long as a Class B Membership exists. Class A members are entitled to one (1) vote for each Separate Interest the Class A member owns that is subject to Assessments. Declarant and the Neighborhood Builders shall become Class A members upon conversion of their Class B Memberships as provided below. The vote shall be exercised in accordance with Section 4.7.1, but no more than one (1) Class A vote may be cast for any Separate Interest.

(b) **Class B.** The Class B members are Declarant and the Neighborhood Builders. Class B members are entitled to three (3) votes for each Separate Interest that is owned by Declarant or Neighborhood Builder and then subject to Assessment. The Class B Membership shall be converted to Class A Membership upon the earliest to occur of the following events:

(i) The Three Hundred Sixth (306th) Close of Escrow for the sale of a Separate Interest in the overall development composed of the Community and Annexable Area;

(ii) The fifth (5th) anniversary of the first Close of Escrow in the Phase for which a Public Report was most recently issued; or

(iii) The tenth (10th) anniversary of the first Close of Escrow for the sale of a Separate Interest in the Community.

(c) **Class C Board Appointment Right.** Declarant shall have a Class C Board appointment right (whether or not Declarant is an Owner) ("**Class C Board Appointment Right**"). The Class C Board Appointment Right shall not be considered a part of the voting power of the Master Association. The Class C Board Appointment Right entitles Declarant to select a majority of the members of the Board of Directors until the Class C Termination Date. The "Class C Termination Date" shall be the earliest to occur of the following events:

(i) The Three Hundred Sixth (306th) Close of Escrow for the sale of a Separate Interest in the overall development composed of the Community and Annexable Area;

(ii) The fifth (5th) anniversary of the first Close of Escrow in the Phase for which a Public Report was most recently issued; or

(iii) The tenth (10th) anniversary of the first Close of Escrow for the sale of a Separate Interest in the Community; or

(iv) The date set by Declarant in a written notice delivered to the Board.

4.6.4 **Selection of Twenty Percent of the Board.** Declarant (whether or not Declarant is an Owner) is entitled to select twenty percent (20%) of the members of the Board of Directors until the Selection Right Termination Date. The "Selection Right Termination Date" shall be the earliest to occur of the following events:

(a) The Three Hundred Sixty-Seventh (367th) Close of Escrow for the sale of a Separate Interest in the overall development composed of the Community and Annexable Area;

(b) The fifth (5th) anniversary of the first Close of Escrow in the Phase for which a Public Report was most recently issued;

(c) The tenth (10th) anniversary of the first Close of Escrow for the sale of a Separate Interest in the Community; or

(d) The date set by Declarant in a written notice delivered to the Board.

4.7 **VOTING RIGHTS** Voting rights shall commence for all Separate Interests in a Phase of a Neighborhood on the date of the commencement of Annual Assessments in the Phase.

4.7.1 **Limits, Generally.** All voting rights are subject to the Governing Documents. Except as provided in Sections 4.7.3 and 12.3 of this Master Declaration and as provided in the Bylaws, as long as there is a Class B Membership, any provision of the

Governing Documents which expressly requires the vote or written consent of a specified percentage (instead of a majority of a quorum) of the Master Association's voting power before action may be undertaken shall require the approval of such specified percentage of the voting power of both the Class A and the Class B Memberships. Except as provided in Section 12.3 of this Master Declaration and as provided in the Bylaws, on termination of the Class B Membership, any provision of the Governing Documents which expressly requires the vote or written consent of Owners representing a specified percentage (instead of a majority of a quorum) of the Master Association's voting power before action may be undertaken shall then require the vote or written consent of Owners representing such specified percentage of both (a) the Master Association's total Class A voting power, and (b) the Master Association's Class A voting power represented by Owners other than Declarant.

4.7.2 Matters Affecting only a Special Benefit Area. All provisions of this Master Declaration requiring the vote or approval of a specified percentage of Owners regarding any expenses paid by a Special Benefit Area, or amendment or termination of provisions affecting only the Separate Interests in a Special Benefit Area, shall only require the vote or approval of the requisite percentage of Owners of Separate Interests in the applicable Special Benefit Area. Furthermore, notwithstanding any of the voting or appointment rights granted elsewhere in this Master Declaration, the Board shall not take any of the actions described below without having first obtained the requisite consent of the Owners of the Separate Interests in the Special Benefit Area:

(a) The creation either of one or more Master Maintenance Areas or designation of Master Common Area, to be paid for by a Special Benefit Area, in addition to those described in this Master Declaration and CalBRE-reviewed Budget;

(b) Suspension, reduction or discontinuation of the Master Association's obligations to maintain the Special Benefit Area-specific Master Common Area or Master Maintenance Areas from those described in this Master Declaration and the CalBRE-reviewed Budget;

(c) Changes in casualty or other insurance carried by the Master Association as an expense paid by a Special Benefit Area;

(d) Creation of new expenses paid by a Special Benefit Area;

(e) Changes in use restrictions or maintenance requirements affecting only the Separate Interests in a Special Benefit Area.

4.7.3 Vote to Initiate Right to Repair Law Claim. Commencing on the date of the first annual meeting of Owners, Declarant relinquishes control over the Master Association's ability to decide whether to initiate a Right to Repair Law Claim. This means that Declarant, current employees and agents of Declarant, Board members who are appointed by Declarant, Board members elected by a majority of votes cast by Declarant, and all other Persons whose vote or written consent is inconsistent with the intent of the preceding sentence, are prohibited from participating and voting in any decision of the Master Association or Owners to initiate a Right to Repair Law Claim. Master Association must obtain the vote or written

consent of a simple majority of the Master Association's voting power, excluding votes attributable to Declarant, in order to initiate a Right to Repair Law Claim. Notwithstanding the foregoing, if a Right to Repair Law Claim affects only a particular Special Benefit Area, then only the Owners of Separate Interests in the Special Benefit Area shall constitute all the requisite voting power of the Master Association other than Declarant for purposes of such vote.

4.7.4 Joint Ownership. When more than one (1) Person holds an ownership interest in any Separate Interest ("**co-Owners**"), all such co-Owners are members and may attend any Master Association meetings, but only one (1) such co-Owner shall be entitled to exercise the vote to which the Separate Interest is entitled. Co-Owners owning the majority interests in a Separate Interest may designate in writing one (1) of their number to vote. Fractional votes shall not be allowed and the vote for each Separate Interest shall be exercised, if at all, as a unit. Where no voting co-Owner is designated or if the designation has been revoked, the vote for the Separate Interest shall be exercised as the co-Owners owning the majority interests in the Separate Interest agree. Unless the Board receives a written objection in advance from a co-Owner, it shall be conclusively presumed that the voting co-Owner is acting with his co-Owners' consent. No vote may be cast for any Separate Interest if the co-Owners present in Person or by proxy owning the majority interests in such Separate Interest fail to agree to said vote or other action. The nonvoting co-Owner or co-Owners are jointly and severally responsible for all of the obligations imposed upon the jointly-owned Separate Interest and are entitled to all other benefits of Membership. All agreements and determinations lawfully made by the Master Association in accordance with the voting percentages established in the Governing Documents are binding on all Owners and their successors-in-interest.

4.8 UNSEGREGATED REAL PROPERTY TAXES To the extent not assessed to or paid by the Owners, the Master Association shall pay all real and personal property taxes and assessments levied on the Community. If all Separate Interests in a Phase are taxed under a tax bill covering all of such Phase, then each Owner shall pay the Owner's share of any installment due under the tax bill to the Master Association at least ten (10) days before the delinquency date. The Master Association shall transmit the taxes to the appropriate tax collection agency on or before the delinquency date. The Master Association shall allocate taxes equally among the Owners and their Separate Interests in such Phase, based on the total number of Separate Interests in such Phase. The Master Association shall, at least forty five (45) days before the delinquency date of any tax installment, deliver to each Owner in such Phase a copy of the tax bill, along with a written notice setting forth the Owner's obligation to pay the Owner's share of the tax installment and the potential additional charges to the Owner for failure to comply. The Master Association shall pay the taxes on behalf of any Owner who does not pay the Owner's share. The Master Association shall add to the Annual Assessment of a delinquent Owner the amount of any sum advanced, plus interest at the rate of ten percent (10%) per annum and any amount necessary to reimburse the Master Association for any penalty or late charge actually assessed in connection with the tax bill for a Phase, which late charge results from the failure of the delinquent Owner to make timely payment of the Owner's share of the taxes. Until the date of the Close of Escrow for the sale of the Separate Interest representing the ninetieth (90th) percentile Close of Escrow of all the Separate Interests in the Community and the Annexable Area, this Section may not be amended without the written consent of Declarant.

4.9 **DECLARANT'S VETO RIGHT** Declarant shall have a veto right with respect to specified actions of the Master Association as provided below. Such veto right shall terminate on the date on which Declarant no longer owns any portion of the Community or Annexable Area. In addition to any Sections of the Governing Documents which provide for a Declarant veto, the following actions are subject to veto by Declarant:

4.9.1 **Change in Design.** Any change in the general, overall architectural and landscaping design of the Community;

4.9.2 **Design Review Committee.** The adoption of and any change to the Design Guidelines, all decisions of the Design Review Committee, any decisions made on appeal to the Board, and any decision to terminate the Design Review Committee;

4.9.3 **Rules and Regulations.** The adoption of any change to the Rules and Regulations;

4.9.4 **Special Benefit Areas.** The creation of or modification of a Special Benefit Area;

4.9.5 **Annexations.** The annexation to the Community of real property pursuant to Section 16.2; and

4.9.6 **Amendments.** All proposed amendments to Article 1, Article 2, Article 3, Article 5, Article 8, Article 11, Article 12, Article 13, Article 15 or Article 16.

ARTICLE 5 DESIGN REVIEW COMMITTEE

5.1 **MEMBERS OF COMMITTEE** The Design Review Committee shall be composed of three (3) members. The initial members of the Design Review Committee shall be representatives of Declarant (or its agents) until one (1) year after the original issuance of the Public Report for the Initial Covered Property ("**First Anniversary**"). After the First Anniversary, the Board may appoint and remove one (1) member of the Design Review Committee, and Declarant may, but is not obligated to, appoint and remove a majority of the members of the Design Review Committee and fill any vacancy of such majority, until the earlier (a) the date of the Close of Escrow for the sale of the Separate Interest representing the ninetieth (90th) percentile Close of Escrow of all the Separate Interests in the Community and the Annexable Area, or (b) the fifth (5th) anniversary of the original issuance of the Public Report for the Initial Covered Property, after which the Board may appoint and remove all members of the Design Review Committee. Design Review Committee members appointed by the Board must be Owners, but Design Review Committee members appointed by Declarant need not be Owners. Directors may serve as Design Review Committee members.

5.2 POWERS AND DUTIES

5.2.1 **General Powers and Duties.** The Design Review Committee shall consider and act upon all plans and specifications submitted for its approval, including inspection

of work in progress to assure conformity with plans approved by the Design Review Committee, and shall perform such other duties as the Board assigns to it.

5.2.2 Issuance of Standards. The Design Review Committee shall annually issue and update its Design Guidelines and provide notice of any requirements for Committee approval of proposed Improvements. The notice shall describe the types of proposed Improvements that require Committee approval and shall include a copy of the procedure used to review and approve or disapprove any proposed Improvements. The Design Guidelines may identify additional factors which the Design Review Committee will consider in reviewing submissions. The Design Review Committee may provide that fees it imposes be uniform, or that fees be determined in any other reasonable manner. An initial review fee of One Hundred Dollars (\$100.00), or another amount set in writing from time to time by the Committee, shall accompany each application for approval. The Design Review Committee may require such detail in plans and specifications submitted for its review as it deems proper, including landscape plans, floor plans, site plans, drainage plans, elevation drawings and descriptions or samples of exterior materials and colors.

5.2.3 Retaining Consultants. The Design Review Committee has the power, but not the duty, to retain licensed architects, contractors, biologists, and other professionals to advise its members in connection with decisions.

5.3 REVIEW OF PLANS AND SPECIFICATIONS

5.3.1 Improvements Requiring Approval. No construction, reconstruction, installation, removal or alteration of any outdoor Improvement on a Separate Interest, including landscaping, grading, excavation, filling or other alteration to the grade or level of the land, or any Improvement affecting Master Common Area or Neighborhood Association Property (except as provided in Section 5.3.9 below) may be commenced by any Owner without the prior written approval of the Design Review Committee. However, subject to the requirements of any applicable Neighborhood Declaration, a Residence may be repainted or refinished without prior Design Review Committee approval so long as the Residence is repainted or refinished with materials that are identical to the materials originally used by Declarant or Neighborhood Builder or last applied to the Improvement with Committee approval (as applicable). The provisions of this Article apply to construction, installation and alteration of solar energy systems, as defined in Section 801.5 of the California Civil Code, subject to the provisions of California Civil Code Sections 714 and 714.1, the applicable Building Code, zoning regulations, and other laws. In addition to the Design Factors described below, all submittals for approval of landscape plans on the Separate Interests must be evaluated for compliance against the list of prohibited non-native species attached as *Exhibit D*. The Design Review Committee may, subject to the limitations of Section 5.3.6, review the Improvements' impact on:

- (a) The safety of the Owners and the public;
- (b) The noise heard beyond the Separate Interest on which the Improvement is located;
- (c) Fire safety;

(d) Common utilities;

(e) The Master Common Property and/or Neighborhood Association Property; and

(f) In the case of Applications filed for Improvements to be made on Lots 19 to 35, inclusive, of Tract No. 3063-Phase 1, the Design Factors shall also include the Aesthetic Mitigation requirements specified on *Exhibit J* attached hereto. References in *Exhibit J* to the "ARC" shall mean and refer to the Design Review Committee. The references to Lots 35 to 50 on *Exhibit J* reflect the initial lot numbering on Vesting Tentative Map #3063, which Lot numbering changed on the final Map of Tract No. 3063-Phase 1 to Lots 19 through 35

(together with the matters discussed in Section 5.3.3 below, collectively, the "**Design Factors**"). The Design Review Committee may review the impact the construction, installation, or altering of the Improvement has on the Design Factors, as well as the impact the completed Improvement has on the Design Factors.

5.3.2 Application Procedure. Except as provided in Section 5.3.9, all Owners must apply for Master Association approvals under this Article 5 in addition to, and not in lieu of, all required Local Governmental Agency approvals and permits (obtained at the Applicant's sole expense) and approvals of the applicable Neighborhood Association's design review committee (if the Applicant's Separate Interest is in a Neighborhood under the jurisdiction of a Neighborhood Association). The provisions of this Article apply to construction, installation and alteration of solar energy systems, as defined in California Civil Code Section 801.5, subject to the provision of California Civil Code Sections 714 and 714.1, the applicable Building Code, zoning regulations and other laws.

(a) **Application.** Owners who seek Committee approval shall submit plans and specifications showing the dimensions, exterior elevation, color, materials used and location of the proposed Improvements, along with the initial review fee and all other review materials required under this Article (collectively, an "**Application**"). Until changed by the Board, the address for the submission of the Application is the Master Association's principal office. The form of Application used by the Design Review Committee may include spaces allowing "Adjacent Owners" to sign or initial the Application confirming that they have been notified of the application. The Design Review Committee may establish a definition of "Adjacent Owners" in its Design Guidelines. Applications will be complete and may be approved or disapproved by the Design Review Committee even if all of the Adjacent Owners do not initial the Applications so long as the Owner submitting plans and specifications ("**Applicant**") certifies that the Applicant has asked the Adjacent Owners to sign the Applications. The requirement that the Applicant attempt to obtain the signatures of Adjacent Owners is intended only to provide notice of the pending application to the Adjacent Owners. It does not create in the Adjacent Owners any power to approve or disapprove the Application by signing or withholding a signature. Only the Committee may approve or disapprove an Application.

(b) **Review and Decision.** The Design Review Committee shall deliver its written approval, disapproval, or request for additional information or materials to the

Applicant at the address listed in the Application no later than the date that is forty-five (45) calendar days after the date on which the Design Review Committee has received the complete Application ("**Review Deadline**"). If, on the Review Deadline, the Committee has failed to deliver to the Applicant its written approval, disapproval, or request for additional information or materials, then the Application shall be deemed approved and the Manager or a representative of the Board or Design Review Committee shall execute a written approval therefor within fifteen days at the request of the Applicant. A decision on a proposed Improvement shall be consistent with California law, made in good faith and may not be unreasonable, arbitrary or capricious. If disapproved, the written decision shall include both an explanation of why the proposed Improvement is disapproved and a description of the procedure for reconsideration by the Board of Directors.

5.3.3 Standard for Approval. The Design Review Committee shall approve an Application only if it determines that (a) installation, construction or alterations of the Improvements in the locations proposed will not be detrimental to the appearance of the Community as a whole, (b) the appearance of the proposed Improvements will be in harmony with the existing Improvements and the overall design theme in the Community, (c) installation, construction or alteration of the proposed Improvements will not detract from the beauty, wholesomeness and attractiveness of the Community or the enjoyment of the Community by the Owners, (d) maintenance of the proposed Improvements will not become a burden on the Master Association, (e) the proposed Improvements are consistent with the Governing Documents, and (f) the City has permitted the Improvement (as applicable). The Committee's decision on any proposed change may not violate any governing provision of law, including the Fair Employment and Housing Act, or a building code or other applicable law governing land use or public safety. The Committee may consider the impact of views from other Residences, reasonable privacy right claims, passage of light and air, beneficial shading and other aesthetic factors in reviewing, approving or disapproving any Application. However, neither the Declarant nor the Master Association warrants that any views in the Community are protected. No Residence or Separate Interest is guaranteed the existence or unobstructed continuation of any particular view. In review of an application, the Committee shall not make any determination as to non-aesthetic factors such as general safety, fire protection, noise mitigation or compliance with building codes or applicable industry building standards.

5.3.4 Conditions to Approval. The Design Review Committee may condition its approval of an Application for any Improvement on any one (1) or more of the following:

- (a) the Applicant's delivery to the Master Association with security acceptable to the Master Association against any mechanic's lien or other encumbrance which may be Recorded against the Master Common Property or another Owner's Separate Interest as a result of such work;
- (b) such changes to the Application as the Design Review Committee considers appropriate;

(c) the Applicant's agreement to grant to the Master Association or other Owners such easements as are made reasonably necessary by the existence of the Improvement;

(d) the Applicant's agreement to install water, gas, electrical or other utility meters to measure any increased utility consumption;

(e) the Applicant's agreement to reimburse the Master Association for the cost of maintaining the Improvement (should the Master Association agree to accept maintenance responsibility for the Improvement as built);

(f) the Applicant's agreement to complete the proposed work within a stated period of time;

(g) the design review committee of the applicable Neighborhood Association (if applicable) has also issued its approval; and

(h) the Applicant's delivery to the Master Association of the review fee described in Section 5.3.2 above.

The Committee may also require the Applicant, prior to commencing work, to deposit with the Master Association adequate funds as a security deposit for the repair or restoration of any Master Common Property that may be damaged by the Applicant or the Applicant's contractors. The Design Review Committee will determine the actual amount of the deposit in each case, but the amount shall be at least enough to cover the cost of repairing or restoring damage that is reasonably foreseeable to the Design Review Committee. The deposit shall be refundable to the extent the Design Review Committee finds that the work of Improvement is complete, and that the Master Common Property was not damaged or was restored at least to the condition it was in prior to the commencement of work.

The Design Review Committee may also require submission of additional plans and specifications or other information before approving or disapproving material submitted. The Applicant shall meet any review or permit requirements of the City and/or County before commencing any construction, installation or alterations permitted under this Master Declaration.

5.3.5 Local Governmental Agency Approvals. The Applicant shall meet the requirements of all applicable ordinances, codes and regulations of applicable Local Government Agencies, including zoning laws, building and safety codes, fire codes and applicable inspection and permit requirements before making any construction, installation or alterations permitted under this Master Declaration. All approvals issued by the Committee are in addition to, and not in lieu of, applicable Local Governmental Agency approvals, which the Applicant must also obtain at his sole cost, prior to or concurrently with Committee approvals, and before commencing any work. Furthermore, Local Governmental Agency approvals are in addition to, and not in lieu of, Committee approvals required under the Governing Documents. Committee approval of exterior Improvements requiring a building permit shall be obtained prior to requesting a building permit from the City of San Luis Obispo Community Development Department. All plans for exterior Improvements shall conform to requirements set forth by the City in addition to the Governing Documents. Moreover, no determination by any Local

Governmental Agency that the Applicant has met applicable Local Governmental Agency requirements for a particular Improvement shall relieve the Applicant of its obligation to obtain all required Committee approvals required under this Article and the Governing Documents.

5.3.6 Matters outside Scope of Approval. The Design Review Committee's approval or disapproval of each Application shall be based solely on the aesthetic considerations listed in this Article. Approval of any Application does not constitute a finding or warranty by the Design Review Committee that the work of Improvement described in the Application or any portion of the Application (a) incorporates good engineering practices, (b) complies with applicable law, ordinance, code, or regulation, including zoning laws and building and safety codes or fire codes, (c) complies with the requirements of any utility provider, or (d) is permissible under the terms of any easement, license, permit, mortgage, deed of trust, or other recorded or unrecorded instrument (other than the Governing Documents) that affects the land. Nothing in this Master Declaration shall be construed to require Committee approval of any construction, reconstruction, installation, removal or alteration of an Improvement by Declarant or by the Master Association.

5.3.7 Exculpation of Committee. By submitting an Application, each Applicant is deemed to agree that neither the Design Review Committee, nor the members thereof, nor Declarant, nor their respective agents, employees, attorneys or consultants shall be liable to any Person for:

(a) Any matter outside the Committee's scope of approval as discussed in Section 5.3.6 above;

(b) Any defect in any Improvement constructed by or on behalf of the Applicant pursuant to an approved Application;

(c) Any loss, damage, or injury to Persons or property arising out of or in any way connected with work performed by or on behalf of the Applicant pursuant to an approved Application; or

(d) Any loss, damage, or injury to Persons or property arising out of or in any way connected with the performance of the Design Review Committee's duties hereunder, unless due to willful misconduct or gross negligence.

5.3.8 Relationship to the Neighborhood Associations. The Design Review Committee may require that all plans and specifications be approved by a Neighborhood Association having jurisdiction before the Design Review Committee reviews the plans and specifications. Conditions and requirements imposed by the Design Review Committee supersede all conflicting conditions or requirements that may be imposed by a Neighborhood Association. The Design Review Committee's determination of the existence of a conflict or discrepancy between the conditions or requirements imposed by the Design Review Committee and those imposed by a Neighborhood Association are binding and conclusive upon the Neighborhood Association and any affected Applicant.

5.3.9 Delegation. The Master Association has the right to control design review issues for the entire Community. However, the Master Association hereby delegates to

the Neighborhood Associations the control of design review applications in their respective Neighborhoods, so long as:

(a) the Application does not concern or affect the Master Common Property, or Improvements that are visible from Master Common Area (including Private Streets); and

(b) the decision of the Neighborhood Association's design review committee is made consistent with both the Master Declaration and the applicable Neighborhood Declaration.

The Master Association may choose at any time in the future pursuant to a resolution of the Master Board to take over some or all of the design review control that has been delegated to the Neighborhood Associations if the Board determines in its reasonable discretion that the Neighborhood Association design review committees are not looking out for the best interests of the Community as a whole or their decisions are not consistent with the Master Declaration and the applicable Neighborhood Declaration. In addition, each Neighborhood Association's design review committee shall notify the Master Association Design Review Committee of any decision it has made that will impact the appearance of the Community visible to the general public before their decision is communicated to the Owner. The Master Association Design Review Committee shall have the right to veto these decisions within five (5) working days of receipt of said notice if it would materially impair the appearance of the Community or any portion thereof in the Master Association Design Review Committee's reasonable discretion. Notwithstanding the foregoing, nothing in this Section shall be deemed a delegation or waiver of the right to review Applications for all Improvements that are visible from the Master Common Area (including Private Streets). All such Applications shall be submitted to the Design Review Committee and the committee of the applicable Neighborhood Association.

5.4 MEETINGS AND ACTIONS OF THE DESIGN REVIEW COMMITTEE

The Design Review Committee shall meet as necessary to perform its duties. As long as a majority of the Committee's members are Declarant representatives, the Committee may, by resolution unanimously adopted in writing, designate an Owner or a Declarant representative to serve as a Design Review Committee Representative to take any action or perform any duties for and on behalf of the Design Review Committee, except the granting of variances. The Design Review Committee Representative need not be a current member of the Design Review Committee. In the absence of such designation, the vote or written consent of a majority of the Design Review Committee constitutes an act of the Design Review Committee. All approvals issued by the Design Review Committee must be in writing. Verbal approvals issued by the Design Review Committee, any individual Design Review Committee member or any other representative of the Master Association are not valid, are not binding on the Master Association and may not be relied on by any Person. If within six (6) months of issuance of the approval, an Owner either does not commence work pursuant to approved plans or obtain an extension of time to commence work, the approval shall be automatically revoked and a new approval must be obtained before work can be commenced.

5.5 NO WAIVER OF FUTURE APPROVALS. The Design Review Committee's approval of any proposals, plans and specifications or drawings for any work done or proposed in connection with any matter requiring the Design Review Committee's approval does not waive the right to withhold approval of any similar proposals, plans and specifications, drawings or matters subsequently or additionally submitted for approval.

5.6 COMPENSATION OF MEMBERS The Design Review Committee's members shall receive no compensation for services rendered, other than reimbursement for expenses incurred by them in performing their duties. This Section shall not be interpreted to preclude compensation of duly licensed architects who have been delegated rights and duties by the Committee.

5.7 INSPECTION OF WORK The Design Review Committee or its duly authorized representative may inspect any work for which approval of plans is required under this Article ("**Work**"). The right to inspect includes the right to require any Owner to take such action as may be necessary to remedy (including the removal of) any noncompliance with the Committee-approved plans for the Work or with the requirements of this Master Declaration ("**Noncompliance**").

5.7.1 Time Limit for Inspections. When the Work is complete, the Applicant shall immediately provide the Committee with a written notice of completion on the form prescribed by the Committee. The Design Review Committee's right to inspect the Work and notify the responsible Owner of any Noncompliance shall terminate on the date that is sixty (60) calendar days after the date on which the Committee has received written notice from the Applicant on a form provided by the Committee that the Work is complete. If the Design Review Committee fails to perform its inspection or to send a written notice of Noncompliance to an Applicant before the inspection period expires, the Work shall be deemed to comply with the approved Application.

5.7.2 Noncompliance. If an Improvement that requires the prior approval of the Design Review Committee is (a) commenced or completed without prior written approval by the Committee, or (b) an Improvement is not completed within the time limit established by the Committee in its approval, (c) an Improvement is not completed in substantial conformity with the approved Application, or (d) if no time limit is established by the Committee, and the Applicant fails to complete the Work within one (1) year after the date on which the Application was approved, then a Noncompliance is deemed to exist, and then the Committee has the right, but not the obligation, to deliver a written notice of Noncompliance to the violating Owner, and the Master Association may, but is not required to, pursue the remedies set forth in this Section.

5.7.3 Remedy for Noncompliance. The Committee shall notify the Board in writing when an Owner fails to remedy any Noncompliance within sixty (60) days after the date of the notice of Noncompliance. After Notice and Hearing, the Board shall determine whether there is Noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. If a Noncompliance exists, the Owner shall remedy or remove the same within a period of not more than forty-five (45) days after the date that notice of the Board ruling is given to the Owner. If the Owner does not comply with the Board ruling within that period, the Master Association may record a Notice of Noncompliance (if allowed by law), correct the

Noncompliance and charge the Owner for the Master Association's costs, or commence an action for damages or injunctive relief, as appropriate, to remedy the Noncompliance.

5.8 VARIANCES The Design Review Committee may authorize variances from compliance with any of the architectural provisions of this Master Declaration or the Design Guidelines including restrictions on height, size, floor area or placement of structures, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental consideration require. Such variances must be evidenced in writing, must be signed by a majority of the Design Review Committee, and become effective on Recordation. After Declarant's right to appoint a majority of the Design Review Committee's members expires, the Board must approve any variance recommended by the Design Review Committee before any such variance becomes effective. If variances are granted, no violation of the covenants, conditions and restrictions in this Master Declaration shall be deemed to have occurred with respect to the matter for which the variances were granted. The granting of a variance does not waive any of the provisions of this Master Declaration for any purpose except as to the particular property and particular provision of this Master Declaration covered by the variance, nor does it affect the Owner's obligation to comply with all laws affecting the use of his Separate Interest. The Committee's written variance shall be Recorded against the Applicant's Separate Interest in the Official Records. The cost of Recording the variance shall be borne solely by the Applicant. After receiving approval of the variance from the Board and/or Design Review Committee, the Owner shall obtain approval of the variance from the City by submitting a variance application and any applicable fees to the City Community Development Department or City Planning Commission, as applicable.

5.9 SCOPE OF REVIEW The Design Review Committee shall review and approve, conditionally approve or disapprove all plans submitted to it for any proposed construction, installation or alteration solely on the basis of aesthetic considerations, consistency with the Governing Documents, height of landscaping materials at maturity, and the overall benefit or detriment which would result to the immediate vicinity and the Community generally. The Design Review Committee shall consider the aesthetic aspects of the architectural designs, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features. The Design Review Committee is not responsible for reviewing, nor may its approval of any plan or design be deemed approval of, any plan or design from the standpoint of structural safety or conformance with building or other codes.

5.10 PRE-APPROVALS The Design Review Committee may authorize pre-approval of specified types of construction activities if, in the exercise of the Design Review Committee's judgment, a pre-approval is appropriate to carry out the purposes of the Governing Documents.

5.11 APPEALS If a proposed Improvement is disapproved, the applicant is entitled to reconsideration by the Board of Directors at an open meeting that satisfies the requirements of the Open Meeting Act as described in California Civil Code Section 4900, *et seq.* This paragraph does not require reconsideration of a decision that is made by the Board, or the Design Review Committee if the Committee has the same membership as the Board. Appeals (if any) of decisions by a Neighborhood Association's design review committee to the board of directors of the Neighborhood Association must be in accordance with the appropriate Neighborhood Declaration. Neither the Board nor the Design Review Committee nor the Neighborhood

Association has any duty to ensure that approvals are communicated to all potential appellants. Decisions made by a Neighborhood Association's board are not appealable to the Board or the Design Review Committee. This limit on appeals from Neighborhood Association board decisions is not a limit on the Neighborhood Association's board's ability to modify a decision it has issued. Each Neighborhood Association's board shall adopt procedures for appeals of Neighborhood Association design review committee decisions to the Neighborhood Association's board.

ARTICLE 6 PROPERTY EASEMENTS AND RIGHTS

6.1 EASEMENTS

6.1.1 **Maintenance and Repair.** Declarant reserves for the benefit of the Master Association and all Master Association agents, officers and employees, nonexclusive easements over the Master Common Property as necessary to fulfill the obligations and perform the duties of the Master Association.

6.1.2 **Utility Easements.** Declarant reserves easements to install and maintain underground utilities through the Master Common Property for the benefit of the Owners. Declarant reserves the right to grant additional easements and rights-of-way throughout the Community to utility companies and public agencies as it deems necessary for the proper development and disposition of the Community, consistent with the Entitlements. Such right of Declarant shall expire on the date of the Close of Escrow for the sale of the last Separate Interest in the Community and the Annexable Area.

6.1.3 Public Service and Use Easements.

(a) **Maintenance and Emergency Services.** Declarant reserves, for the benefit of the City, non-exclusive easements to enter the Community for the maintenance, repair and replacement of its water, fire, storm, surface water drainage and other utility facilities.

(b) **Public Access.** Declarant reserves for the City, for the benefit of the public, perpetual, non-exclusive easements for public pedestrian and vehicular access as applicable in, across the Private Streets, Private Alleys, Motor Courts, and over all sidewalks in the Community.

(c) **Public Pedestrian and Bicycle Trails.** Declarant reserves for the City, for the benefit of the public, non-exclusive easements for public pedestrian and bicycle trails over portions of Lots 153 to 158, inclusive, and Lot 163 of Tract No. 3063-Phase 1, and Declarant will reserve such easements over Lots 26, 27, and 28 of Tract No. 3066-Phase 2, in the governing documents of the Mixed-Use Development to be developed thereon.

(d) **Easements for Law Enforcement and Emergency Service Use.** Declarant reserves non-exclusive easements over the Community for public services of the Local Governmental Agencies, including but not limited to, the right of law enforcement and fire protection personnel to enter upon the Community to carry out their official duties.

(e) **Water Meters.** Declarant reserves non-exclusive easements over the Private Streets, Motor Courts and Private Alleys for access by the City and its personnel as necessary to read, install, maintain and replace water meters.

(f) **Waste Collection.** Declarant reserves non-exclusive easements over the Private Streets, Motor Courts and Private Alleys for access by the City and its personnel as necessary for waste collection.

6.1.4 **Easements for Water and Utility Purposes.** Declarant reserves easements over the Community for public and private utility purposes, including but not limited to, the right of any public utility or mutual water district of ingress and egress over the Community to read and maintain meters, and use and maintain fire hydrants.

6.1.5 **Encroachments.** Declarant reserves, for its benefit, for the benefit of the Neighborhood Builders and for the benefit of Owners, a reciprocal easement appurtenant to each Separate Interest over the other Separate Interest and the Master Common Property to accommodate (a) any existing encroachment of any wall, fence or any other Improvement installed by Declarant or approved by the Design Review Committee, and (b) shifting, movement or natural settling of the Residences or other Improvements.

6.1.6 **Completion of Improvements.** Declarant reserves easements to enter the Community to complete any Improvement which Declarant considers desirable to implement Declarant's development plan.

6.1.7 **Owners' Easements in Master Common Area Amenities.** Declarant reserves, for the benefit of every Owner and the Owner's Family, contractors, agents, residents, tenants or invitees, nonexclusive easements for vehicular and pedestrian access and vehicular parking where permitted on the Private Streets in the Community. All such easements shall be exercised at all times in a manner consistent with the Governing Documents. The exercise of the foregoing easements by all parties shall also be subject to the power of the Master Association to impose from time to time reasonable Rules and Regulations on their exercise. The easements reserved hereby are appurtenant to and pass with title to every Separate Interest in the Community.

6.1.8 **Motor Court Easements.** Declarant hereby reserves reciprocal, nonexclusive easements over the Motor Court constructed on portions of each of the Motor Court Lots in each Motor Court Group, for pedestrian and vehicular ingress, egress, and access to and from the Residences, over the Motor Court constructed in the Motor Court Group, for the benefit of the Owners of the Motor Court Lots in the particular Motor Court Group, and their respective Families, tenants, residents, invitees and contractors. The Motor Courts in the Initial Covered Property (if any) shall be approximately depicted in an exhibit to an amendment to this Master Declaration or in one or more Supplemental Master Declarations.

(a) **Physical Location of Improvements Controls.** The actual location of the easements reserved hereby shall be defined by the physical location of the Motor Court as originally constructed by Declarant or as reconstructed in accordance with the original

plans thereof (if available), notwithstanding any depiction in an exhibit to this Master Declaration or amendment thereto, or in a Supplemental Master Declaration.

(b) ***Exercise of Easements; Restrictions.*** The Motor Courts shall be kept clear and passable at all times. No person may deposit trash or other debris in the Motor Courts, nor take any other action that interferes with or prevents the reasonable exercise of the Motor Court easements by any Owner benefitted thereby; provided, however, that a vehicle may be parked temporarily in the Motor Court as reasonably necessary for loading or unloading of passengers and property, or in connection with emergency vehicle repair, but the vehicle must be parked or promptly moved to permit access to Residences in the Motor Court Group by pedestrians and other vehicles.

(c) ***Enforcement.*** The Master Association shall have the power and duty to enforce the foregoing use restrictions, including the removal of offending vehicles and property from the Motor Courts.

6.1.9 **Private Alley Easements.** Declarant hereby reserves over the Private Alley Improvements constructed on each of the Private Alley Lots nonexclusive easements for vehicular and pedestrian ingress, egress and access, for the benefit of the Owners, their respective Families, tenants, residents, invitees and contractors. The Private Alleys in the Initial Covered Property (if any) shall be approximately depicted in an exhibit to an amendment to this Master Declaration or in one or more Supplemental Master Declarations.

(a) ***Physical Location of Improvement Controls.*** The actual location of the easements reserved hereby shall be defined by the Private Alley Improvements as originally constructed by Declarant or as reconstructed in accordance with the original plans thereof (if available), notwithstanding any depiction in an exhibit to this Master Declaration, to any amendment thereto, or in a Supplemental Master Declaration.

(b) ***Exercise of Easements; Restrictions.*** The Private Alley shall be kept clear and passable at all times. No person may deposit trash or other debris in the Private Alley, nor take any other action that interferes with or prevents the reasonable exercise of the Private Alley easements by persons benefitted thereby; provided, however, that a vehicle may be parked temporarily in the Private Alley as reasonably necessary for loading or unloading of passengers and property, or in connection with emergency vehicle repair, but the vehicle must be parked or promptly moved to permit access over the Private Alley by pedestrians and other vehicles.

(c) ***Enforcement.*** The Master Association shall have the power and duty to enforce the foregoing use restrictions, including the removal of offending vehicles and property from the Private Alleys.

6.1.10 **Easements for Maintenance of Master Maintenance Areas.** Declarant reserves, for the benefit of the Master Association, nonexclusive easements (a) for maintenance of the Master Maintenance Areas located within the Community that are designated in this Master Declaration or any Supplemental Master Declaration, and (b) over the real property on which such Master Maintenance Areas are located for access, ingress and egress

necessary to perform such maintenance. No Owner may interfere with the Master Association's exercise of its rights under the easements reserved in this Section. Declarant shall have the right to grant these easements to the Master Association before and after the conveyance of any Separate Interest to an Owner.

(a) ***Maintenance of Private Alley Lot Master Maintenance Areas.***

Nonexclusive easements over the Private Alley Lots as necessary for maintenance of the Private Alley Lot Master Maintenance Areas as approximately shown on the applicable Map.

(b) ***Maintenance of Motor Court Master Maintenance Areas.***

Nonexclusive easements over the Motor Court Lots as necessary for maintenance of the Motor Court Master Maintenance Areas as approximately shown on the applicable Map;

(c) ***Maintenance of Street Trees.*** Declarant has reserved on the Map for the benefit of the City a ten-foot-wide easement for street trees adjacent to and continuous with the public right-of-way lines on each Separate Interest (as applicable). The Master Association will maintain the street trees in any easement areas not within a Separate Interest as a Master Maintenance Area. Owners are responsible for street trees located on the Separate Interest in the street tree easement area. Owners may not remove or trim the street trees or take any action to interfere with Master Association maintenance of the street trees on their Separate Interests.

6.1.11 **Easements for Maintenance of Community Walls.** Nonexclusive easements over the Separate Interests as necessary for the placement and maintenance of the Community Wall, as described herein and as approximately depicted in an exhibit to an amendment to this Master Declaration or in one or more Supplemental Master Declarations applicable to subsequent Phases.

6.1.12 **Drainage Easements.** Declarant reserves for the benefit of the Community, the Owners, the Neighborhood Builders, and the Master Association, reciprocal nonexclusive easements for drainage of water over, across and in the Community.

6.1.13 **Easements for Mixed-Use Development.** Declarant reserves for the benefit of the Mixed-Use Development, its owners, residents and permittees, nonexclusive easements for pedestrian and vehicular access and vehicular parking in striped parking stalls on Hatchery Lane (Lots 21, 23, and 25 of Tract No. 3066 Phase-2) and for use of the shared trash enclosures located thereon.

6.1.14 **Easement for Declarant and Neighborhood Builders over Master Common Property.** Declarant hereby reserves for itself and its agents and contractors nonexclusive easements to perform excavation and construction work in the Private Streets and Master Common Property landscaped areas as necessary to complete the Community, to perform shoring work and to install or service utilities and other buried Improvements. This easement will continue in effect until Declarant no longer owns any interest in the Community or Annexable Area. Declarant hereby reserves for itself and all Neighborhood Builders, and their respective agents, subcontractors, invitees, employees and contractors, and for the benefit of their respective successors and assigns, a nonexclusive easement appurtenant to the Annexable Area,

in, to, and over the Master Common Property for access, ingress, egress, use and enjoyment, in order to show the Community or Annexable Area to Neighborhood Builders and other prospective purchasers, or to develop, construct, market, sell, lease or otherwise dispose of the Community or the Annexable Area. Such easement shall continue until the last Close of Escrow for sale of a Separate Interest in the Community and the Annexable Area has occurred; provided, however, that such use shall not unreasonably interfere with the rights of enjoyment of the other Owners as provided herein.

6.1.15 Master Telecommunications Easement. Declarant reserves blanket easements ("**Telecommunications Easements**") over the Community for access and for purposes of constructing, installing, locating, altering, operating, maintaining, inspecting, upgrading, removing and enhancing Telecommunications Facilities ("**Telecommunications Purposes**") for the benefit of Declarant and the Community. Such easements are freely transferable by Declarant to any other Person and their successors and assigns. No one, except for Declarant, and Declarant's transferees may use the Community for Telecommunications Purposes. All Telecommunications Facilities shall be owned, leased or licensed by Declarant, as determined by Declarant, in its sole discretion and business judgment. Transfer of the Community does not imply transfer of any Telecommunications Easements or Telecommunications Facilities. The holders of the Telecommunications Easements may not exercise the rights reserved hereunder in any manner which will unreasonably interfere with the reasonable use and enjoyment of the Community by any Owner. If the exercise of any Telecommunications Easement results in damage to the Community, then the easement holder who caused the damage shall, within a reasonable period of time, repair such damage. If Declarant has not conveyed the Telecommunications Easements in a Phase to another Person before the last Close of Escrow in the Community and the Annexable Area, then Declarant grants the Telecommunications Easements to the Master Association effective as of the last Close of Escrow in the Community and the Annexable Area.

6.2 RIGHT TO GRANT EASEMENTS Declarant reserves easements over the Master Common Area owned by the Master Association for the exclusive use by Neighborhood Associations. Any such easement may be conveyed by the Declarant before the last Close of Escrow for sale of a Separate Interest in the Community and the Annexable Area. Such conveyance must be approved by the Board, which approval must not be unreasonably withheld. The purpose of the easement, the portion of the Master Common Area affected, the real property to which the easement is appurtenant, and any restrictions on use of the easement area shall be identified in a Recorded grant of easement.

6.3 DELEGATION OF USE Any Owner may delegate his right to use the Master Common Area owned by the Master Association in writing to his tenants, contract purchasers or subtenants who reside in such Owner's Residence, subject to regulation by the Board.

6.4 RIGHT OF ENTRY

6.4.1 Master Association. The Master Association and its agents, employees and contractors have the right to enter the yard areas of the Separate Interests and Neighborhood Association Property to inspect the Community, and may take whatever corrective action it determines to be necessary or proper. Entry into any Residence or

Neighborhood Association Property under this Subsection may be made after at least three (3) days' advance written notice to the Owner of the affected property except for emergency situations, which shall not require notice. Nothing in this Subsection limits the right of an Owner to exclusive occupancy and control over the portion of the Separate Interest that is not Master Maintenance Area or Master Common Area. Any damage to a Residence, or Neighborhood Association Property caused by entry under this Subsection shall be repaired by the Master Association.

6.4.2 Declarant and Neighborhood Builders. The Declarant and each Neighborhood Builder have the right to enter the Community (a) to complete and repair any Improvements or landscaping located thereon as determined to be reasonably necessary by Declarant or the applicable Neighborhood Builder; (b) to comply with requirements for the recordation of subdivision maps or lot line or unit line adjustments in the Community or Annexable Area, (c) for repair of Improvements in accordance with the provisions of the Right to Repair Law, (d) to accommodate grading or construction activities, (e) to comply with requirements of applicable governmental agencies, and (f) as may be reasonably necessary to complete Improvements as determined by Declarant or the Neighborhood Builder in its sole discretion. Declarant or Neighborhood Builder, as applicable, shall provide reasonable notice to Master Association and applicable Neighborhood Associations and Owners prior to entry into any Neighborhood Association Property or Residence under this Subsection except for emergency situations, which shall not require notice. Nothing in this Subsection limits the right of an Owner to exclusive occupancy and control over the portion of his Residence that is not Master Common Property. Any damage to the Community caused by entry under this Subsection shall be repaired by the Declarant or Neighborhood Builder, as applicable. Unless otherwise specified in the initial grant deed of a Separate Interest conveyed under authority of a Public Report by Declarant or Neighborhood Builder, as applicable, this right of entry shall automatically expire on the date that is twelve (12) years after the Recordation grant deed by which Declarant or Neighborhood Builder, as applicable, first conveyed fee title to the subject real property under authority of a Public Report.

6.4.3 Entry by Other Owners. Each Owner shall permit other Owners, and their representatives, to enter his Residence and appurtenant easement areas to perform installations, alterations or repairs to the mechanical or electrical services to a Residence and appurtenant easement areas if (a) requests for entry are made in advance; (b) entry is made at a time reasonably convenient to the Owner whose Separate Interest is to be entered; and (c) the entered Separate Interest is left in substantially the same condition as existed immediately preceding such entry. Any damage to the Separate Interest caused by entry under this Subsection shall be repaired by the entering Owner.

ARTICLE 7

MASTER ASSOCIATION MAINTENANCE FUNDS AND ASSESSMENTS

7.1 PERSONAL OBLIGATION TO PAY ASSESSMENTS Each Owner shall pay to the Master Association all Assessments established and collected pursuant to this Master Declaration. The Master Association shall not levy or collect any Assessment that exceeds the amount necessary for the purpose for which it is levied. All Assessments, together with late payment penalties, interest, costs, and reasonable attorney fees for the collection thereof, are a

charge and a continuing lien on the separate interest against which such Assessment is made. Each Assessment, together with late payment penalties, interest, costs and reasonable attorney fees, is also the personal obligation of the Person who was the Owner of the Separate Interest when the Assessment accrued. The personal obligation for delinquent Assessments may not pass to any new Owner ("**Purchaser**") unless expressly assumed by the Purchaser or unless the Purchaser has actual or constructive knowledge of such delinquent Assessments, whether by virtue of the Recordation of a Notice of Delinquent Assessment or receipt from the Master Association of a certificate pursuant to Section 4525 and successor provisions of the California Civil Code.

7.2 MASTER ASSOCIATION MAINTENANCE FUNDS The Master Association shall establish separate Maintenance Fund accounts into which shall be deposited all money paid to the Master Association and from which disbursements shall be made, as provided in this Master Association. The Maintenance Funds may be established as trust accounts at a banking or savings institution and shall include:

7.2.1 An Operating Fund for current Common Expenses;

7.2.2 An adequate Reserve Fund for the portion of Common Expenses allocated to reserves for Improvements which the Board does not expect to repair or replace on an annual or more frequent basis,

7.2.3 A separate Special Benefit Area Operating Account for the expenses incurred in maintenance of each Special Benefit Area in the Community;

7.2.4 A separate Special Benefit Area Reserve Account for that portion of the applicable Special Benefit Area component of Annual Assessments that is allocated to reserves for Improvements in the Special Benefit Area which the Board does not expect to repair or replace on an annual or more frequent basis; and

7.2.5 Any other funds the Master Association may elect to establish.

Nothing in this Master Declaration precludes the Master Association from establishing additional Maintenance Funds earmarked for specified purposes authorized by the Governing Documents.

7.3 PURPOSE OF ASSESSMENTS The Assessments shall be used exclusively to (a) promote the Owners' welfare, (b) operate, improve and maintain the Master Common Area, and (c) discharge any other Master Association obligations under the Master Declaration. All amounts deposited into the Maintenance Funds must be used solely for the common benefit of all Owners for purposes authorized by this Master Declaration. Disbursements from the Operating Fund generally shall be made by the Master Association to discharge Master Association responsibilities which cannot be discharged by disbursements from the Reserve Fund. However, if the Board determines that the Operating Fund contains excess funds, the Board may transfer the excess funds to any other Maintenance Fund. Disbursements from the Reserve Fund shall be made by the Master Association only for the purposes specified in this Article and as limited under California Civil Code Sections 5510(b) and 5515.

7.4 **WAIVER OF USE** No Owner may exempt himself from personal liability for Assessments, duly levied by the Master Association, nor release such Owner's Separate Interest from the liens and charges thereof, by waiving use and enjoyment of the Master Common Area or by abandoning such Owner's Separate Interest.

7.5 **LIMITS ON ANNUAL ASSESSMENT INCREASES** The following shall apply to the general component of Annual Assessments, as well as to each Special Benefit Area components of Annual Assessments, and to any other future Special Benefit Area that may be established from time to time by Declarant or the Master Association, provided that where a proposed increase is intended only for a particular Special Benefit Area component of Annual Assessments, then only the Separate Interests in the applicable Special Benefit Area shall participate in the election processes specified below

7.5.1 **Maximum Authorized Annual Assessment For Initial Year of Operations.** During the Fiscal Year in which Annual Assessments commence, the Board may levy an Annual Assessment per Separate Interest in an amount which exceeds one hundred twenty percent (120%) of the amount of Annual Assessments disclosed for the Community in the most current Budget filed with and approved by CalBRE only if the Board first obtains the approval of Owners casting a majority of votes at a meeting or election of the Master Association in which more than fifty percent (50%) of the Separate Interests are represented ("**Increase Election**"). This Section does not limit Annual Assessment increases necessary for addressing an "Emergency Situation" as defined in Section 7.5.4.

7.5.2 **Maximum Authorized Annual Assessment For Subsequent Fiscal Years.** During the Fiscal Years following the Fiscal Year in which Annual Assessments commence, the Board may levy Annual Assessments which exceed the Annual Assessments for the immediately preceding Fiscal Year only as follows:

(a) If the increase in Annual Assessments is less than or equal to twenty percent (20%) of the Annual Assessments for the immediately preceding Fiscal Year, then the Board must either (i) have distributed the Budget for the current Fiscal Year in accordance with California Civil Code Section 5300, or (ii) obtain the approval of Owners casting a majority of votes in an Increase Election; or

(b) If the increase in Annual Assessments is greater than twenty percent (20%) of the Annual Assessments for the immediately preceding Fiscal Year, then the Board must obtain the approval of Owners casting a majority of votes in an Increase Election.

This Section does not limit Annual Assessment increases necessary for addressing an "Emergency Situation" as defined in Section 7.5.4.

7.5.3 **Supplemental Annual Assessments.** If the Board determines that the Master Association's essential functions may be properly funded by an Annual Assessment in an amount less than the maximum authorized Annual Assessment described above, it may levy such lesser Annual Assessment. If the Board determines that the estimate of total charges for the current year is or will become inadequate to meet all Common Expenses, it shall immediately determine the approximate amount of the inadequacy. Subject to the limits described in

Sections 7.5.1, 7.5.2 and 7.5.4, the Board may levy a supplemental Annual Assessment reflecting a revision of the total charges to be assessed against each Separate Interest. To minimize the need for frequent adjustments in the amount of the Annual Assessments during the development of the Community, the Board may stabilize the amount of the Annual Assessments invoiced to the Owners at a level amount calculated to defray annual Common Expenses during the time that Annual Assessments are fluctuating due to the periodic annexation of Separate Interests and Master Common Area.

7.5.4 Emergency Situations. For purposes of Sections 7.5.1, 7.5.2 and 7.7, an "Emergency Situation" is any one of the following:

- (a) An extraordinary expense required by an order of a court;
- (b) An extraordinary expense necessary to maintain the portion of the Community for which the Master Association is responsible where a threat to personal safety in the Community is discovered; and
- (c) An extraordinary expense necessary to maintain the portion of the Community for which the Master Association is responsible that could not have been reasonably foreseen by the Board when preparing the Budget. Before imposing or collecting an Assessment pursuant to this subsection (c), the Board shall adopt a resolution containing written findings regarding the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The resolution shall be distributed to the Owners with the notice of the Assessment.

7.5.5 Automatic Assessment Increases. Despite any other provisions of this Section 7.5, on Declarant's annexation of any Annexable Area pursuant to Article 16, the Annual Assessment shall be automatically increased by the additional amount, if any, necessary to maintain the Master Common Property identified in the Supplemental Master Declaration as a part of the Phase that includes the Annexable Area so long as (a) the annexation is permitted by CalBRE, and (b) the amount of such automatic increase does not result in the levy of an Annual Assessment which exceeds the maximum automatic increase allowed under California Civil Code Section 5605(b).

7.6 ANNUAL ASSESSMENTS Each Annual Assessment shall constitute an aggregate of separate Assessments for each of the Maintenance Funds, reflecting an itemization of the amounts assessed and attributable to prospective deposits into the Operating Fund and Reserve Fund, and any other Maintenance Fund established by the Master Association. Annual Assessments shall be levied against the Owners of Separate Interests in the amounts as set forth in the Master Association Budget on file with CalBRE. Sums sufficient to pay Common Expenses shall be assessed as Annual Assessments against the Owners of Separate Interests as follows:

7.6.1 Commencement of Annual Assessments. Annual Assessments shall commence on all Separate Interests in a Phase on the first day of the first calendar month following the first Close of Escrow in such Phase.

7.6.2 **General Assessment Component.** The Common Expenses incurred by the Master Association for providing maintenance and services received by all Separate Interests (the "**General Assessment Component**"), shall be allocated among all of the Separate Interests in the Community. The General Assessment Component is also referred to as the "base" Annual Assessment.

7.6.3 **Special Benefit Area Assessment Component.** A charge representing a fair share of the operating costs and reserves budgeted to each Special Benefit Area (the "**Special Benefit Area Assessment Component**") shall be assessed only to the Owners of Separate Interests in such Special Benefit Area, in addition to the General Assessment Component payable by all Owners in the Community.

7.6.4 **Assessment and Proration.** Annual Assessments for fractions of a month shall be prorated. Declarant or the applicable Neighborhood Builder shall pay its full pro rata share of the total Annual Assessments on all unsold Separate Interests in a Phase for which Annual Assessments have commenced. The Board shall fix the amount of the Annual Assessment against each Separate Interest at least thirty (30) days in advance of each Annual Assessment period. However, unless otherwise established by the Board, the initial Annual Assessments shall be assessed in accordance with the most recent Budget on file with and approved by CalBRE. Written notice of any change in the amount of any Annual Assessment, Capital Improvement Assessment or Reconstruction Assessment shall be sent via first-class mail to every Owner subject thereto not less than thirty (30) nor more than sixty (60) days before the increased Assessment becomes due.

7.6.5 **Apportionment of Annual Assessments.**

(a) **General Assessment Component.** The General Assessment Component of Annual Assessments shall be assessed uniformly and equally against the Owners based on the number of Lots owned by each Owner. The Board may determine that funds in the General Operating Fund at the end of the Fiscal Year be retained and used to reduce the following Fiscal Year's Annual Assessments.

(b) **Special Benefit Area Assessment Components.** Each Special Benefit Area Assessment Component of Annual Assessments shall be apportioned only among the Separate Interests in the applicable Special Benefit Area. Each Special Benefit Area Assessment Component shall be assessed uniformly and equally against the Separate Interests in the Special Benefit Area unless otherwise provided in the applicable Supplemental Master Declaration. The Board may determine that funds remaining in a Special Benefit Area Operating Fund at the end of the Fiscal Year be retained and used to reduce the applicable Special Benefit Area component of the Annual Assessment for the following Fiscal Year.

(c) **Disposition on Dissolution.** On dissolution of the Master Association incident to the abandonment or termination of the Community as a common interest development, any amounts remaining in any of the Master Association Maintenance Funds shall be distributed to or for the benefit of the Owners in the same proportions as such money was collected from the Owners. The Board may determine that funds remaining in a particular Special Benefit Area Operating Fund at the end of the Fiscal Year be retained and used to reduce

the applicable Special Benefit Area component of the Annual Assessment for the following Fiscal Year.

7.6.6 Payment of Annual Assessments. Each Owner shall pay Annual Assessments in installments at such frequency, in such amounts and by such methods as are established by the Board. If the Master Association incurs additional expenses because of a payment method selected by an Owner, the Master Association shall charge the additional expenses to the Owner. Each installment of Annual Assessments may be paid to the Master Association in one (1) check or in separate checks as payments attributable to specified Maintenance Funds. If any payment of an Annual Assessment installment (a) is less than the amount assessed and (b) does not specify the fund into which it should be deposited, then the amount received shall be credited in order of priority first to the Operating Fund, then to the Reserve Fund, then to the applicable Special Benefit Area Operating Fund, then to the applicable Special Benefit Area Reserve Fund, and then to any other funds established by the Master Association, in the reasonable discretion of the Board.

7.6.7 Special Allocations for Telecommunications Services. If the Master Association elects to provide certain Telecommunications Services to residents, the Board may in its discretion designate one or more Common Expenses for collection as a "special allocation" from Owners of Separate Interests.

7.7 CAPITAL IMPROVEMENT ASSESSMENTS The Board may levy, in any Fiscal Year, a Capital Improvement Assessment or Reconstruction Assessment to defray, in whole or in part, the cost of any construction, repair or replacement of a Capital Improvement or such other addition to the Master Common Area. No Capital Improvement Assessments in any Fiscal Year which, if added to the Capital Improvement Assessments already levied during such Fiscal Year, exceed five percent (5%) of the Master Association's Budgeted gross expenses for such Fiscal Year, may be levied without the vote or written consent of Owners casting a majority of votes at an Increase Election. The Board may levy, in any Fiscal Year, a Capital Improvement Assessment applicable to that Fiscal Year which exceeds five percent (5%) of the Master Association's Budgeted gross expenses for such Fiscal Year if such increase is necessary for addressing an Emergency Situation as defined in Section 7.5.4.

7.8 LEVEL ASSESSMENT PROCEDURE As long as Annexable Area may be added to the Community as a Phase, the Board may elect to implement a level assessment procedure in accordance with applicable CalBRE guidelines ("**Level Assessment Procedure**"), to minimize the need for frequent adjustments in the amount of the Annual Assessments during the development of the Community. Where the Level Assessment Procedure is used, the Annual Assessments for certain Phases may be less than or more than the actual Common Expenses for a given year. To implement the Level Assessment Procedure, the Board must:

7.8.1 Establish and maintain a separate account for the cumulative operating surplus ("**Cumulative Surplus Fund Account**");

7.8.2 Use the Cumulative Surplus Fund Account and the funds therein only for the funding of Annual Assessments in a given Fiscal Year (as determined by the Board);

7.8.3 Include in the Inspection Report referenced in Section 2.2.5 a review of the Level Assessment Procedure, to ensure that adequate Annual Assessments are being collected; and

7.8.4 Meet any other requirements which may be imposed by CalBRE.

7.9 **EXEMPT PROPERTY.** All portions of the Community dedicated to and accepted by a Local Governmental Agency and the Master Common Area are exempt from the Assessments established under this Master Declaration.

ARTICLE 8 INSURANCE

8.1 **DUTY TO OBTAIN INSURANCE; TYPES** The Master Association shall obtain and keep in effect at all times the following insurance coverages:

8.1.1 **Commercial General Liability.** A policy of commercial general liability insurance (including coverage for medical payments), insuring the Master Association and the Owners against liability for bodily injury, death and property damage arising from or relating to the ownership or use of the Master Common Property. Such policy shall specify amounts and include protection from liability and risks as are customarily covered in similar planned unit developments in the area of the Community, and shall include a severability of interest endorsement or the equivalent which shall preclude the insurer from denying the claim of an Owner because of negligent acts or omissions of other Owners, or the Master Association or the Master Association's officers and directors acting in their capacity as officers and directors. The Master Association's policies shall at all times specify limits no less than the minimum amounts required by California Civil Code Sections 5800 and 5805. In addition, the Master Association shall maintain in effect at all times in connection with the Islay Hill HOA Basin, a rider on its existing liability policy or separate policy of liability insurance (whichever is more economically feasible) in a minimum amount of \$1,000,000, which names Islay Hill Homeowners Association, a California corporation, as an additional insured party; such rider or policy will provide a notice of cancellation provision. The Master Association will promptly notify Islay Hill Homeowners Association of any accident or incident that may result in an insurance claim. Not more frequently than once in any five (5) year period, if, in the opinion of Islay Hill Homeowners Association's insurance consultant, the amount of the insurance covering the Islay Hill HOA Basin is not adequate, the Master Association shall increase the liability insurance coverage as required by Islay Hill Homeowners Association's insurance consultant; provided however, that in no event shall any insurance coverage be increased in excess of that which is from time to time being required for other comparable properties in the vicinity of the Islay Hill HOA Basin, if any.

8.1.2 **Fire and Casualty Insurance.** Fire and casualty insurance with extended coverage, special form, without deduction for depreciation, in an amount as near as possible to the full replacement value of all insurable Improvements on the Master Common Property. The insurance shall not include earthquake coverage unless the Board is directed to obtain earthquake coverage by a majority of the Master Association's voting power.

8.1.3 Fidelity Insurance. Fidelity insurance coverage for any Person handling funds of the Master Association, whether or not such persons are compensated for their services, in an amount not less than the estimated maximum of funds, including reserve funds, in the custody of the Person during the term of the insurance. The aggregate amount of the fidelity insurance coverage may not be less than the sum equal to one-fourth (1/4) of the Annual Assessments on all Separate Interests in the Community, plus reserve funds.

8.1.4 Requirements of Fannie Mae, Ginnie Mae and Freddie Mac. Notwithstanding anything in the Governing Documents to the contrary, the amount, term and coverage of any policy of insurance required under this Article 8 (including the endorsements, the amount of the deductible, the named insureds, the loss payees, standard mortgage clauses, notices of changes or cancellations, and the insurance company rating) shall also satisfy the minimum requirements established for this type of development (if applicable) by Fannie Mae, Ginnie Mae and Freddie Mac, or any successor to those entities, so long as any of those entities is a Mortgagee or Owner of a Separate Interest in the Community, except to the extent such coverage is not reasonably available or has been waived in writing by the entity requiring the insurance coverage. If the above entities have not established requirements on any policy required hereunder, the term, amount and coverage of such policy shall, subject to Section 8.1.1 above, be no less than that which is customary for similar policies on similar projects in the area of the Community.

8.1.5 Flood Insurance. If the Community is located in an area which has been officially identified by the Secretary of Housing and Urban Development as having special flood hazards and for which flood insurance has been made available under the National Flood Insurance Program (NFIP), the Master Association must carry at all times a "master" or "blanket" policy of flood insurance on the Master Common Area in an amount deemed appropriate by the Master Association, but not less than the lesser of: (a) the maximum coverage available under NFIP for all Master Common Area in the Community to the extent the Master Common Area is located in an area having special floor hazards; or (b) 100% of current replacement cost of all Master Common Area located in such area.

8.1.6 Other Insurance. Such other insurance insuring other risks customarily insured by associations managing planned unit developments similar in construction, location and use. Such additional insurance may include general liability insurance and director's and officer's errors and omissions insurance in the minimum amounts established in California Civil Code Section 5805.

8.1.7 Beneficiaries. The Master Association's insurance shall be kept for the benefit of the Master Association, the Owners and the Mortgagees, as their interests may appear as named insureds, subject, however, to loss payment requirements established in this Master Declaration.

8.2 WAIVER OF CLAIM AGAINST MASTER ASSOCIATION All policies of insurance kept by or for the benefit of the Master Association and the Owners must provide that the Master Association and the Owners waive and release all claims against one another, the Board, Neighborhood Builders and Declarant, to the extent of the insurance proceeds available,

whether or not the insurable damage or injury is caused by the negligence or breach of any agreement by any of the Persons.

8.3 RIGHT AND DUTY OF OWNERS TO INSURE Each Owner is responsible for insuring his personal property and all other property and Improvements in the Owner's Separate Interest for which the Master Association or a Neighborhood Association has not purchased insurance in accordance with Section 8.1. In addition, each Owner of a Condominium Residence shall obtain and keep in effect at all times a policy of insurance on form HO-6 or equivalent in at least the minimum amounts specified by Fannie Mae. Nothing in this Master Declaration precludes any Owner from carrying any public liability insurance he considers desirable; however, Owners' policies may not adversely affect or diminish any coverage under any of the Master Association's insurance policies. Duplicate copies of Owners' insurance policies shall be deposited with the Master Association on request. If any loss intended to be covered by the Master Association's insurance occurs and the proceeds payable are reduced due to insurance carried by any Owner, such Owner shall assign the proceeds of the Owner's insurance to the Master Association, to the extent of such reduction, for application to the same purposes as the reduced proceeds are to be applied.

8.4 NOTICE OF EXPIRATION REQUIREMENTS If available, each of the Master Association's insurance policies must contain a provision that the policy may not be canceled, terminated, materially modified or allowed to expire by its terms, without at least ten (10) days' prior written notice to the Board and Declarant, and to each Owner and Mortgagee, insurer and guarantor of a first Mortgage who has filed a written request with the carrier for such notice and every other Person in interest who requests such notice of the insurer. In addition, fidelity insurance shall provide that it may not be canceled or substantially modified without at least ten (10) days' prior written notice to any insurance trustee named pursuant to Section 8.5 and to each Fannie Mae servicer who has filed a written request with the carrier for such notice.

8.5 TRUSTEE FOR POLICIES The Master Association is trustee of the interests of all named insureds under the Master Association's insurance policies. Unless an insurance policy provides for a different procedure for filing claims, all claims must be sent to the insurance carrier or agent by certified mail and be clearly identified as a claim. The Master Association shall keep a record of all claims made. All insurance proceeds under any Master Association insurance policies must be paid to the Board as trustees. The Board has the authority to negotiate loss settlements with insurance carriers, with participation, to the extent the Board desires, of first Mortgagees who have filed written requests within ten (10) days of receipt of notice of any damage or destruction as provided in Section 9.3. The Board is authorized to make a settlement with any insurer for less than full coverage for any damage, so long as the Board acts in accordance with the standard of care established in this Master Declaration. Any two (2) officers of the Master Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures are binding on all the named insureds. A representative chosen by the Board may be named as an insured, including a trustee with whom the Master Association may enter into an insurance trust agreement and any successor to such trustee, who shall have exclusive authority to negotiate losses under any insurance policy and to perform such other functions necessary to accomplish this purpose.

8.6 ACTIONS AS TRUSTEE Except as otherwise specifically provided in this Master Declaration, the Board has the exclusive right to bind the Master Association and the Owners to all matters affecting insurance carried by the Master Association, the settlement of a loss claim, and the surrender, cancellation and modification of all such insurance. Duplicate originals or certificates of all policies of fire and casualty insurance kept by the Master Association and of all renewals thereof, together with proof of payment of premiums, shall be delivered by the Master Association to all Owners and Mortgagees who requested them in writing.

8.7 ANNUAL INSURANCE REVIEW The Board shall review the Master Association's insurance policies at least annually to determine the amount of the casualty and fire insurance referred to in Section 8.1. If economically feasible, the Board shall obtain a current appraisal of the full replacement value of the Improvements on the Master Common Property, without deduction for depreciation, from a qualified independent insurance appraiser, before each such annual review.

8.8 REQUIRED WAIVER All of the Master Association's insurance policies insuring against physical damage must provide, if reasonably possible, for waiver of:

8.8.1 Subrogation of claims against the Owners and tenants of the Owners;

8.8.2 Any defense based on coinsurance;

8.8.3 Any right of setoff, counterclaim, apportionment, proration or contribution due to other insurance not carried by the Master Association;

8.8.4 Any invalidity, other adverse effect or defense due to any breach of warranty or condition caused by the Master Association, any Owner or any tenant of any Owner, or arising from any act or omission of any named insured or the respective agents, contractors and employees of any insured;

8.8.5 Any right of the insurer to repair, rebuild or replace, and, if the Improvement is not repaired, rebuilt or replaced following loss, any right to pay under the insurance an amount less than the replacement value of the Improvements insured;

8.8.6 Notice of the assignment of any Owner of his interest in the insurance by virtue of a conveyance of any Separate Interest;

8.8.7 Any right to require any assignment of any Mortgage to the insurer;

8.8.8 Any denial of an Owner's claim because of negligence or willful acts by the Master Association or other Owners; and

8.8.9 Prejudice of the insurance by any acts or omissions of Owners that are not under the Master Association's control.

ARTICLE 9 DESTRUCTION OF IMPROVEMENTS

9.1 RESTORATION OF THE COMMUNITY

9.1.1 **Generally.** Except as otherwise authorized by the Owners, if any portion of the Community which the Master Association is responsible for maintaining is destroyed, the Master Association shall restore the same to its former condition as promptly as practical. The Master Association shall use the proceeds of its insurance for reconstruction or repair of the Community unless otherwise authorized in this Master Declaration or by the Owners. The Board shall commence such reconstruction promptly. The Community shall be reconstructed or rebuilt substantially in accordance with the original construction plans if they are available, unless changes recommended by the Design Review Committee have been approved by the Owners. If the insurance proceeds amount to at least ninety percent (90%) of the estimated cost of restoration and repair, the Board shall levy a Reconstruction Assessment to provide the additional funds necessary for such reconstruction. If the insurance proceeds amount to less than ninety percent (90%) of the estimated cost of restoration and repair, the Board may levy a Reconstruction Assessment and proceed with the restoration and repair only if both of the following conditions ("**Conditions to Reconstruction**") have been satisfied: (a) the levy of a Reconstruction Assessment to pay the costs of restoration and repair of the Community is approved by a majority of the voting power of the Master Association, and (b) within one (1) year after the date on which the destruction occurred, the Board Records a certificate of the resolution authorizing the restoration and repair ("**Reconstruction Certificate**"). If either of the Conditions to Reconstruction does not occur following a destruction for which insurance proceeds available for restoration and repair are less than ninety percent (90%) of the estimated cost of restoration and repair, then the Board shall deposit the funds in the Operating Fund.

9.1.2 **Damage by Owners or Neighborhood Associations.** Each Owner and Neighborhood Association (as applicable) is liable to the Master Association for any damage to the Master Common Property not fully reimbursed to the Master Association by insurance proceeds (including any deductible amounts under any insurance policies against which the Master Association files a claim for such damage), in accordance with Sections 2.2.6 and 2.2.7 above.

9.2 DAMAGE TO RESIDENCES-RECONSTRUCTION

9.2.1 **Detached Residences.** Unless a Neighborhood Association is responsible for rebuilding in accordance with the applicable Neighborhood Declaration, and if all or any portion of any Residence or other Improvements is damaged or destroyed by fire or other casualty, then the Owner of such Residence or other Improvements shall rebuild, repair or reconstruct the Residence and Improvements in a manner which will restore them substantially to their appearance and condition immediately before the casualty or as otherwise approved by the Design Review Committee. The Owner of any damaged Residence and the Design Review Committee shall proceed with all due diligence, and the Owner shall cause reconstruction to commence within six (6) months after the damage occurs and to be completed within twelve (12) months after damage occurs, unless prevented by causes beyond such Owner's reasonable control. The transfer of a damaged Separate Interest to another Person will not extend the time

allowed in this Section for commencement and completion of reconstruction by the transferee. However, no such transferee will be required to commence or complete reconstruction in less than thirty (30) days from the date the transferee acquired title to the Separate Interest.

9.3 NOTICE TO OWNERS AND FIRST MORTGAGEES The Board, immediately on having knowledge of any damage or destruction affecting a material portion of the Master Common Area owned by the Master Association, shall promptly notify all Owners and Mortgagees, insurers and guarantors of First Mortgages on Separate Interests in the Community.

ARTICLE 10 EMINENT DOMAIN

The term "taking" as used in this Article means inverse condemnation by exercise of the power of eminent domain or by sale under threat of the exercise of the power of eminent domain. The Board shall represent the Owners in any proceedings, negotiations, settlements, or agreements regarding takings. All takings proceeds shall be payable to the Master Association for the benefit of the Owners and their Mortgagees, and shall be distributed to such Owners and Mortgagees as provided in this Article.

10.1 CONDEMNATION OF MASTER COMMON AREA If there is a taking of the Master Common Area owned by the Master Association, then the award in condemnation shall be paid to the Master Association and shall be deposited in the Operating Fund, unless the Master Common Area is located in a Special Benefit Area, in which case the award shall be paid to the corresponding Special Benefit Operating Fund.

10.2 CONDEMNATION OF SEPARATE INTERESTS If there is a taking of a Separate Interest or portion thereof, the award in condemnation shall be paid to the Owner of the Separate Interest; however, such award shall first be applied to the balance then due on any Mortgages encumbering such Owner's Separate Interest, in order of priority.

10.3 NOTICE TO OWNERS AND MORTGAGEES The Board, on learning of any condemnation proceeding affecting a material portion of the Master Common Area, or any threat thereof, shall promptly notify all Owners and those Mortgagees, insurers and guarantors of Mortgages on Separate Interests in the Community who have filed a written request for such notice with the Master Association.

ARTICLE 11 RIGHTS OF MORTGAGEES

11.1 GENERAL PROTECTIONS No amendment or violation of this Master Declaration defeats or renders invalid the rights of the Mortgagee under any Mortgage encumbering one (1) or more Separate Interests made in good faith and for value, provided that after the foreclosure of any such Mortgage, such Separate Interest(s) will remain subject to this Master Declaration. For purposes of any provisions of the Governing Documents which require the vote or approval of a specified percentage of First Mortgagees, such vote or approval is determined based on one (1) vote for each Separate Interest encumbered by each such First Mortgage.

11.2 ADDITIONAL RIGHTS In order to induce the VA, FHA, Freddie Mac, Ginnie Mae and Fannie Mae to participate in the financing of the sale of Separate Interests, the following provisions are added hereto (and to the extent these added provisions conflict with any other provisions of the Governing Documents, these added provisions control):

11.2.1 Right of First Refusal. Any "right of first refusal" created or purported to be created by the Governing Documents shall not apply to nor adversely affect the rights of a First Mortgagee to (a) foreclose or take title to a Separate Interest pursuant to the remedies in the First Mortgage, or (b) accept a deed or assignment in lieu of foreclosure in the event of default by a Mortgagor, or (c) sell or lease a Separate Interest acquired by the First Mortgagee through any of the remedies described in (a) or (b).

11.2.2 Required Mortgagee Approvals. A Mortgagee Majority must approve any amendment of any of the Governing Documents which is of a material adverse nature to First Mortgagees, as further described in Section 13.2.

11.2.3 Deemed Approval. Each First Mortgagee who receives proper written notices from the Master Association by certified or registered mail with a return receipt requested of any matter requiring the approval of a Mortgagee Majority is deemed to have approved that matter if that First Mortgagee does not submit a written response within sixty (60) days after the notice is delivered to the First Mortgagee.

11.2.4 Notices. Each Mortgagee, insurer and guarantor of a Mortgage encumbering one (1) or more Separate Interests, upon filing a written request for notification with the Board, is entitled to written notification from the Master Association of: (a) any condemnation or casualty loss which affects either a material portion of the Community or the Separate Interest(s) securing the respective first Mortgage; (b) any delinquency of sixty (60) days or more in the performance of any obligation under the Governing Documents, including the payment of Assessments or charges owed by the Owner(s) of the Separate Interest(s) securing the Mortgage, which notice each Owner hereby consents to and authorizes; (c) a lapse, cancellation, or material modification of any policy of insurance or fidelity bond kept by the Master Association, and (d) any proposed action that requires the consent of a specified percentage of First Mortgagees.

11.2.5 First Mortgagee Rights Confirmed. No provision of this Master Declaration or any other Governing Document gives any Owner or any other party priority over any rights of a First Mortgagee pursuant to its Mortgage concerning payment to the Owner of insurance proceeds or condemnation awards for losses to or taking of a Separate Interest or any portion of the Master Common Property.

11.2.6 Unpaid Assessments. If the First Mortgagee of a Separate Interest obtains fee title to the Separate Interest either by foreclosure or by any other remedy provided under the Mortgage, then the Mortgagee shall take title to the Separate Interest free and clear of any claims for more than six (6) unpaid regularly budgeted Annual Assessments or any charges levied or accrued against the Separate Interest before the date on which the Mortgagee acquired title to the Separate Interest.

11.2.7 **Master Association Records.** All Mortgagees, insurers and guarantors of first Mortgages, on written request to the Master Association, shall have the right to:

(a) examine current copies of the Master Association's books, records and financial statements and the Governing Documents during normal business hours; and

(b) receive written notice of all meetings of the Owners; and

(c) designate in writing a representative who shall be authorized to attend all meetings of the Owners.

11.2.8 **Payment of Taxes.** First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any Master Common Area and may pay any overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for Master Common Area, and the Master Association shall immediately reimburse first Mortgagees who made such payments.

11.2.9 **Intended Improvement.** All intended Improvements in any Phase must be substantially completed or the completion of such Improvements must be secured by a bond or other arrangement acceptable to CalBRE before the first Close of Escrow in such Phase. All intended Improvements in any Phase shall be substantially consistent with the Improvements in the first Phase of the Community in structure, type and quality of construction. The requirements of this Section are for the benefit of and may be enforced only by Fannie Mae.

11.2.10 **Contracts.** The Board may enter into such contracts or agreements on behalf of the Master Association as are required in order to satisfy the guidelines of the VA, FHA, Freddie Mac, Ginnie Mae, Fannie Mae or any similar entity, so as to allow for the purchase, insurance or guaranty, as the case may be, by such entities of first Mortgages encumbering Separate Interests. Each Owner hereby agrees that it will benefit the Master Association and the Owners, as a class of potential Mortgage borrowers and potential sellers of their Separate Interests, if such agencies approve the Community as a qualifying subdivision under their respective policies, rules and regulations. Each Owner hereby authorizes his Mortgagees to furnish information to the Board concerning the status of any Mortgage encumbering a Separate Interest.

ARTICLE 12 ENFORCEMENT

12.1 **ENFORCEMENT OF GOVERNING DOCUMENTS** All violations of the Governing Documents, except for: (a) those governed by Sections 12.2 or 12.3, or (b) those subject to the Right to Repair Law (and accordingly subject to resolution through Declarant's nonadversarial contractual provisions and alternative dispute resolution provisions commencing at Section 12.4 below), or California Civil Code Section 6000, *et seq.* (the "**Calderon Act**"), shall be resolved as follows:

12.1.1 **Right to Enforce.** The Board, the Master Association, the Declarant and any Owner may enforce the Governing Documents as described in this Article, subject to

California Civil Code Sections 5900, *et seq.*, and 5925, *et seq.* Each Owner has a right of action against the Master Association for the Master Association's failure to comply with the Governing Documents. Each remedy provided for in this Master Declaration is cumulative and not exclusive or exhaustive. The City shall have the right, but not the obligation, to enforce any provision of this Master Declaration in which the City has an interest.

12.1.2 Violations Identified by the Master Association. If the Board or the Design Review Committee determines that there is a violation of the Governing Documents, other than nonpayment of any Assessment, then the Board shall give written notice to the responsible Owner identifying (a) the condition or violation complained of, and (b) the length of time the Owner has to remedy the violation including, if appropriate, the length of time the Owner has to submit plans to the Design Review Committee and the length of time the Owner has to complete the work proposed in the plans submitted to the Design Review Committee. If an Owner does not perform corrective action as within the allotted time, the Board, after Notice and Hearing, may remedy such condition or violation complained of, and the cost thereof shall be charged to the Owner as a Special Assessment. If the violation involves nonpayment of any Assessment, then the Board may collect such delinquent Assessment pursuant to the procedures established in Section 12.2.

12.1.3 Violations Identified by an Owner. If an Owner alleges that another Person is violating the Governing Documents (other than nonpayment of any Assessment), the complaining Owner must first submit the matter to the Board for Notice and Hearing before the complaining Owner may resort to alternative dispute resolution, as required by California Civil Code Section 5925, *et seq.*), or litigation for relief.

12.1.4 Legal Proceedings. Failure to comply with any of the terms of the Governing Documents by any Person is grounds for relief which may include an action to recover damages, injunctive relief, foreclosure of any lien, or any combination thereof; however, the procedures established in California Civil Code Sections 5900, *et seq.*, and 5925, *et seq.* and in Sections 12.1.1 and 12.1.3 must first be followed, if they apply.

12.1.5 Additional Remedies. After Notice and Hearing, the Board may impose any of the remedies provided for in the Bylaws. The Board may adopt a schedule of reasonable fines or penalties which, in its reasonable discretion, the Board may assess against a Person for the failure of such Person to comply with the Governing Documents. Such fines or penalties may only be assessed after Notice and Hearing. After Notice and Hearing, the Board may direct the officers of the Master Association to Record a notice of noncompliance (if allowed by law) against a Separate Interest owned by any Owner who has violated any provision of this Master Declaration. The notice shall include a legal description of the Separate Interest and shall specify the provision of this Master Declaration that was violated, the violation committed, and the steps required to remedy the noncompliance. Once the noncompliance is remedied or the non-complying Owner has taken such other steps as reasonably required by the Board, the Board shall direct the officers of the Master Association to Record a notice that the noncompliance has been remedied. The Master Association shall not cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of the Separate Interest on account of the failure of such Owner to comply with the Governing Documents, except by judgment of a court with jurisdiction over the Community or a decision arising out of arbitration

or on account of foreclosure or sale under a power of sale for failure of such Owner to pay assessment levied by the Master Association.

12.1.6 No Waiver. Failure to enforce any provision of this Master Declaration does not waive the right to enforce that provision, or any other provision of this Master Declaration.

12.1.7 Limit on Expenditures. The Master Association may not incur litigation expenses, including attorneys' fees, or borrow money to fund litigation, where the Master Association initiates legal proceedings or is joined as a plaintiff in legal proceedings, unless the Master Association first obtains the consent of a majority of the voting power of the Owners (excluding the voting power of any Owner who would be a defendant in such proceedings) and, if applicable, complies with the requirements of California Civil Code Sections 5900, *et seq.*, and 5925, *et seq.* Such approval is not necessary if the legal proceedings are initiated (a) to enforce the use restrictions contained in Article 2, (b) to enforce the architectural and landscaping control provisions contained in Article 5, (c) to collect any unpaid Assessments levied pursuant to the Governing Documents, (d) for a claim, other than a Right to Repair Law Claim, the total value of which is less than Five Hundred Thousand Dollars (\$500,000), or (e) as a cross-complaint in litigation to which the Master Association is already a party. If the Master Association decides to use or transfer reserve funds or borrow funds to pay for any litigation, the Master Association must notify the Owners of the decision by mail. Such notice shall provide an explanation of why the litigation is being initiated or defended, why operating funds cannot be used, how and when the reserve funds will be replaced or the loan will be repaid, and a proposed budget for the litigation. The notice must state that the Owners have a right to review an accounting for the litigation which will be available at the Master Association's office. The accounting shall be updated monthly. If the Master Association action to incur litigation expenses or borrow money to fund litigation concerns a Right to Repair Law Claim, then the voting requirements of both Sections 4.7.2 and 12.1.7 must be met.

12.1.8 City's Cure Rights. The owners of all Separate Interests subject to these covenants, conditions and restrictions recognize that proper maintenance of the Master Common Property is for the benefit of all citizens of the City, and that the City is an intended third party beneficiary of these covenants, conditions and restrictions and may upon notice and hearing set forth below, exercise the same powers of enforcement as the Master Association. In the event the City determines that the Master Association has not adequately maintained the Master Common Property, then the City may give written notice to the Master Association, which notice shall contain the date of hearing on the matter, which hearing shall be held no sooner than fifteen (15) days after the mailing of such notice, and in the event after such hearing the City determines to so act, then the City may undertake the maintenance of such Master Common Property. Any assessment shall be a lien against the Master Association's Operating Fund and the property subject to assessment, and shall be the personal obligation of the members of the Master Association. The City shall have the right to inspect the Community at mutually agreed-upon times to assure that the conditions of the covenants, conditions and restrictions and the final map are being met.

12.2 NONPAYMENT OF ASSESSMENTS.

12.2.1 **Delinquency.** Assessments are delinquent if not paid within fifteen (15) days after the due date established by the Master Association. Assessments not paid within thirty (30) days after the due date, plus all reasonable costs of collection (including attorneys' fees) and late charges bear interest at the maximum rate permitted by law commencing thirty (30) days after the due date until paid. The Master Association may also require the delinquent Owner to pay a late charge in accordance with California Civil Code Section 5650. The Master Association need not accept any tender of a partial payment of an Assessment and all costs and attorneys' fees attributable thereto. Acceptance of any such tender does not waive the Master Association's right to demand and receive full payment.

12.2.2 Creation and Release of Lien.

(a) **Priority of Lien.** All liens levied in accordance with this Master Declaration shall be prior and superior to (i) any declaration of homestead Recorded after the Recordation of this Master Declaration, and (ii) all other liens, except (1) all taxes, bonds, Assessments and other levies which, by law, would be superior thereto, and (2) the lien or charge of any First Mortgage made in good faith and for value and Recorded before the date on which the "Notice of Delinquent Assessment" (described in this Section) against the assessed Separate Interest was Recorded.

(b) **Notice Before Creating Lien.** Before the Master Association may place a lien on an Owner's Separate Interest to collect a past due Assessment, the Master Association shall send written notice ("**Notice of Intent to Lien**"), at least thirty (30) days prior to recording such lien, to the Owner by certified mail which contains the following information: (i) the Master Association's fee and penalty procedure, (ii) an itemized statement of the charges owed by the Owner, including the principal owed, any late charges, any interest, the method of calculation, and any attorneys' fees, (iii) the collection practices used by the Master Association, (iv) a statement that the Master Association may recover reasonable costs of collecting past due Assessments, (v) a statement that the Owner has the right to inspect the Master Association's records, pursuant to California Corporations Code Section 8333, (vi) the following statement in 14-point boldface type or all capital letters: "IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION," (7) a statement that the Owner shall not be liable to pay the charges, interest and costs of collection if it is determined the Assessment was paid on time to the Master Association, (8) a statement that the Owner has the right to request a meeting with the Board, as provided by California Civil Code Section 5705(b) and Section 12.2.2(g) below, (9) a statement concerning the Owner's right to dispute the Assessment debt by submitting a written request for dispute resolution to the Master Association pursuant to the Master Association's "meet and confer" program required in California Civil Code Section 5900, *et seq.*, and (10) a statement concerning the Owner's right to request alternative dispute resolution with a neutral third party pursuant to California Civil Code Section 5925 before the Master Association may initiate foreclosure against the Owner's Separate Interest, except that binding arbitration shall not be available if the Master Association intends to initiate a judicial foreclosure.

(c) ***Dispute Resolution Before Recording Lien.*** Prior to recording a lien for delinquent Assessments, the Master Association shall offer the Owner and, if so requested by the Owner, participate in dispute resolution pursuant to the Master Association's "meet and confer" program.

(d) ***Dispute Resolution Before Foreclosure.*** Before initiating a foreclosure for delinquent Assessments, the Master Association shall offer the Owner and, if the Owner so requests, shall participate in dispute resolution under the Master Association's "meet and confer" or alternative dispute resolution with a neutral third party. The decision to pursue resolution or a particular type of alternative dispute resolution is the Owner's choice, except that binding arbitration is not available if the Master Association intends to initiate a judicial foreclosure.

(e) ***Board Approval.*** The decision to Record a Notice of Delinquent Assessment shall be made only by the Board and may not be delegated to a Master Association agent. The Board must approve the decision by a majority vote of the Board members in an open meeting. The Board shall record the vote in the minutes of that meeting.

(f) ***Dispute by Owner.*** An Owner may dispute the Notice of Intent to Lien by submitting to the Board a written explanation of the reasons for the Owner's dispute. The Board shall respond in writing to the Owner within fifteen (15) days after the date of the postmark of the explanation, if the explanation is mailed within fifteen (15) days after the postmark of the Notice of Intent to Lien.

(g) ***Owner's Right to Request Meeting.*** An Owner may submit a written request to meet with the Board to discuss a payment plan for the debt noticed in Section 12.2.2(b) above. The Master Association shall provide the Owner with the standards for payment plans, if any exist. The Board shall meet with the Owner in executive session within forty-five (45) days of the postmark of the request, if the request is mailed within fifteen (15) days after the date of the postmark of the Notice of Intent to Lien, unless there is no regularly scheduled Board meeting within that period, in which case the Board may designate a committee of one or more members to meet with the Owner.

(h) ***Notice of Delinquent Assessment.*** The lien becomes effective on Recordation by the Board or its authorized agent of a Notice of Delinquent Assessment ("***Notice of Delinquent Assessment***") securing the payment of any Assessment or installment thereof levied by the Master Association against any Owner, as provided in California Civil Code Section 5675. The Notice of Delinquent Assessment must identify (i) the amount of the Assessment and other authorized charges and interest, including the cost of preparing and Recording the Notice of Delinquent Assessment, (ii) the amount of collection costs incurred, including reasonable attorneys' fees, (iii) a sufficient description of the Separate Interest that has been assessed, (iv) the Master Association's name and address, (v) the name of the Owner of the Separate Interest that has been assessed, and (vi) if the lien is to be enforced by non-judicial foreclosure, the name and address of the trustee authorized by the Master Association to enforce the lien by sale. The Notice of Delinquent Assessment must be signed by an authorized Master Association officer or agent and must be mailed in the manner required by California Civil Code Section 2924b to the Owner of record of the Separate Interest no later than ten (10) calendar days

after Recordation. The lien relates only to the individual Separate Interest against which the Assessment was levied and not to the Community as a whole.

(i) ***Service of Notice of Default.*** In addition to the requirements of California Civil Code Section 2924, a notice of default shall be served by the Master Association on the Owner's legal representative in accordance with the manner of service of summons in the California Code of Civil Procedure, commencing with Section 415.10.

(j) ***Secondary Address of Owner.*** Upon receipt of a written request by an Owner identifying a secondary address for purposes of collection notices, the Master Association shall send additional copies of any notices required by this Section to the secondary address provided. The Master Association shall notify Owners of their right to submit secondary addresses to the Master Association, at the time the Master Association issues the pro forma operating Budget under California Civil Code Section 5300. The Owner's request shall be in writing and shall be mailed to the Master Association in a manner that shall indicate the Master Association has received it. The Owner may identify or change a secondary address at any time, provided that, if a secondary address is identified or changed during the collection process, the Master Association shall only be required to send notices to the indicated secondary address from the point the Master Association receives the request.

(k) ***Exceptions.*** Assessments described in California Civil Code Section 5725(b), and California Code of Regulations Section 2792.26(c) may not become a lien against an Owner's Separate Interest enforceable by the sale of the Separate Interest under California Civil Code Sections 2924, 2924b and 2924c.

(l) ***Release of Lien.*** Within twenty-one (21) days of payment of the full amount claimed in the Notice of Delinquent Assessment, or other satisfaction thereof, the Board shall cause to be Recorded a Notice of Satisfaction and Release of Lien ("***Notice of Release***") stating the satisfaction and release of the amount claimed. The Master Association shall provide the Owner with a copy of the Notice of Release or any other notice that the full amount claimed in the Notice of Delinquent Assessment has been satisfied. The Board may require the Owner to pay a reasonable charge for preparing and Recording the Notice of Release. Any purchaser or encumbrancer that has acted in good faith and extended value may rely on the Notice of Release as conclusive evidence of the full satisfaction of the sums identified as owed in the Notice of Delinquent Assessment.

12.2.3 **Enforcement of Liens.** The Board shall enforce the collection of amounts due under this Master Declaration by one (1) or more of the alternative means of relief afforded by this Master Declaration, subject to the restrictions in California Civil Code Sections 5705, 5715 and 5720.

(a) The lien on a Separate Interest may be enforced by foreclosure and sale of the Separate Interest after failure of the Owner to pay any Assessment, or installment thereof, as provided in this Master Declaration.

(b) The decision to initiate foreclosure of a lien for delinquent Assessments that has been validly recorded shall be made only by the Board of Directors of the

Master Association and may not be delegated to an agent of the Master Association. The Board shall approve the decision by a majority vote of the Board members in an executive session. The Board shall record the vote in the minutes of the next meeting of the Board open to all members. The Board shall maintain the confidentiality of the Owner or Owners of the separate interest by identifying the matter in the minutes by the Separate Interest number of the property, rather than the name of the Owner or Owners. A Board vote to approve foreclosure of a lien shall take place at least thirty (30) days prior to any public sale.

(c) The Board shall provide notice by personal service to an Owner of a Separate Interest or to the Owner's legal representative, if the Board votes to foreclose upon the Separate Interest. The Board shall provide written notice to an Owner of a Separate Interest who does not occupy the Separate Interest by first-class mail, postage prepaid, at the most current address shown on the books of the Master Association. In the absence of written notification by the Owner to the Master Association, the address of the Owner's Separate Interest may be treated as the Owner's mailing address.

(d) The sale shall be conducted in accordance with the provisions of the California Civil Code applicable to the exercise of powers of sale in Mortgages, or in any manner permitted by law. The Master Association (or any Owner if the Master Association refuses to act) may sue to foreclose the lien if (i) at least thirty (30) days have elapsed since the date on which the Notice of Delinquent Assessment was Recorded, and (ii) at least ten (10) days have elapsed since a copy of the Notice of Delinquent Assessment was mailed to the Owner affected thereby. The Master Association may bid on the Separate Interest at foreclosure sale, using as a credit bid the amounts secured by its lien plus trustee's fees and expenses, Master Association funds, or funds borrowed for such purpose, and acquire and hold, lease, mortgage and convey the same. On completion of the foreclosure sale, the Master Association or the purchaser at the sale may file suit to secure occupancy of the defaulting Owner's Separate Interest, and the defaulting Owner shall be required to pay the reasonable rental value for the Separate Interest during any period of continued occupancy by the defaulting Owner or any persons claiming under the defaulting Owner. A nonjudicial foreclosure to collect delinquent Assessments shall be subject to the right of redemption within 90 days after the sale, as provided in California Civil Code Section 5715(b).

(e) A suit to recover a money judgment for unpaid Assessments may be brought without foreclosing or waiving any lien securing the same, subject to the provisions of California Civil Code Section 5655, but this provision or any suit to recover a money judgment does not affirm the adequacy of money damages. Any recovery resulting from a suit at law or in equity initiated pursuant to this Section may include reasonable attorneys' fees as fixed by the court.

12.2.4 Priority of Assessment Lien. Mortgages Recorded before a Notice of Delinquent Assessment have lien priority over the Notice of Delinquent Assessment. Sale or transfer of any Separate Interest does not affect the Assessment lien, except that the sale or transfer of any Separate Interest pursuant to judicial or non-judicial foreclosure of a first Mortgage extinguishes the lien of such Assessments as to payments which became due before such sale or transfer. No sale or transfer relieves such Separate Interest from liens for any Assessments thereafter becoming due. No Person who obtains title to a Separate Interest

pursuant to a judicial or non-judicial foreclosure of the first Mortgage is liable for the share of the Common Expenses or Assessments chargeable to such Separate Interest which became due before the acquisition of title to the Separate Interest by such Person. Such unpaid share of Common Expenses or Assessments is a Common Expense collectible from all Owners including such Person. The Master Association may take such action as is necessary to make any Assessment lien subordinate to the interests of the Department of Veterans Affairs of the State of California under its Cal-Vet loan contracts as if the Cal-Vet loan contracts were first Mortgages of record.

12.2.5 Alternative Dispute Resolution. An Owner may dispute the Assessments imposed by the Master Association as provided in this Master Declaration and in California Civil Code Sections 5600, *et seq.* and 5705. If it is determined through dispute resolution pursuant to the Master Association's "meet and confer" program required in this Master Declaration or alternative dispute resolution with a neutral third party pursuant to California Civil Code Section 5925, *et seq.*, that the Master Association has recorded a Notice of Delinquent Assessment in error, the Master Association shall promptly reverse all late charges, fees, interest, attorney's fees, costs of collection, costs imposed for the Notice prescribed in Section 5660, and costs of Recordation and release of the lien authorized under Section 5720(b), and pay all costs related to the dispute resolution or alternative dispute resolution. An Owner may not use alternative dispute resolution under this Section more than two (2) times in any single calendar year, and not more than three (3) times within any five (5) calendar years unless the Owner and the Master Association mutually agree to use alternative dispute resolution when this limit is exceeded.

12.2.6 Receivers. In addition to the foreclosure and other remedies granted to the Master Association in this Master Declaration, each Owner, by acceptance of a deed to such Owner's Separate Interest, conveys to the Master Association all of such Owner's right, title and interest in all rents, issues and profits derived from and appurtenant to such Separate Interest, subject to the right of the Master Association to collect and apply such rents, issues and profits to any delinquent Assessments owed by such Owner, reserving to the Owner the right, before any default by the Owner in the payment of Assessments, to collect and retain such rents, issues and profits as they may become due and payable. On any such default, the Master Association may, on the expiration of thirty (30) days following delivery to the Owner of the "Notice of Delinquent Assessment" described in this Master Declaration, either in person, by agent or by receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness secured by the lien described in this Master Declaration, (a) enter in or on and take possession of the Separate Interest or any part thereof, (b) in the Master Association's name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and (c) apply the same, less allowable expenses of operation, to any delinquencies of the Owner, and in such order as the Master Association may determine. The entering upon and taking possession of the Separate Interest, the collection of rents, issues and profits and the application thereof, shall not cure or waive any default or notice of default under this Master Declaration or invalidate any act done pursuant to such notice.

12.2.7 Compliance with Law. This Section is intended to comply with applicable law. All amendments, modifications, restatements and interpretations of the law

applicable to Assessment collection shall be interpreted to amend, modify, restate or interpret this Section 12.2.

12.3 ENFORCEMENT OF BONDED OBLIGATIONS If (a) the Master Common Area Improvements in any Phase are not completed before issuance of a Final Subdivision Public Report for such Phase by CalBRE, and (b) the Master Association is obligee under a bond or other arrangement ("**Bond**") required by CalBRE to secure performance of Declarant's commitment to complete such Improvements, then the following provisions of this Section will be applicable:

12.3.1 Consideration by the Board. The Board shall consider and vote on the question of action by the Master Association to enforce the obligations under the Bond with respect to any such Improvement for which a Notice of Completion has not been filed within sixty (60) days after the completion date specified for that Improvement in the Planned Construction Statement appended to the Bond. If the Master Association has given an extension in writing for the completion of any Master Common Area Improvement, then the Board shall be directed to consider and vote on the aforesaid question if a Notice of Completion has not been filed within thirty (30) days after the expiration of the extension.

12.3.2 Consideration by the Owners. A special meeting of Owners for the purpose of voting to override a decision by the Board not to initiate action to enforce the obligations under the Bond or on the Board's failure to consider and vote on the question shall be held no fewer than thirty-five (35) nor more than forty-five (45) days after the Board receives a petition for such a meeting signed by Owners representing five percent (5%) of the Master Association's total voting power. A vote of a majority of the Master Association's voting power (excluding Declarant and Neighborhood Builders) to take action to enforce the obligations under the Bond shall be deemed to be the decision of the Master Association, and the Board shall thereafter implement such decision by initiating and pursuing appropriate action in the Master Association's name.

12.4 DISPUTES WITH DECLARANT PARTIES Any dispute between the Master Association or any Owners, on the one hand, and the Declarant, any Neighborhood Builder (subject to application of Section 12.4.10), or any director, officer, partner, shareholder, member, employee, representative, contractor, subcontractor, design professional or agent of the Declarant or Neighborhood Builder (each, a "**Declarant Party**," and collectively, the "**Declarant Parties**"), on the other hand, which dispute:

Arises under this Master Declaration or otherwise relates to the Community (including Right to Repair Law Claims);

Involves neither completion bonds, nor the collection of delinquent assessments from Declarant; and

Concerns an amount in controversy that is greater than Five Thousand Dollars (\$5,000),

is a "Dispute" for purposes of this Section 12.4. Owners and the Master Association are advised that Sections 12.4.1, 12.4.2 and 12.4.3 below (collectively, the "**Nonadversarial Procedure**") are

Declarant's alternative contractual non-adversarial procedures for the resolution of Disputes concerning matters governed by the Right to Repair Law. These procedures are different from and replace the "Prelitigation Procedure" described in Chapter 4 of the Right to Repair Law. All Disputes shall first be submitted for resolution in accordance with the Nonadversarial Procedure below. If not resolved by the Nonadversarial Procedure, then the Dispute shall be submitted to arbitration or judicial reference in accordance with Section 12.4.4 below or Section 12.4.5 below (as applicable).

12.4.1 Notice. Any Person with a Dispute shall give written notice of the Dispute by personal or mail service as authorized by California Code of Civil Procedure Sections 415.10, 415.20, 415.21, 415.30 or 415.40 to the party to whom the Dispute is directed ("**Respondent**") describing the nature of the Dispute and any proposed remedy (the "**Dispute Notice**").

12.4.2 Right to Inspect and Correct. Commencing on the date the Dispute Notice is delivered to the Respondent and continuing until the Dispute is resolved, the Respondent and its representatives have the right to (a) meet with the party alleging the Dispute at a reasonable time and place to discuss the Dispute, (b) enter the Community to inspect any areas that are subject to the Dispute, if any, and (c) conduct inspections and testing (including destructive or invasive testing) in a manner deemed appropriate by the Respondent, if applicable. If Respondent elects to take any corrective action, Respondent and its representatives shall be provided full access to the Community to take and complete the corrective action. Respondent is not obligated to take any corrective action. Respondent, with the consent of Declarant, has the right to select the corrective action Respondent believes is appropriate. The right to inspect and correct granted in this Section is in addition to the rights granted in the Calderon Act. The procedures established in the Calderon Act may be implemented before, during or after the procedure in this Section is implemented.

12.4.3 Mediation. If the Dispute is not resolved within ninety (90) days after the Respondent receives the Dispute Notice, any party may submit the Dispute to mediation by delivering a request for mediation in the same manner as allowed for delivery of the Dispute Notice. The Dispute shall be mediated pursuant to (a) the Judicial Arbitration and Mediation Service ("**JAMS**") mediation procedures in existence when the Dispute Notice is delivered, as modified by this Section, or (b) the mediation procedures of any successor to JAMS in existence when the Dispute Notice is delivered, as modified by this Section, or (c) mediation procedures approved by the parties of any entity offering mediation services that are acceptable to the parties to the Dispute (each, a "Party" and collectively, the "Parties"). Except as provided in Section 12.4.6, no Person shall commence litigation regarding a Dispute without complying with this Section 12.4.3.

(a) **Selection of Mediator.** The mediator shall be selected within sixty (60) days from delivery of the Mediation Notice. The mediator shall be selected by mutual agreement of the Parties. If the Parties cannot agree on a mediator, the mediator shall be selected by the entity providing the mediation service. No Person shall serve as a mediator in any Dispute in which the Person has any financial or personal interest in the result of the mediation, except by the written consent of all Parties. Before accepting any appointment, the prospective

mediator shall disclose any circumstances likely to create a presumption of bias or to prevent a prompt commencement of the mediation process.

(b) **Position Letter; Pre-Mediation Conference.** No later than sixty (60) days after selection of the mediator, each Party to the Dispute shall submit a letter ("**Position Statement**") containing (i) a description of the Party's position concerning the issues that need to be resolved, (ii) a detailed description of the issues or defects allegedly at issue, and (iii) a suggested plan of repair, remediation, correction or resolution. The mediator may schedule a pre-mediation conference. All Parties shall attend unless otherwise mutually agreed. The mediation shall be commenced within twenty (20) days after submittal of all Position Statements and shall be concluded within fifteen (15) days after the mediation began unless either (A) the mediator extends the mediation period, or (B) the Parties mutually agree to extend the mediation period. The mediation shall be held in the County or another place mutually acceptable to the Parties.

(c) **Conduct of Mediation.** The mediator has discretion to conduct the mediation in the manner in which the mediator believes is most appropriate to achieve the goal of settling the Dispute. The mediator is authorized to conduct joint and separate meetings with the Parties and to make oral and written recommendations for settlement. The mediator may also obtain expert advice concerning technical aspects of the Dispute, provided the Parties agree to and do assume the expenses of obtaining such advice. The mediator shall not have the authority to impose a settlement on the Parties.

(d) **Application of Evidence Code.** The provisions of California Evidence Code Sections 1115 through 1128 shall be applicable to the mediation process. Use and disclosure of statements, evidence and communications offered or made in the course of the mediation shall be governed by these sections, including the sections which preclude use of material in future proceedings and the sections which provide for confidentiality of material.

(e) **Parties Permitted at Mediation.** Persons other than the Parties, their liability insurers, Declarant, attorneys for the Parties and the mediator may attend mediation sessions only with the permission of the Parties and the consent of the mediator. Declarant has the right to attend the mediation session even if Declarant is not one of the Parties.

(f) **Record.** There shall be no stenographic, video or audio record of the mediation process.

(g) **Expenses.** Each Party shall bear its own attorneys' fees and costs incurred in connection with the mediation. All other expenses of the mediation including the fees charged by the mediator and the cost of any proof or expert advice requested by the mediator shall be borne equally by each of Declarant and the Declarant Parties to whom the Dispute is directed, unless the Parties agree otherwise. This provision does not modify any provision of a contract between Declarant and any Declarant Party requiring indemnification or establishing a different allocation of costs between the Declarant and the Declarant Party.

12.4.4 Judicial Reference. If a Dispute remains unresolved after the mediation required by Section 12.4.3 is completed, then any of the Parties may file a lawsuit,

provided that the Master Association must obtain the vote or written consent of Owners other than Declarant who represent not less than sixty-seven percent (67%) of the Master Association's voting power (excluding the voting power of Declarant) before filing a lawsuit in a Dispute. All lawsuits regarding Disputes must be resolved by general judicial reference pursuant to California Code of Civil Procedure Sections 638 and 641 through 645.1, as modified by this Section 12.4.4. The Parties shall cooperate in good faith to ensure that all necessary and appropriate parties are included in the judicial reference proceeding. No Party shall be required to participate in the judicial reference proceeding if all Parties against whom such Party would have necessary or permissive cross-claims or counterclaims will not or cannot be joined in the judicial reference proceeding. The general referee shall have the authority to try all issues of fact and law and to report a statement of decision to the court. The referee shall be the only trier of fact and law in the reference proceeding, and shall have no authority to further refer any issues of fact or law to any other Person unless all Parties to the judicial reference proceeding consent, or the referee determines that a conflict of interest or similar situation has arisen which would make it inappropriate for the referee to act as the trier of fact or law concerning an issue or matter. In the second alternative, an alternative judicial referee shall be selected in accordance with Section 12.4.4(b) solely for resolving or rendering a decision concerning the issue or matter involved in the conflict.

(a) **Place.** The proceedings shall be heard in the County.

(b) **Referee.** The referee shall be a retired judge who served on the California Superior Court in the County with substantial experience in the type of matter in dispute and without any relationship to the Parties or interest in the Community, unless the Parties agree otherwise. The Parties to the judicial reference proceeding shall meet to select the referee no later than thirty (30) days after service of the initial complaint on all defendants named in the complaint. Any dispute regarding the selection of the referee shall be resolved by the court in which the complaint is filed.

(c) **Beginning and Timing of Proceeding.** The referee shall begin the proceeding at the earliest convenient date and shall conduct the proceeding without undue delay.

(d) **Pre-hearing Conferences.** The referee may require pre-hearing conferences.

(e) **Discovery.** The Parties to the judicial reference proceeding shall be entitled only to limited discovery, consisting of the exchange of the following: (1) witness lists, (2) expert witness designations, (3) expert witness reports, (4) Exhibits, (5) reports of testing or inspections, and (6) briefs. Any other discovery authorized in the California Code of Civil Procedure shall be permitted by the referee upon a showing of good cause or based on the consent of all Parties to the judicial reference proceeding.

(f) **Motions.** The referee shall have the power to hear and dispose of motions, including motions relating to discovery, provisional remedies, demurrers, motions to dismiss, motions for judgment on the pleadings and summary judgment and/or adjudication motions, in the same manner as a trial court judge. The referee shall also have the power to

adjudicate summarily issues of fact or law including the availability of remedies whether or not the issue adjudicated could dispose of an entire cause of action or defense.

(g) **Record.** A stenographic record of the hearing shall be made which shall remain confidential except as may be necessary for post-hearing motions and any appeals.

(h) **Statement of Decision.** The referee's statement of decision shall contain an explanation of the factual and legal basis for the decision pursuant to California Code of Civil Procedure Section 632. The decision of the referee shall stand as the decision of the court, and upon filing of the statement of decision with the clerk of the court, judgment may be entered thereon in the same manner as if the Dispute had been tried by the court.

(i) **Remedies.** The referee may grant all legal and equitable remedies and award damages in the judicial reference proceeding.

(j) **Post-hearing Motions.** The referee may rule on all post-hearing motions in the same manner as a trial judge.

(k) **Appeals.** The decision of the referee shall be subject to appeal in the same manner as if the Dispute had been tried by the court.

(l) **Expenses.** Each Party shall bear its own attorneys' fees and costs incurred in connection with the judicial reference proceeding. All other fees and costs incurred in connection with the judicial reference proceeding, including the cost of the stenographic record, shall be advanced equally by each of Declarant and the Declarant Parties to whom the Dispute is directed. However, the referee shall have the power to reallocate such fees and costs among the Parties in the referee's final ruling. This provision does not modify any provision of a contract between Declarant and any Declarant Party requiring indemnification or establishing a different allocation of costs between the Declarant and the Declarant Party.

12.4.5 Binding Arbitration. If for any reason the judicial reference procedures in Section 12.4.4 are legally unavailable, unenforceable at the time a Dispute would otherwise be referred to judicial reference, or if all necessary parties cannot be joined in the judicial reference proceeding described in Section 12.4.4, then such Dispute shall be submitted to neutral arbitration. ARBITRATION SHALL BE MANDATORY AND BINDING, AND SHALL BE GOVERNED BY THE FEDERAL ARBITRATION ACT AND THE CALIFORNIA ARBITRATION ACT (TO THE EXTENT IT IS CONSISTENT WITH THE FEDERAL ARBITRATION ACT), AND CONDUCTED SUBJECT TO THE FOLLOWING PROCEDURES:

(a) Any Dispute subject to this Section 12.4.5 shall be submitted to neutral, binding arbitration by and pursuant to the arbitration rules and procedures of JAMS in effect at the time the request for arbitration is submitted. If JAMS is for any reason unwilling or unable to serve as the arbitration service, the parties shall select another reputable arbitration service mutually acceptable to all parties to the Dispute. If the parties are unable to agree on an alternative service, then any party may petition any court of competent jurisdiction in the County to appoint such an alternative service, which appointment shall be binding on the parties. The

arbitration shall be conducted pursuant to the rules and procedures of such alternative service in effect at the time the request for arbitration is submitted. Nothing herein shall prevent the parties from agreeing to use an alternative arbitration service.

(b) Disputes subject to arbitration under this Section 12.4.5 involve and concern interstate commerce and are governed by the provisions of the Federal Arbitration Act (9 U.S.C. §1, *et seq.*), to the exclusion of any different or inconsistent state or local law, ordinance, regulation, or judicial rule.

(c) The arbitration provisions in this Section 12.4.5(c) shall inure to the benefit of, and be enforceable by the parties and each of their contractors, subcontractors, agents, vendors, suppliers, design professionals, insurers and any other person whom the applicable claimant may contend is responsible for any alleged loss, liability or damages incurred by the claimant as a result of the circumstances relating to such Dispute.

(d) If any Dispute is submitted to arbitration, each party shall bear its own attorneys' fees and costs (including expert witness costs).

(e) The parties shall be entitled to all rights of discovery permitted by California law. The arbitrator shall have the power to provide all recognized remedies available in law or in equity for any cause of action that is the basis of the arbitration; however, the arbitrator shall have no power to grant any remedy not available to a judge of the Superior Court of the State of California under California law or equity.

(f) The decision of the arbitrator is final and binding; provided, however, that the arbitrator shall not have the power to commit errors of law or legal reasoning, and the award may be vacated or corrected for any such error on appeal to a court of competent jurisdiction in the County. Any application to confirm, vacate, modify, or correct an award rendered by the arbitrator shall be filed in any court of competent jurisdiction in the County.

(g) Except as otherwise provided in this Section 12.4.5, to the extent that any state or local law, ordinance, regulation, or judicial rule is inconsistent with any provision of the rules of the arbitration service under which the arbitration proceeding shall be conducted, the latter rules shall govern the conduct of the proceeding.

(h) The participation by any party in any judicial proceeding concerning this arbitration provision or any arbitral issue hereunder shall not be asserted or accepted as a reason to delay, to refuse to participate in, or to refuse to enforce this arbitration agreement.

(i) The fees to initiate the arbitration shall be advanced by the Declarant. Subsequent fees and costs of the arbitration and/or the arbitrator shall be borne equally by the parties to the arbitration; provided, however, that the fees and costs of the arbitration and/or the arbitrator ultimately shall be borne as determined in the discretion of the arbitrator. This provision does not modify any provision of a contract requiring indemnification or establishing a different allocation of costs between the parties.

(j) The arbitrator appointed to serve shall be a neutral and impartial individual.

(k) The venue of the arbitration shall be in the County unless the parties agree in writing to another location.

(l) If any provision of this Section 12.4.5 is determined to be unenforceable or to have been waived, the remaining provisions shall be deemed to be severable therefrom and enforceable according to their terms.

(m) This arbitration provision is self-executing. Any Dispute concerning the interpretation or the enforceability of the arbitration provisions in this Section 12.4.5, including its revocability or voidability for any cause, any challenges to the enforcement or the validity hereof, or the scope of arbitrable issues hereunder, and any defense relating to the enforcement of the arbitration agreement set forth in this Section 12.4.5, including waiver, estoppel, or laches, shall be decided by an arbitrator in accordance with this arbitration provision and not by a court of law.

BY ACCEPTING A REAL PROPERTY INTEREST (WHETHER IN FEE SIMPLE, BY EASEMENT OR ANY OTHER FORM OF OWNERSHIP) TO ALL OR ANY PORTION OF THE COVERED PROPERTY, THE PARTIES ARE DEEMED TO AGREE TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THIS SECTION 12.4.5 DECIDED BY NEUTRAL, BINDING ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT AND THE CALIFORNIA ARBITRATION ACT (TO THE EXTENT THE CALIFORNIA ARBITRATION ACT IS CONSISTENT WITH THE FEDERAL ARBITRATION ACT). ACKNOWLEDGEMENT OF THE FOREGOING IS A CONDITION TO CONVEYANCE OF A REAL PROPERTY INTEREST IN THE COVERED PROPERTY TO SUCH PARTY. BY ACCEPTING A REAL PROPERTY INTEREST (WHETHER IN FEE SIMPLE, BY EASEMENT OR ANY OTHER FORM OF OWNERSHIP) TO ALL OR ANY PORTION OF THE COVERED PROPERTY, A PARTY IS DEEMED TO HAVE AGREED TO GIVE UP ANY RIGHTS SUCH PARTY MIGHT POSSESS TO HAVE ANY DISPUTES SUBJECT HERETO LITIGATED IN A COURT OR JURY TRIAL, AS WELL AS THEIR RESPECTIVE JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THIS MASTER DECLARATION, OR THE APPLICABLE ARBITRATION RULES OR STATUTES. IF ANY SUCH PARTY REFUSES TO SUBMIT TO ARBITRATION, SUCH PARTY MAY BE COMPELLED TO ARBITRATE UNDER THE FEDERAL ARBITRATION ACT AND THE CALIFORNIA ARBITRATION ACT (TO THE EXTENT THE CALIFORNIA ARBITRATION ACT IS CONSISTENT WITH THE FEDERAL ARBITRATION ACT). BY EXECUTING ANY GRANT DEED OR OTHER INSTRUMENT CONVEYING ANY REAL PROPERTY INTEREST IN THE COVERED PROPERTY, THE GRANTEE THEREIN SHALL BE DEEMED TO ACKNOWLEDGE THAT ITS AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

12.4.6 Statutes of Limitation. Nothing in this Section 12.4.6 shall be considered to toll, stay, reduce or extend any applicable statute of limitations; provided, however, that Declarant, the Declarant Parties, the Master Association and any Owner may

commence a legal action which in the good faith determination of that Person is necessary to preserve that Person's rights under any applicable statute of limitations so long as no further steps in processing the action are taken except those authorized in this Section 12.4.6.

12.4.7 Agreement to Dispute Resolution; Waivers of Jury Trial. DECLARANT, THE MASTER ASSOCIATION AND EACH OWNER AGREE TO USE THE PROCEDURES ESTABLISHED IN THIS SECTION 12.4 TO RESOLVE ALL DISPUTES AND WAIVE THEIR RIGHTS TO RESOLVE DISPUTES IN ANY OTHER MANNER. DECLARANT, THE MASTER ASSOCIATION AND EACH OWNER ACKNOWLEDGE THAT BY AGREEING TO RESOLVE ALL DISPUTES AS PROVIDED IN THIS SECTION 12.4, THEY ARE GIVING UP THEIR RIGHT TO HAVE DISPUTES TRIED BEFORE A JURY. THIS SECTION 12.4 MAY NOT BE AMENDED WITHOUT DECLARANT'S PRIOR WRITTEN CONSENT.

12.4.8 Amendment. The provisions of this Section 12.4 shall not be amended nor shall other provisions be adopted that purport to supersede it without Declarant's prior written consent. The parties shall cooperate in good faith and shall diligently perform such acts as may be necessary to carry out the purposes of this Section.

12.4.9 Covenant Regarding Proceeds. If the Master Association or any Owner prevails in a Dispute or Right to Repair Law Claim, and the judgment thereon or settlement terms thereof includes a monetary award, then the proceeds of the award shall be first applied to cure or remedy the condition that gave rise to the Dispute or Right to Repair Law Claim.

12.4.10 Neighborhood Builder Disputes. Notwithstanding the foregoing, any Right to Repair Law Claim or other controversy where the parties are limited to one or more Owners or a Neighborhood Association, on the one hand, and a Neighborhood Builder (or any director, officer, partner, shareholder, member, employee, representative, contractor, subcontractor, design professional or agent of Neighborhood Builder), on the other hand, shall be considered a "Neighborhood Builder Dispute." Notwithstanding the inclusion of Neighborhood Builders and their consultants in the definition of "Declarant Party" above, a Neighborhood Builder Dispute shall not constitute a Dispute for purposes of this Section 12.4 and Section 4.7.2, so long as (i) neither Declarant nor the Master Association are parties, and (ii) the Neighborhood Builder has elected to institute its own alternative dispute resolution procedure for the resolution of Neighborhood Builder Disputes, and has given notice of its election in the Supplemental Master Declaration(s) Recorded against the Neighborhood Builder's Separate Interests, and/or in another instrument Recorded against the Neighborhood Builder's Separate Interests, all in accordance with the requirements of the Right to Repair Law. All Neighborhood Builder Disputes shall be resolved pursuant to whatever procedure is elected by the Neighborhood Builder in lieu of this Section 12.4. Notwithstanding the foregoing, any dispute between Declarant and a Neighborhood Builder, relating to the sale of all or a portion of the Community and governed by dispute resolution procedures set forth in the applicable land sale agreement between Declarant and such Neighborhood Builder, shall not be considered a Dispute for purposes of this Section 12.4.

12.5 APPROVAL OF AMENDMENTS No amendment may be made to Sections 12.4, 12.5 or 12.6 without the prior written approval of Declarant.

12.6 NO ENHANCED PROTECTION AGREEMENT No language contained in this Master Declaration or in any Supplemental Master Declaration shall constitute, or be interpreted to constitute, an enhanced protection agreement ("**EPA**"), as defined in Section 901 of the California Civil Code. Further, no express or implied representations or warranties made by Declarant in any other writing are intended to constitute, or to be interpreted to constitute, an EPA.

ARTICLE 13 DURATION AND AMENDMENT

13.1 DURATION This Master Declaration shall continue in full force and effect unless a declaration of termination satisfying the requirements of an amendment to this Master Declaration established in Section 13.2 is Recorded against the Community.

13.2 TERMINATION AND AMENDMENT.

13.2.1 Amendment Approval. Notice of the subject matter of a proposed amendment to this Master Declaration in reasonably detailed form must be included in the notice of any Master Association meeting or election at which a proposed amendment is to be considered. To be effective, a proposed amendment (other than an amendment by Declarant or by the Board, as described in Sections 13.2.7 and 13.2.8, respectively) must be adopted by the vote, in person or by proxy, or written consent of Owners representing not less than (a) sixty-seven percent (67%) of the voting power of each Class of the Master Association and (b) sixty-seven percent (67%) of the Master Association's voting power represented by Owners other than Declarant and the Neighborhood Builders, provided that the specified percentage of the Master Association's voting power necessary to amend a specific provision of this Master Declaration may not be less than the percentage of affirmative votes prescribed for action to be taken under the provision that is the subject of the proposed amendment.

13.2.2 Mortgagee Consent. In addition to the consents required by Section 13.2.1, a Mortgagee Majority must approve any amendment to this Master Declaration, any Supplemental Master Declaration, which is of a material adverse nature to First Mortgagees, including the following:

(a) Any amendment which affects or purports to affect the validity or priority of Mortgages or the rights or protection granted to Mortgagees, insurers or guarantors of first Mortgages.

(b) Any amendment which would require a Mortgagee after it has acquired a Separate Interest through foreclosure to pay more than its proportionate share of any unpaid Assessment or Assessments accruing before such foreclosure.

(c) Any amendment which would or could result in a Mortgage being canceled by forfeiture, or in a Separate Interest not being separately assessed for tax purposes.

(d) Any amendment relating to (i) the insurance provisions in Article 8, (ii) the application of insurance proceeds in Article 9, or (iii) the disposition of any money received in any taking under condemnation proceedings.

(e) Any amendment which would restrict an Owner's right to sell or transfer his or her Separate Interest.

(f) Any amendment which would subject any Owner to a right of first refusal or other such restriction, if such Separate Interest is proposed to be transferred.

13.2.3 Amendment of Right to Repair Law Claims Provisions. Except for any amendment made by Declarant as authorized in Section 13.2.7, neither this Section 13.2.3, nor Sections 1.1.104, 1.1.51, 2.1, 2.2, 2.2.4, 4.2.8, 4.6.3, 12.1.7, 12.4.10, 12.5, 12.6, 13.2.7, 13.2.8 and 15.6, may be amended without the prior written approval of Declarant until the expiration of all applicable statutes of limitation or repose for the filing of a complaint or suit or other legal remedies against Declarant or its affiliates under the Right to Repair Law (including tolling periods).

13.2.4 Termination Approval. Termination of this Master Declaration requires approval of Owners and a Mortgagee Majority pursuant to Section 13.2.1, and Declarant (until the expiration of all applicable statutes of limitation or repose for the filing of a complaint or suit or other legal remedies against Declarant or its affiliates under the Right to Repair Law)

13.2.5 Notice to Mortgagees. Each Mortgagee of a first Mortgage on a Separate Interest in the Community which receives proper written notice of a proposed amendment or termination of this Master Declaration, any Supplemental Master Declaration with a return receipt requested is deemed to have approved the amendment or termination if the Mortgagee fails to submit a response to the notice within thirty (30) days after the Mortgagee receives the notice.

13.2.6 Certificate. A copy of each amendment (excluding the amendments described in Section 13.2.7 of this Master Declaration) must be certified by at least two (2) Master Association officers. The amendment becomes effective when a Certificate of Amendment is Recorded. The certificate, signed and sworn to by two (2) Master Association officers that the requisite number of Owners and Mortgagees have approved the amendment, when Recorded, is conclusive evidence of that fact. The Master Association shall keep in its files for at least four (4) years the record of all such approvals. The certificate reflecting any termination or amendment which requires the written consent of any of the Mortgagees of first Mortgages must include a certification that the requisite approval of such first Mortgagees was obtained.

13.2.7 Unilateral Amendment or Termination by Declarant.

(a) ***Before First Close of Escrow.*** Notwithstanding any other provisions of this Article, (1) until the first Close of Escrow in the Community, Declarant may unilaterally amend or terminate this Master Declaration for any purpose by Recording in the Official Records an instrument signed and acknowledged by Declarant and any other record owners of the portion of the Community then subject to the Master Declaration, and (2) until the

first Close of Escrow in any real property encumbered by a Supplemental Master Declaration, Declarant may unilaterally amend or terminate the Supplemental Master Declaration for any purpose by Recording in the Official Records an instrument signed and acknowledged by Declarant and any other record owners of the portion of the Community encumbered thereby.

(b) **Minor Corrections.** Notwithstanding any other provisions of this Article, Declarant (as long as Declarant owns any portion of the Community or the Annexable Area) may unilaterally amend this Master Declaration or a Supplemental Master Declaration by Recording a written instrument signed by Declarant to: (1) conform this Master Declaration or any Supplemental Master Declaration to the rules, regulations or requirements of VA, FHA, FHFA, CalBRE, Fannie Mae, Ginnie Mae or Freddie Mac or the City, (2) amend, replace or substitute any Exhibit to correct errors and inadvertent omissions, (3) include any Exhibit that was inadvertently omitted from the Master Declaration or any Supplemental Master Declaration at the time of Recording, (4) comply with any City, County, State or Federal laws or regulations, (5) correct minor textual errors or inadvertent textual omissions, (6) supplement this Master Declaration with provisions which pertain to rights and obligations of Declarant, the Master Association, Owners or Neighborhood Association arising under the Right to Repair Law, (7) re-Phase any portion of the Community, and (8) change any Exhibit or portion of an Exhibit to conform to as-built conditions.

Nothing in this Section 13.2.7 may be amended or terminated without the prior written approval of Declarant.

13.2.8 Minor Corrections by the Board. The Board may amend this Master Declaration for the reasons stated in parts (2), (3), (4), (5) or (8) of Section 13.2.7(b) by Recording a written instrument signed by two officers of the Master Association certifying that the Board approved the amendment for the purposes described therein. However, until the end of all applicable statutes of limitation or repose for the filing of a complaint or suit or other legal remedies against Declarant or its affiliates under the Right to Repair Law (including tolling periods), the Board must obtain the prior written approval of Declarant to any amendment approved by the Board, or any other amendment by the Board or Master Association that affects the rights of Declarant under the Right to Repair Law, this Master Declaration or any Supplemental Master Declaration, or for any amendment by the Board concerning matters discussed in Articles 3 or 15.

13.2.9 City Approval. No amendment to this Master Declaration shall be effective without the prior approval of the City of San Luis Obispo if the amendment affects the maintenance of any Master Common Property, any Separate Interest, BMP's, **Exhibit A**, the City, provisions hereof required by the City of San Luis Obispo, Drainage and Water Quality Improvements, all use restrictions and maintenance covenants and cure rights in Article 2, including the definition or scope or frequency of maintenance of Master Common Area, Master Common Property, Master Maintenance Areas, Private Alleys, Motor Courts, and Private Streets, the definition of Governing Documents, the definition of Master Association, land use designations in the Initial Covered Property, the Master Association's cure rights, repair and maintenance obligations of the Master Association, established drainage, parking and vehicle restrictions, trash and recyclables, the disclosures in Article 3, duties and powers of the Master Association in Section 4.2, Article 6, Article 16, Article 13, and **Exhibits D, E, F, G, H, and I**.

ARTICLE 14

GENERAL PROVISIONS

14.1 MERGERS OR CONSOLIDATIONS In a merger or consolidation of the Master Association with another association, the properties, rights and obligations of the Master Association may, by operation of law, be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may, by operation of law, be added to the Community, rights and obligations of the Master Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer and enforce the covenants, conditions and restrictions established by this Master Declaration governing the Community, together with the covenants and restrictions established on any other property, as one (1) plan. Any such merger or consolidation requires the prior written approval of the VA if any Separate Interests in the Community are financed through the VA. Any such merger or consolidation must also be approved in writing by the City's Community Development Department.

14.2 NO PUBLIC RIGHT OR DEDICATION Except as expressly provided in this Master Declaration, nothing in this Master Declaration is a gift or dedication of all or any part of the Community to the public, or for any public use.

14.3 NOTICES Except as otherwise provided in this Master Declaration, notice to be given to an Owner must be in writing and may be delivered personally to the Owner. Personal delivery of such notice to one (1) or more co-Owners, or any general partner of a partnership owning a Separate Interest, constitutes delivery to all Owners. Personal delivery of such notice to any officer or agent for the service of process on a corporation or limited liability company constitutes delivery to the corporation or limited liability company. Such notice may also be delivered by regular United States mail, postage prepaid, addressed to the Owner at the most recent address furnished by such Owner to the Master Association or, if no such address has been furnished, to the street address of such Owner's Separate Interest. Such notice is deemed delivered three (3) business days after the time of such mailing, except for notice of a meeting of Owners or of the Board, in which case the notice provisions of the Bylaws control. Any notice to be given to the Master Association may be delivered personally to any member of the Board, or sent by United States mail, postage prepaid, addressed to the Master Association at such address as may be fixed and circulated to all Owners.

14.4 CONSTRUCTIVE NOTICE AND ACCEPTANCE Every Person who owns, occupies or acquires any right, title, estate or interest in or to any Separate Interest or other portion of the Community consents and agrees to every limit, restriction, easement, reservation, condition and covenant contained in this Master Declaration, whether or not any reference to these restrictions is in the instrument by which such Person acquired an interest in the Community.

ARTICLE 15
DECLARANT'S AND NEIGHBORHOOD BUILDERS' RIGHTS, EXEMPTIONS AND RESERVATIONS

If there is a conflict between any other portion of the Governing Documents and this Article, this Article shall control.

15.1 CONSTRUCTION RIGHTS

15.1.1 Right to Develop Community. Nothing in the Governing Documents shall be deemed to limit, and no Owner, nor the Master Association, nor any Neighborhood Association shall interfere with (a) the right of Declarant or any Neighborhood Builder (with the prior written consent of Declarant), reserved hereby, to subdivide, resubdivide any portion of the Community or modify the development plan for the Community and the Annexable Area, including designating and redesignating Phases, reshaping the Separate Interests and Master Common Area, and (subject to applicable governmental approvals) constructing Residences of larger or smaller sizes, densities, values, and of different types, or (b) the right of Declarant and Neighborhood Builders, reserved hereby, either directly or through their respective agents and representatives, to sell, resell, rent or re-rent any portion of the Community, or (c) the right of Declarant or a Neighborhood Builder, reserved hereby, to complete excavation, grading, construction of Improvements or other development activities on any portion of the Community or Annexable Area owned by Declarant or a Neighborhood Builder, as applicable, or (d) the right of Declarant (and Neighborhood Builders, with Declarant's prior written consent), reserved hereby, to alter the foregoing and the construction plans and designs, or (e) the right, reserved hereby, to make or construct such additional Improvements as Declarant or a Neighborhood Builder deem advisable in the course of developing the Community so long as any portion of the Community or any portion of the Annexable Area is owned by Declarant or a Neighborhood Builder, including but not limited to, such excavation and grading work as may be approved by the Local Governmental Agency having jurisdiction, and erecting, constructing and maintaining on the Community such structures, fences, barriers, signs and displays as are reasonably necessary to completing construction and disposal and disposing of the Community and the Annexable Area by sale, lease or otherwise.

15.1.2 Access Control to Accommodate Development. Nothing in the Governing Documents shall be deemed to limit, and no Owner, nor the Master Association, nor any Neighborhood Association shall interfere with the right of the Declarant, reserved hereby, to temporarily erect barriers, close off and restrict access to portions of the Master Common Area as may be reasonably necessary to allow Declarant to exercise the rights reserved in this Article so long as no Owner or other resident is denied legal street access to the Separate Interest.

15.1.3 Additional Easements and Licenses. Nothing in the Governing Documents shall be deemed to limit, and no Owner, nor the Master Association, nor any Neighborhood Association shall interfere with the right of Declarant or a Neighborhood Builder, reserved hereby, at any time prior to acquisition of title to a Separate Interest by a purchaser from Declarant or a Neighborhood Builder, to establish on that Separate Interest additional licenses, easements, reservations and rights-of-way to itself, to utility companies or to others as

reasonably necessary for the proper development and disposal of the Community and Annexable Area.

15.2 SALES AND MARKETING RIGHTS Declarant reserves for itself, its agents, employees, representatives and affiliates and the Neighborhood Builders, the following sales and marketing rights; provided, however, that the exercise of the following rights and use of exemptions described below by any Neighborhood Builder is subject to prior approval by the Declarant.

15.2.1 Marketing and Sales Facilities. Nothing in the Governing Documents shall be deemed to limit, and no Owner, nor the Master Association, nor any Neighborhood Association shall interfere with the rights of Declarant and Neighborhood Builders, reserved hereby, to (a) install and maintain such structures, displays, signs, billboards, flags and sales offices, and (b) use any Residences, mobile homes, modular buildings or other structures owned or leased by Declarant or Neighborhood Builder in the Community as model home complexes, design centers, welcome centers, home-finding centers, real estate sales offices or leasing offices, all as may be reasonably necessary to conduct the business of completing construction, marketing and disposing of the Community and the Annexable Area by sale, resale, lease or otherwise. Furthermore, nothing in the Governing Documents shall be deemed to limit, and no Owner, nor the Master Association, nor any Neighborhood Association shall interfere with the rights of prospective purchasers, sales agents, Declarant and Neighborhood Builders to use any and all portions of the Master Common Area for access to the marketing and sales facilities of Declarant and Neighborhood Builders. Declarant and Neighborhood Builders may use any structures or vehicles owned or leased, respectively, by Declarant or Neighborhood Builders in the Community as model home complexes, design centers, welcome centers, home-finding centers, real estate sales offices or leasing offices; provided that the exercise of the foregoing reserved rights shall be exercised in a way not to unreasonably interfere with the use and enjoyment thereof by the Owners or their Families, tenants and invitees of the Owner's Separate Interest or the Master Common Area, and such reserved rights shall automatically terminate on the date of the last Close of Escrow for the sale of a Separate Interest in the Community or Annexable Area, at which time Declarant or Neighborhood Builders, as the case may be, shall remove temporary structures or restore permanent structures to their intended residential or Master Common Area use and appearance.

15.2.2 Use of Master Common Area. Declarant reserves for its benefit, for the benefit of the Neighborhood Builders, and for the benefit of their prospective purchasers of Separate Interests, the right to the nonexclusive use of the Master Common Area owned in fee simple by the Master Association, without further cost for access, ingress, egress, use or enjoyment, in order to (a) show the Community to prospective purchasers, (b) dispose of the Community as provided in this Master Declaration, and (c) develop and sell the Annexable Area. Declarant and Neighborhood Builders, and their respective employees, agents and prospective purchasers are also entitled to the nonexclusive use of Private Streets and walkways for ingress, egress and vehicle parking as necessary in connection with the marketing and sale of the Community. Neither Declarant, nor Neighborhood Builders, nor their respective employees, agents or prospective purchasers, shall make any use of the Master Common Area that will unreasonably interfere with the use and enjoyment thereof by the Owners or their Families, tenants and invitees.

15.3 ARCHITECTURAL REVIEW EXEMPTION Declarant, Neighborhood Builders, and any other Person to whom Declarant may assign all or a portion of its exemption under this Master Declaration need not seek or obtain Design Review Committee approval of any Improvements constructed anywhere in the Community by Declarant, a Neighborhood Builder, or assignee of Declarant. Declarant may, in its sole discretion, exclude portions of the Community from jurisdiction of the Design Review Committee in the applicable Supplemental Master Declaration. Declarant, may, in its sole discretion, establish one or more additional design review bodies and design review criteria for any area exempted by Declarant from the jurisdiction of the Design Review Committee.

15.4 USE RESTRICTION EXEMPTION Declarant, Neighborhood Builders and any other Person to whom Declarant or Neighborhood Builders may by written assignment assign all or a portion of their exemptions under this Master Declaration, are exempt from the restrictions established in Article 2, and such other use and occupancy restrictions as are established elsewhere in this Master Declaration, in a Supplemental Master Declaration, or any of the other Governing Documents, except as otherwise expressly provided therein.

15.5 ASSIGNMENT OF RIGHTS All or any portion of the rights of Declarant or a Neighborhood Builder, as applicable, hereunder and elsewhere in these Governing Documents may be assigned by Declarant or such Neighborhood Builder (with Declarant's consent), as applicable, to any successor in interest to any portion of Declarant's or Neighborhood Builder's interest in any portion of the Community or the Annexable Area (including to any Neighborhood Builder) by an express written assignment which specifies the rights of Declarant or such Neighborhood Builder so assigned.

15.6 AMENDMENT Notwithstanding any other provision of this Master Declaration, for so long as Declarant owns any portion of the Community or the Annexable Area, Declarant's prior written approval is required before any amendment to or termination of this Article 15.

15.7 EXERCISE OF RIGHTS Each Owner grants an irrevocable, special power of attorney to Declarant to execute and Record all documents and maps necessary to allow Declarant to exercise its rights under this Article.

15.8 COOPERATION AND PARTICIPATION

15.8.1 Notice of Transfers. The Master Association shall provide Declarant with written notice of the transfer of any Lot and all notices and other documents to which a Mortgagee is entitled pursuant to this Master Declaration, provided that Declarant shall not be required to make written request for such notices and other documents.

15.8.2 Observation of Open Meetings. In furtherance of Declarant's rights and the performance of the obligations of Declarant, the Master Association and Owners under the Right to Repair Law, Declarant shall have the right to observe and speak at open meetings of the Board in accordance with this Section 15.8.2.

(a) **Attendance and Limited Participation.** Commencing on the date on which Declarant no longer has a representative on the Board, and continuing until the date of expiration of all applicable statutes of limitations or repose for the filing of a complaint or

suit or other legal remedies against Declarant by the Master Association under the Right to Repair Law (including any tolling periods):

(i) The Master Association shall provide Declarant with written notice of all meetings of the Board that any Owner is entitled to attend (each, an ***“Open Meeting”***), as if Declarant was an Owner;

(ii) Declarant shall be entitled to have its representatives attend all Open Meetings and speak (during the Owner comment period) on matters governed by the Right to Repair Law, including maintenance and repair of Common Property and the Separate Interests and Improvements thereon; and

(iii) Declarant representatives shall be entitled to receive copies of the minutes, proposed minutes and summary minutes of all Open Meetings and meetings of members, as well as copies of books, financial records, Governing Documents, or maintenance records, upon request for, and reimbursement of, the actual costs to copy and mail such materials.

(b) ***Rights of Board.*** Notwithstanding the foregoing, the Board shall have the unilateral right to exclude Declarant and its representatives from any Open Meeting or portion thereof, and to decline to provide Declarant or its representatives with minutes, proposed minutes or summary minutes if, in the good faith judgment of the Board, the presence of Declarant or its representatives at an Open Meeting, or delivery of minutes to Declarant or its representatives would not be in the best interest of the Master Association. Such determination may be made if:

(i) the presence of Declarant or its representatives at an Open Meeting or portion thereof would adversely affect the attorney-client privilege between the Master Association and its counsel; or

(ii) Declarant or its representatives would have access to confidential information received or developed by the Master Association or its consultants.

(c) ***Further Limitations.*** This Section creates no right in representatives of Declarant to attend executive sessions of the Board or to participate in deliberations by the Board. Declarant representatives shall attend any Open Meeting they are permitted to attend under this Section 15.8.2 in an observer capacity only, and they shall not have any right to vote on matters coming before the Board.

15.9 DECLARANT APPROVAL OF ACTIONS

15.9.1 **General Rights.** The Initial Covered Property is a portion of a larger parcel of land which Declarant is developing into a master-planned Community. Declarant, in cooperation with the City and County, has created a comprehensive plan for the development of the Community which includes modern master-planning objectives which have been formulated for the common good and preservation of property values within the Community. Declarant and Neighborhood Builders intend to construct Residences and further improve all of the Community. The completion of the work by Declarant and Neighborhood Builders, and the sale

and resale of Separate Interests in the Community, is essential to the establishment and welfare of the Community as a quality residential Community. Each Owner of a Separate Interest which is part of the Community acknowledges by acceptance of a deed or other conveyance therefor, whether or not it shall be so expressed in any such deed or other instrument, that Declarant and Neighborhood Builders have substantial interests in assuring compliance with, and enforcement of, the covenants, conditions, restrictions and reservations contained in this Master Declaration and any amendments thereto and any Supplemental Master Declarations Recorded pursuant to this Master Declaration.

15.9.2 Limits on Actions. Except as otherwise provided in Sections 13.2.7 and 13.2.8, until Declarant no longer owns any portion of the Community or the Annexable Area, the following actions, before being undertaken by the Master Association, must first be approved in writing by Declarant:

(a) Any amendment to the Governing Documents or action requiring the approval of First Mortgagees;

(b) Any amendment to the Governing Documents which would impair or diminish Declarant's right to complete the Community or the Annexable Area or sell or lease Residences therein;

(c) The annexation to the Community of real property other than the Annexable Area pursuant to Section 16.2;

(d) The levy of a Capital Improvement Assessment for the construction of new facilities not constructed on the Master Common Area by Declarant;

(e) Subject to those provisions of Article 7 regarding limitations on yearly Annual Assessment increases, any significant reduction of Master Common Property maintenance or other services, or entering into contracts for maintenance or other goods and services benefiting the Master Association or the Master Common Property at contract rates which are fifteen percent (15%) or more below the reasonable cost for such maintenance, goods or services as determined pursuant to the maintenance provisions contained in this Master Declaration; or

(f) The amendment or supplementation or termination of the Maintenance Guidelines, Design Guidelines or Rules and Regulations.

15.10 MARKETING NAME. The Community shall be marketed under the general name "Righetti Ranch." Declarant may change the marketing name of the Community or portions thereof at any time. Declarant, or a Neighborhood Builder with Declarant's written consent, may adopt a marketing name for particular Phases of the Community or a Neighborhood at any time. Such election shall be made in the Governing Documents affecting the Phases or Neighborhood. The City shall be notified of the marketing name, and shall have the right to approve any change to the marketing name. Declarant and/or the applicable Neighborhood Builder shall notify CalBRE of each change in or addition to the marketing name or names of the Community or any Phase, respectively.

15.11 **COUNTERPARTS.** This Master Declaration may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

ARTICLE 16

ANNEXATION OF ADDITIONAL PROPERTY

Additional real property may be annexed to the Community and become subject to this Master Declaration by any of the following methods:

16.1 ADDITIONS BY DECLARANT OR NEIGHBORHOOD BUILDERS. Declarant, and Neighborhood Builders with Declarant's consent, may add the Annexable Area or any portion thereof to the Community and bring such added territory under the general plan of this Master Declaration without the approval of the Master Association, the Board, or Owners, so long as Declarant or a Neighborhood Builder owns any portion of the Annexable Area. Annexable Area added under this Section 16.1 may consist of Neighborhood Association Property or Master Common Area without Separate Interests. Any proposed addition by a Neighborhood Builder must be approved by Declarant in writing. As each Phase is developed, Declarant and Neighborhood Builder may, with respect thereto and as the owner thereof, Record a Supplemental Master Declaration which may supplement this Master Declaration with such additional covenants, conditions, restrictions, reservations and easements as Declarant or Neighborhood Builder may deem appropriate for that Phase. Any Supplemental Master Declaration executed by a Neighborhood Builder must also be executed by Declarant, evidencing Declarant's consent.

16.2 OTHER ADDITIONS. Additional real property may be annexed to the Community and brought under the general plan of this Master Declaration upon the approval by vote or written consent of the members entitled to exercise no less than two-thirds (2/3) of the Master Association's voting power.

16.3 RIGHTS AND OBLIGATIONS-ADDED TERRITORY. Subject to the provisions of Section 16.4, when a Supplemental Master Declaration containing the provisions required by this Section is Recorded against real property to be added to the Community pursuant to Sections 16.1 or 16.2, this Master Declaration and the general plan thereof will apply to the real property described in such Supplemental Master Declaration (the "**Added Territory**") in the same manner as if the Added Territory were originally covered by this Master Declaration. Thereafter, the rights, powers and responsibilities of the Owners (including membership rights in Section 4.6 and voting rights as described in Section 4.7), and lessees and occupants in the Added Territory, as well as in the property originally subject to this Master Declaration, will be the same as if the Added Territory had been originally covered by this Master Declaration. An Owner of a residential Separate Interest included in a Phase for which a Public Report has been issued by CalBRE will automatically acquire Membership upon Close of Escrow of such Owner's Separate Interest. For each Phase added to the Community, Annual Assessments shall commence on the Separate Interests in such Phase in accordance with Section 7.6.1.

16.4 RECORDED SUPPLEMENTAL MASTER DECLARATION. The additions authorized under Sections 16.1 and 16.2 must be made by Recording a Supplemental Master

Declaration which will extend the general plan of this Master Declaration to such Added Territory.

16.4.1 **Additions under Section 16.1.** The Supplemental Master Declaration for any addition under Section 16.1 must be signed by Declarant.

16.4.2 **Additions under Section 16.2.** In addition to the requirements of Section 16.4.2, the Supplemental Master Declaration for any addition under Section 16.2 must be signed by at least two (2) officers of the Master Association to certify that the Owner approval required under Section 16.2 was obtained.

16.4.3 **Required Content of Annexing Supplemental Master Declaration.** Each Supplemental Master Declaration which is Recorded hereby to annex real property to the Community shall contain at least the following provisions:

(a) **Master Declaration Reference.** A reference to this Master Declaration, which reference shall state the date of Recordation hereof and the Instrument number or other relevant Recording data of the County Recorder's office;

(b) **Extension of Comprehensive Plan.** A statement that the provisions of this Master Declaration shall apply to the Added Territory as set forth therein;

(c) **Description of Added Territory.** A legal description of the Added Territory, including any Master Common Area and Neighborhood Association Property (as applicable);

(d) **Land Classifications.** The land classifications of the Added Territory, including a description of the Separate Interests, the Master Common Area and Master Maintenance Areas, Neighborhood Association Property (as applicable), a designation of the Neighborhood of which the Added Territory is a part. The Supplemental Master Declaration may create new land classifications, areas of the Master Common Area reserved for the exclusive use of Owners, or areas of individually owned Separate Interests to be maintained by the Master Association;

(e) **Master Association Maintenance Exhibits.** Supplemental Master Declarations shall include exhibits showing the Community Walls and Master Maintenance Areas in the Added Territory (if any), and such additional exhibits showing Phase-specific matters, including Master Association-maintained Improvements in the Phase, all as deemed appropriate by Declarant;

(f) **Special Benefit Areas.** The Supplemental Master Declaration covering Separate Interests subject to a Special Benefit Area Assessment Component shall: (a) identify the Special Benefit Area, if existing, or describe the Special Benefit Area if proposed; and (b) identify the Separate Interests covered by the Supplemental Master Declaration which are entitled to use the facilities of the Special Benefit Area or which are obligated to bear the exclusive or disproportionate maintenance of such Special Benefit Area and which shall be obligated to pay the Special Benefit Area Assessment Component attributable to such Special Benefit Area;

(g) **Designated Trash Pickup Locations.** If not shown on *Exhibit F* or described in the governing documents of the Neighborhood Association (if any), an exhibit showing the designated trash pickup locations in the Added Territory, if applicable;

(h) **Master Common Area Parking Spaces.** Supplemental Master Declarations shall include exhibits showing the Master Common Area Parking Spaces in the Added Territory (if any);

(i) **Site Condominium Projects.** If the Added Territory is a "site" Condominium not subject to the jurisdiction of a Neighborhood Association or its governing documents, such condominium plan notes and definitions and enabling provisions sufficient under the CID Act to establish the Added Territory as a Condominium Project; and

(j) **Neighborhood Builder's Election of Alternative Dispute Resolution Procedure.** Pursuant to Section 12.4.10 above, written notice of the Neighborhood Builder's election (if any) to institute its own alternative dispute resolution procedure for the resolution of Neighborhood Builder Disputes (as defined in Section 12.4.10 above).

In the case of the annexation of real property under Section 16.1, Declarant shall have the right, if it determines in the exercise of its sole discretion that the Added Territory will not benefit from Improvements or services which are Common Expenses of the Master Association, to designate in the applicable Supplemental Master Declaration that such Common Expense items will not be shared by the Added Territory, provided that such designation is also identified in the current Master Association Budget approved by CalBRE for the real property annexed thereby, and provided that such designation does not result in an increase in Annual Assessments in excess of the limit set in this Master Declaration. No Supplemental Master Declaration may revoke the covenants, conditions, restrictions, reservation of easements, or equitable servitudes in this Master Declaration as the same pertain to the real property originally covered by this Master Declaration. However, a Supplemental Master Declaration may make such additions and modifications of the covenants, conditions, restrictions, reservation of easements and equitable servitudes contained in this Master Declaration as may be necessary to reflect the different character, if any, of the Added Territory, or as Declarant deems appropriate in the development of the Added Territory, and as are not inconsistent with the general plan of this Master Declaration.

16.5 POWER OF ATTORNEY Each Owner of a Separate Interest in the Community, by accepting a deed to a Separate Interest, shall be deemed to have (a) agreed and acknowledged that the Owners own no interest in the Annexable Area which may be developed, if at all, by Declarant in its sole and absolute discretion and (b) constituted and irrevocably appointed Declarant, for so long as Declarant owns all or any portion of the Annexable Area, as his Attorney-in-Fact, for himself and each of his Mortgagees, optionees, grantees, licensees, trustees, receivers, lessees, tenants, judgment creditors, heirs, legatees, devisees, administrators, executors, legal representatives, successors and assigns, whether voluntary or involuntary, and thereby to have conveyed a Power of Attorney coupled with an interest to Declarant as his Attorney in Fact to prepare, execute, acknowledge and Record any instrument for all or any portion of the Annexable Area. However, nothing set forth herein shall be deemed or construed as an agreement by Declarant that any Owner shall be entitled to any participation in or

discretion over the preparation and Recordation of an instrument for all or any portion of the Annexable Area. The acceptance or creation of any Mortgage or other encumbrance, whether or not voluntary, created in good faith, or given for value, shall be deemed to be accepted or created subject to each of the terms and conditions of the Power of Attorney described in this Section.

16.6 DE-ANNEXATION AND AMENDMENT. In addition to the rights to amend or terminate a Supplemental Master Declaration granted elsewhere in this Master Declaration or in a Supplemental Master Declaration, Declarant (or Declarant and a Neighborhood Builder acting together if the Phase is owned by a Neighborhood Builder) may, with the prior approval of the City, also amend a Supplemental Master Declaration or delete all or a portion of a Phase from coverage of this Master Declaration and the Master Association's jurisdiction so long as Declarant or Neighborhood Builder is the owner of all of such Phase and provided that (a) an amending instrument or a Notice of Deletion of Territory, as applicable, is Recorded in the same manner as the applicable Supplemental Master Declaration was Recorded, (b) Declarant has not exercised any Master Association vote with respect to any portion of such Phase, (c) Assessments have not yet commenced with respect to any portion of such Phase, (d) a Close of Escrow has not occurred for the sale of any Separate Interest in such Phase, and (e) the Master Association has not made any expenditures or incurred any obligations with respect to any portion of such Phase.

[SIGNATURES ON NEXT PAGE]

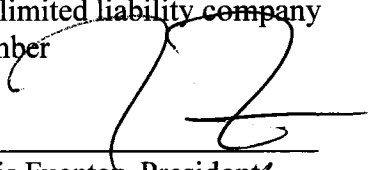
***[SIGNATURE PAGE TO MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS AND
RESERVATION OF EASEMENT FOR RIGHETTI RANCH]***

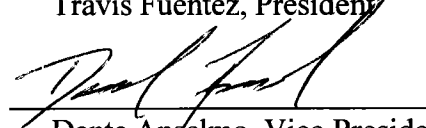
This Master Declaration is dated for identification purposes 12-28, 2017

RIGHETTI RANCH, LP,
a Delaware limited partnership

By: NRE Manager, LLC,
a Delaware limited liability company
Its General Partner

By: Ambient Righetti Manager LLC,
a California limited liability company
its Sole Member

By: 
Travis Fuentez, President

By: 
Dante Anselmo, Vice President

"Declarant"

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

COUNTY OF SAN LUIS OBISPO

On DEC. 28, 2017, before me, L.A. BERTRAND, NOTARY PUBLIC
(here insert name and title of the officer)

personally appeared TRAVIS FUENTEZ and DANTE ANSELMO

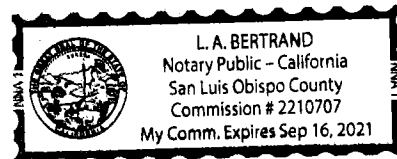
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

L.A. Bertrand
Signature

(Seal)



A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA

COUNTY OF _____

On _____, _____, before me, _____
(here insert name and title of the officer)

personally appeared _____

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

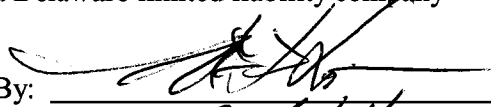
(Seal)

SUBORDINATION

The undersigned, as Beneficiary of the beneficial interest in and under that certain Deed of Trust dated February 4, 2016 and recorded on February 5, 2016, as Instrument No. 2016-005478 of Official Records of San Luis Obispo County, California (the "**Deed of Trust**"), which Deed of Trust is by and between RIGHETTI RANCH, LP, a Delaware limited partnership, as Trustor, and FIRST AMERICAN TITLE COMPANY, as Trustee, and ECP CAL, LLC, a Delaware limited liability company, as Beneficiary, expressly subordinates said Deed of Trust and its beneficial interest thereunder to the foregoing MASTER DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND RESERVATION OF EASEMENTS FOR RIGHETTI RANCH as amended or restated ("**Declaration**"), to any Supplemental Master Declaration recorded pursuant to the provisions of Article 16 of the Master Declaration, as amended or restated ("**Supplemental Master Declaration**"), as amended or restated, and to all easements to be conveyed to the Master Association in accordance with the Master Declaration, any Supplemental Master Declaration. By executing this Subordination, the undersigned agrees that should the undersigned acquire title to all or any portion of the Community by foreclosure (whether judicial or nonjudicial), deed-in-lieu of foreclosure or any other remedy in or relating to the Deed of Trust, the undersigned will acquire title subject to the provisions of the Master Declaration, and any applicable Supplemental Master Declaration, which shall remain in full force and effect.

Dated: 12-20-17

ECP CAL, LLC,
a Delaware limited liability company

By: 
Print Name: Michael Hays
Title: Vice President

By: _____
Print Name: _____
Title: _____

[NOTARIAL ACKNOWLEDGMENT ON FOLLOWING PAGE]

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF ~~CALIFORNIA~~ CONNECTICUT

COUNTY OF Fairfield

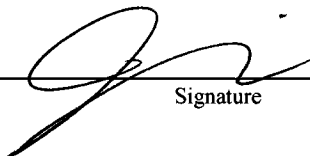
On December, 20th, before me, James Pesci
(here insert name and title of the officer)

personally appeared Michael House

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

 (Seal)
Signature

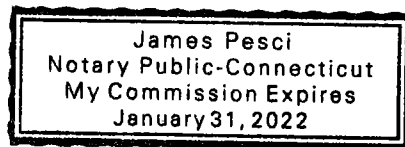


EXHIBIT A

LEGAL DESCRIPTION OF ANNEXABLE AREA

All that real property located in the City of San Luis Obispo, County of San Luis Obispo, State of California, more particularly described as follows:

PARCEL 1 (Imel Parcel):

Vesting Tentative Tract Map Tract 3095, which affects a portion of the easterly one-half of Lot 127 of the San Luis Obispo Suburban Tract, in the City of San Luis Obispo, County of San Luis Obispo, State of California, as shown on the Map filed on February 6, 1906, in Book 1, at Page 92 of Record Surveys as adjusted per SLAL #15-0104 (Document Number 2016-043143) in the Office of the San Luis Obispo County Recorder.

PARCEL 2 (Pratt Parcel):

The Southeasterly 1/2 of Lot 133 of the San Luis Obispo Suburban Tract, in the City of San Luis Obispo, in the County of San Luis Obispo, State of California, According to Map Recorded February 7, 1906 in Book 1, Page 92 of Records of Survey, in the Office of the County Recorder of said County.

PARCEL 3 (Future Subdivisions of Portions of Tract No. 3063-Phase 1):

Lots 171 and 172 of said Tract No. 3063-Phase 1 as described in Preamble Paragraph B above.

EXHIBIT B

ARTICLES OF INCORPORATION OF THE MASTER ASSOCIATION

ARTICLES OF INCORPORATION
OF
RIGHETTI RANCH MAINTENANCE CORPORATION

ONE: The name of this corporation is RIGHETTI RANCH MAINTENANCE CORPORATION (the "**Corporation**").

TWO: This Corporation is a nonprofit mutual benefit corporation organized under the California Nonprofit Mutual Benefit Corporation Law. The purpose of this Corporation is to engage in any lawful act or activity, other than credit union business, for which a corporation may be organized under such law.

THREE: The Corporation's initial agent for service of process is Travis Fuentez, 979 Osos Street, Suite E, San Luis Obispo, CA 93401.

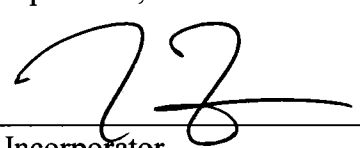
FOUR: The Corporation's street and mailing address is 979 Osos Street, Suite E, San Luis Obispo, CA 93401.

FIVE: The Corporation is organized and operated exclusively as a homeowner's association within the meaning of Section 23701t of the California Revenue and Taxation Code and Section 528 of the Internal Revenue Code, and it shall have and exercise any and all powers, rights and privileges which a corporation organized under the California Nonprofit Mutual Benefit Corporation Law may now or hereafter have or exercise, provided that the Corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purpose of the Corporation, which is to operate a homeowners association and to manage a common interest development under the Davis-Stirling Common Interest Development Act. The Corporation does not have a corporate office. The common interest development is near the intersection of Tank Farm Road and Orcutt Road, San Luis Obispo, California 93401-0000.

SIX: The classes of Membership and the voting and other rights and privileges of Members are set forth in the Bylaws. So long as two classes of Membership make up the voting power of the Corporation, the amendment of these Articles of Incorporation shall require the assent (by vote or written consent) of (i) a bare majority of the Board of Directors of the Corporation, and (ii) Members representing a bare majority of the voting power of each class of Members. After conversion of the Class B Membership to Class A Membership, the amendment of these Articles of Incorporation shall require the assent (by vote or written consent) of (i) a bare majority of the Board of Directors of the Corporation, (ii) Members representing a bare majority of the total voting power of the Members, and (iii) Members representing a bare majority of the voting power of the Members other than the subdivider of the Community. Notwithstanding the foregoing, the percentage of voting power required to amend a specific clause of these Articles shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

SEVEN: The Corporation has no managing agent.

The undersigned, who is the incorporator of the Corporation, has executed these Articles of Incorporation on _____, 20____.



Travis Fuentez, Incorporator

EXHIBIT C
BYLAWS OF THE MASTER ASSOCIATION

BYLAWS
OF
RIGHETTI RANCH MAINTENANCE CORPORATION

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BYLAWS
OF
RIGHETTI RANCH MAINTENANCE CORPORATION

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BYLAWS
OF
RIGHETTI RANCH MAINTENANCE CORPORATION

ARTICLE I
PLAN OF OWNERSHIP

1.1 **DEFINITIONS AND INTERPRETATION.** Unless otherwise provided in these Bylaws, the capitalized terms used in these Bylaws have the meanings they are given in the Master Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for Righetti Ranch (the ***"Declaration"***), which was Recorded in the Official Records of the County against the Community. These Bylaws shall be interpreted in accordance with Section 1.2 of the Master Declaration.

1.2 **NAME AND PRINCIPAL OFFICE.** The name of the Master Association is Righetti Ranch Maintenance Corporation (the ***"Master Association"***). The principal office of the Master Association, if any, shall be located in the County or such other location as the Board may designate.

1.3 **APPLICATION.** These Bylaws apply to the residential planned development known as Righetti Ranch (the ***"Community"***), located in the City and County of San Luis Obispo. All Persons who use the facilities of the Community in any manner are subject to the terms and provisions of these Bylaws, the Master Declaration, and the other Governing Documents of the Community. Use of any Separate Interest in the Community signifies acceptance and ratification of these Bylaws.

ARTICLE II
BOARD OF DIRECTORS

2.1 **NUMBER OF DIRECTORS.**

2.1.1 **Interim Directors.** Until the first annual meeting of the Owners, the Master Association's property, business and affairs shall be governed and managed by a Board of Directors composed of three (3) persons appointed by Declarant to serve as interim Directors until Directors are elected at the first annual meeting of the Owners.

2.1.2 **Elected Directors.** Beginning with the first annual meeting of the Owners, the Master Association's property, business and affairs shall be governed and managed by a Board of Directors composed of no fewer than three (3), nor more than five (5) persons elected or appointed at the first annual meeting. Beginning with the first annual meeting of the Owners, the initial authorized number of Directors will be fixed at three (3). However, the authorized number of Directors may be adjusted within the range stated above with the approval of the Board from time to time without having to amend these Bylaws. The size of the Board may be increased beyond five (5) Directors by duly adopted amendment to these Bylaws.

2.2 QUALIFICATIONS FOR HOLDING OFFICE. Each Director, except for those initially appointed by Declarant to serve as interim Directors until the first annual meeting, must be (a) an Owner who meets the qualifications in this Section 2.2.1 and 2.2.2 below, or (b) an agent of Declarant (as long as Declarant owns any portion of the Community), or (c) appointed to office by exercise of the Board Appointment Right (as defined in the Master Declaration). Such appointee need not be an Owner.

2.2.1 Candidacy Requirements for Owners. Owners who meet the following criteria are qualified to be nominated and elected to the Board of Directors:

(a) The Owner must be in compliance with the Governing Documents for the three (3) months immediately preceding the date of the election at which the Owner is being considered for election to the Board of Directors. To be in compliance, the Owner must correct, within five (5) days of receipt of notice, any violation of the Governing Documents for which the Owner has been determined to be responsible pursuant to applicable due process requirements;

(b) The Owner must be current in the payment of all Assessments for the three (3) months immediately preceding the date of the election at which the Owner is being considered for election to the Board of Directors; and

(c) The Owner must not be related by blood or marriage to or reside in the same household with any other Board member.

2.2.2 Incumbent Requirements. To remain qualified to serve on the Board of Directors, an Owner who has been elected to the Board of Directors must:

(a) Not be absent from more than three (3) consecutive regularly scheduled meetings of the Board;

(b) Attend at least seventy-five percent (75%) of the Board meetings held during the year and attend the entire meeting each time;

(c) Comply with every duly approved action of the Board;

(d) Comply with the Governing Documents and correct, within five (5) days after receipt of notice, any violation of the Governing Documents for which that Director has been determined to be responsible pursuant to applicable due process requirements;

(e) Not be more than two (2) months in arrears in the payment of any Assessment;

(f) Exhibit respect, professionalism and courteous behavior to other Directors, Owners, committee members, vendors, the Manager and its staff, and any other Persons associated with or retained by the Master Association;

(g) Be at all times an Owner in good standing;

(h) Refuse any type of gain, such as money, services, products, gifts or gratuities of a significant value, as determined by a majority vote of the Directors who meet all of the required qualifications to serve as such, which gain is offered in relation to the Owner's service as a Director. In addition, the Owner must disclose such offers at an open meeting of the Board. Compensation for services duly approved by the Board and unrelated to duties as a Director or Officer of the Master Association, and reimbursement of expenses associated with services to the Master Association, do not constitute prohibited gain within the meaning of this subsection; and

(i) Not act in a manner determined by a majority vote of the Directors to be grossly detrimental to the general safety, health or welfare of the Master Association and its members.

2.3 ELECTION.

2.3.1 General Procedure. On the date of the first annual meeting of the Owners, the offices of the three interim Directors shall be deemed to be vacant, and the Members of the Master Association (including Declarant) shall elect new Directors to fill all Board seats not filled by Declarant appointees as described below. At each annual meeting thereafter (as described in Section 4.2), new Directors shall be elected or appointed (as applicable), to fill vacancies on the Board. If an annual meeting is not held, or all vacancies on the Board are not filled at the annual meeting, vacancies may be filled in accordance with the procedure for filling vacancies set forth in Section 2.5. The Board of Directors or a nominating committee established by the Board of Directors may propose the nomination of candidates. Any Owner may nominate any other Owner or himself or herself by submitting written notice of the nomination to the Board or its nominating committee (if one is formed).

2.3.2 Voting. Voting shall be by secret written ballot in accordance with the procedure described in California Civil Code Section 5100, *et seq.* An Owner may cumulate his votes for any candidate for the Board in any election in which more than two (2) Directors are to be elected if (a) the candidate's name has been placed in nomination before the voting takes place, and (b) the Owner has given notice at the meeting before the voting of such Owner's intent to cumulate votes. If an Owner cumulates his votes, such Owner may cast a number of votes equal to the Owner's share of the voting power multiplied by the number of Directors to be elected. If any one Owner has given this notice, all Owners may cumulate their votes for candidates in nomination.

2.3.3 Special Election Requirement. So long as either (a) Declarant is entitled to exercise its Board Appointment Right (as described in the Master Declaration) or (b) Declarant is entitled to exercise a majority of the Master Association's voting power, not less than twenty percent (20%) of the members of the Board must be elected solely by the votes of Owners other than Declarant. Furthermore, until expiration of the Board Appointment Right, Declarant shall not cast any Class A or Class B vote to elect any Director.

2.4 TERM OF OFFICE. Each Director shall hold office until the earlier to occur of (a) the end of the Director's term of office after a successor has been elected, or (b) his death, resignation, removal or judicial adjudication of mental incompetence. At the first annual

meeting, and at any future election in which all Board seats are to be filled, the term of office of the two (2) Directors receiving the highest number of votes shall be three (3) years and the term of office of the Director receiving the next highest number of votes shall be two (2) years. Directors appointed by exercise of Declarant's Board Appointment Right shall be deemed to have received the highest number of votes. Thereafter, new Directors shall be elected or appointed (as applicable) to fill any vacancies.

At any future election in which all Board seats are to be filled, the term of office of each Director elected to fill a vacancy created by expiration of a Director's term of office shall be two (2) years. The term of office of each Director elected to the Board for any other reason shall be the balance of the unserved term. Any person serving as a Director may be re-elected. There is no limit on the number of terms which a Director may serve.

2.4.1 Term for Appointee Directors. Notwithstanding the section immediately above or anything else in these Bylaws to the contrary, all Directors appointed at any time by exercise of the Declarant's Board Appointment Right shall serve until the earliest to occur of:

- (a) Removal of the Director by Declarant;
- (b) The date of the appointed Director's death, resignation from employment by Declarant or termination of employment by Declarant or resignation from the Board of Directors; or
- (c) The expiration of the Director's term of office; or
- (d) The date that is three (3) years after the date on which the Board Appointment Right expires; or
- (e) The date on which Declarant no longer owns any portion of the Community or Annexable Area.

2.5 VACANCIES.

2.5.1 Resignation. Any Director may resign from the Board at any time by giving written notice of resignation to the Board.

2.5.2 Deemed Vacancies. A vacancy on the Board is deemed to exist in case of death, resignation, removal or judicial adjudication of mental incompetence of any Director or if the Owners fail to elect the full number of authorized Directors at any meeting at which a Directors election is to take place.

2.5.3 Declared Vacancies. Subject to Section 2.6.2, the Board by a majority vote of the Directors who meet all of the requirements for incumbent directors in Section 2.2.2 above, and any Directors who are agents or employees of Declarant, may declare vacant one or more Director seats for cause pursuant to Section 2.6.3 below.

2.5.4 Employees and Agents of Declarant. Notwithstanding anything in these Bylaws to the contrary, the office of any Director who is an employee or other agent of the Declarant shall be deemed to be vacant on the earliest to occur of the date on which the Director resigns from the Board or ceases to be an employee or agent of Declarant, or the date on which the Board receives notice from Declarant that the Director has been replaced by Declarant under Section 2.5.5, or has ceased to be an employee or agent of Declarant. Until termination of the Declarant's Board Appointment Right, a vacancy in the office of any Declarant-appointed Director shall be filled only by another Declarant appointee, unless the Declarant, by written notice delivered to the Board, waives the right to fill the vacancy. Furthermore, on the date on which Declarant no longer owns any portion of the Community or Annexable Area, the offices of non-Owner Directors who are agents of Declarant shall be deemed vacant, and the vacancies filled either by the remaining Directors in accordance with Section 2.5.5, or by the Owners.

2.5.5 Replacement. Vacancies in elected seats on the Board caused by any death, resignation, or any other reason besides the removal of a Director by the Board or by the Owners may be filled by either (a) vote of a majority of the remaining Directors, even though they may constitute less than a quorum, or (b) by vote of the Owners, and any vacancy caused by the removal of a Director must be filled by a vote of the Owners. Provided, however, that notwithstanding the foregoing or anything else to the contrary in these Bylaws, vacancies arising for any reason in the seats of any Directors who are serving as agents of Declarant may be filled solely by Declarant while the Board Appointment Right is in effect. If the vacancy occurs after the Board Appointment Right has expired, then Declarant has the right to fill the vacancy with an appointee to serve the unserved remainder of the term, until the earliest to occur of:

- (a) The date on which the unserved remainder of the term expires;
- or
- (b) The date that is three (3) years after the date on which the Board Appointment Right expires; or
- (c) The date on which Declarant no longer owns any portion of the Community or Annexable Area.

2.6 REMOVAL OF DIRECTORS.

2.6.1 Generally. At any meeting of the Owners, any individual Director or the entire Board may be removed before the expiration of their terms of office with or without cause as follows: (a) as long as fewer than fifty (50) Separate Interests are included in the Community, by the vote of Owners representing a majority of the Master Association's total voting power (including votes attributable to Declarant), and (b) once fifty (50) or more Separate Interests are included in the Community, by the vote of Owners representing a majority of a quorum of Owners. However, if the entire Board is not removed as a group pursuant to a single vote, no individual Director may be removed if the number of votes cast against removal would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the Director's most recent election were then being elected. Any Director whose removal has been

proposed by the Owners must be given an opportunity to be heard at the meeting. If any Directors are removed, new Directors may be elected at the same meeting.

2.6.2 Restrictions on Removal Powers. Notwithstanding anything in these Bylaws to the contrary concerning the removal of Directors, any Director elected to office solely by the votes of Owners other than Declarant pursuant to Section 2.3.3 may be removed only by the vote of at least a simple majority of the Master Association's voting power represented by Owners other than Declarant or by the Board pursuant to Section 2.6.3. Any Director appointed by Declarant may only be removed by Declarant, and the vacancy filled only by a director appointed by Declarant, or elected by the votes of Declarant (as applicable until the earliest to occur of:

(a) The date that is three (3) years after the date on which the Board Appointment Right expires; or

(b) The date on which Declarant no longer owns any portion of the Community or Annexable Area.

2.6.3 Removal by Board for Failure to Qualify. Except as provided in Section 2.6.2 above, the Board, by a majority vote of Directors who meet all the qualifications for Directors in Section 2.2 above, may declare vacant the office of any Director who was not appointed by Declarant or elected by the votes of Declarant if such Director fails to meet the requirements of Section 2.2 above. Provided, however, that so long as Declarant owns any portion of the Community or Annexable Area, any such Directors who are agents or employees of Declarant may only be removed by Declarant.

2.7 COMPENSATION. Directors may not receive any compensation for their services as Directors unless such compensation is first approved by Owners representing at least a majority of the Master Association's voting power. However, (a) nothing in these Bylaws precludes any Director from serving the Master Association in some other capacity and receiving compensation therefor, and (b) any Director may be reimbursed for actual expenses incurred in performance of Association duties, and (c) no agent, officer, employee or director of Declarant or any affiliate of Declarant may receive any compensation from the Master Association for service as a Director of the Master Association.

2.8 MEETINGS OF THE BOARD. Except in certain emergency situations described below, the Directors may not take action on any item of business outside of a meeting.

2.8.1 Conduct of Meeting; Attendees. Any meeting of the Board may be conducted by teleconference at which a majority of the Directors are connected by electronic means, through audio or video or both, with at least one physical location so that the Members may attend and at least one Director, or other person designated by the Board, is present at that location, and so long as the requirements for attendance and participation of Directors and Members at the meeting under California Civil Code Section 4090 and the California Corporations Code are met. In these cases, all Directors who participate in a meeting by any of these methods will be deemed to be present in person at the meeting.

2.8.2 Regular Meetings.

(a) **Time and Place.** Regular meetings may be held at such time and place fixed from time to time by resolution adopted by a majority of a quorum of the Directors. The meeting place shall ordinarily be within the Community unless in the judgment of the Board a larger meeting room is required than exists within the Community, in which case, the meeting room selected shall be as close as possible to the Community, or the Board may elect to hold a meeting at the Manager's corporate offices if such location is determined to be reasonable in the Board's business judgment.

(b) **Frequency.** Regular meetings shall be conducted as frequently as the business of the Board justifies, but in no event may regular meetings be held any less frequently than quarterly.

(c) **Notice.** Each Director and the Members shall be given notice of the time and place of regular meetings of the Board not less than four (4) days before the date of the meeting, except in the case of an emergency meeting or a meeting that will be solely held in executive session (as described below).

2.8.3 Special Meetings. Special meetings may be called by the President or by any two (2) Directors other than the President. Notice of the time and place of special meetings of the Board shall be posted and communicated in the manner prescribed for regular meetings, but it shall be sent to all Directors not less than seventy-two (72) hours prior to the scheduled time of the special meeting. Such notice is not required to be sent to any Director who has signed a waiver of notice or a written consent to holding of the meeting. The notice shall specify the time and place of the meeting and the nature of any special business to be considered.

2.8.4 Executive Sessions. Any Member of the Master Association, and for a period of ten (10) years after the Close of Escrow for the sale of the last Separate Interest in the Community, Declarant, may attend meetings of the Board, except when the Board adjourns to executive session to consider litigation, matters relating to the formation of contracts with third parties, Member discipline, personnel matters, or to meet with a Member, upon the Member's request, regarding the Member's payment of Assessments, as specified in California Civil Code Section 5665. The Board shall meet in executive session, if requested by a Member who may be subject to a fine, penalty, or other form of discipline, and the Member shall be entitled to attend the executive session. Except as expressly permitted in this Section, only Directors, the Master Association's counsel and the Master Association's consultants may attend executive sessions. Except for an emergency meeting, Members shall be given notice of the time and place of a meeting that will be held solely in executive session at least two (2) days prior to the meeting, pursuant to the means of giving notice described below. Any matter discussed in executive session shall be generally noted in the minutes of the immediately following meeting that is open to the entire membership.

2.8.5 Emergency Meetings of the Board. If there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board and which of necessity make it impractical to provide notice to the Members, then an emergency meeting of the Board may be called by the President or any two other members of

the Board without providing notice to the Members. Electronic transmissions may be used as a method of conducting an emergency meeting if all Directors consent in writing to that action and the written consents are filed with the minutes of the meeting. Written consent to conduct an emergency meeting may be transmitted electronically. Emergency meetings must comply with all applicable provisions of California Civil Code Section 4900, *et seq.*

2.8.6 Organizational Meeting for New Board. The first regular “organizational” meeting of a newly elected Board must be held within ten (10) days of election of the Board, at such place as is fixed and announced by the Directors at the meeting at which such Directors were elected, to organize, elect officers and transact other business. No prior notice of such meeting is required for the newly elected Directors so long as (a) a majority of the whole Board is present at the meeting of the Owners when the time and place for the organizational meeting are announced, and (b) the organizational meeting is held on the same day and at the same place as the meeting of the Owners at which the newly constituted Board was elected.

2.8.7 Other Meetings. Any congregation of a majority of the Directors at the same time and place, and any teleconference at which a majority of the Directors are connected at different locations by electronic means, through audio or video or both, to hear, discuss or deliberate on any item of business that is within the authority of the Board, shall constitute a meeting of the Board. All Owners and, for a period of ten (10) years after the Close of Escrow for the sale of the last Separate Interest in the Community, Declarant, shall have the right to attend any regular, special or other meeting of the Board, except an executive session as described above. Owners who are not Directors may not participate in any deliberation or discussion at such meetings unless authorized by a vote of a majority of a quorum of the Board. However, at each Board meeting, except for executive sessions, the Board must set aside time for Owners to speak, subject to reasonable limits imposed by the Board.

2.8.8 Form of Notice to Owners. Notice of a meeting of the Board shall be given by posting in a prominent place or places in the Master Common Area and by mail to any Member who requested notification of meetings by mail at the address requested by the Member. Notice may also be given by mail, by delivery to each Separate Interest, by newsletter or similar means of communication, or, with the consent of the Member, by electronic means. Notice of a meeting need not be given to any Director who has signed a waiver of notice or written consent to holding of the meeting.

2.8.9 Waiver of Notice. Before or after any meeting of the Board, any Director may, in writing, waive personal notice of such meeting. Attendance by a Director at any Board meeting waives the requirement of personal notice. If all Directors are present at a Board meeting, no notice to Directors is required and any business may be transacted at such meeting. The transactions of any Board meeting, however called and noticed and wherever held, are valid as though had at a meeting duly held after regular call and notice, if (a) a quorum is present, (b) notice to the Owners of such meeting was posted as provided in Sections 2.8.2 and 2.8.3, and (c) either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding such meeting, or an approval of the minutes thereof. The Secretary shall file all such waivers, consents and approvals with the Master Association’s records or make them a part of the minutes of the meeting.

2.8.10 Quorum and Adjournment. Except as otherwise expressly provided in these Bylaws, at all meetings of the Board, a majority of the Directors constitutes a quorum for the transaction of business, and the acts of a majority of the Directors present at a meeting at which a quorum is present are the acts of the Board. At any meeting of the Board when less than a quorum is present, the majority of those present may adjourn the meeting to another time. At any such reconvened meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice if a quorum is present.

2.9 COMMITTEES. The Board may by resolution establish such committees as it desires, and may establish the purposes and powers of each such committee created. The resolution establishing the committee must (a) provide for the appointment of its members and a chairman, (b) state the purposes of the committee, and (c) provide for reports, termination and other administrative matters as the Board considers appropriate.

2.10 GENERAL POWERS AND DUTIES. Subject to the limits described in Section 2.11, the Master Declaration and under applicable law governing homeowners Associations, the Master Association has the general powers of a nonprofit mutual benefit corporation organized under California law, to the extent necessary administer its affairs. All the Master Association's powers shall be exercised by the Board except those powers specifically reserved to the Owners. The powers and duties of the Master Association include the following:

2.10.1 Enforcement. The power and duty to enforce applicable provisions of the Governing Documents, and the power to initiate and execute disciplinary proceedings against Members for violations of the Governing Documents in accordance with procedures set forth in the Governing Documents. Such powers include the power to impose sanctions and fines against Owners for violations of the Governing Documents.

2.10.2 Payment of Taxes. Payment of taxes and assessments which are, or could become, a lien on any property owned by the Master Association or portion thereof.

2.10.3 Assessments. The power and duty to fix and levy Assessments and identify the due date for payment of Assessments. The Board may incur Common Expenses. The Master Association's funds shall be held in trust for the Owners.

2.10.4 Insurance. The power and duty to contract and pay for casualty, liability and other insurance on behalf of the Master Association in accordance with the Master Declaration. The insurance shall provide coverage against such damages or injuries as the Board considers advisable (which coverage may include medical expenses of persons injured on the Master Common Property). The Board shall review, not less frequently than annually, all insurance policies and bonds obtained by the Board on the Master Association's behalf.

2.10.5 Obtaining Goods and Services. Subject to the limitations on contracts set forth in Section 2.11.3 below, the power to contract for goods and services for the Master Common Property or for the Master Association, including (a) contracts for maintenance, landscaping and common utilities services, (b) contracts for materials and supplies necessary for the operation and maintenance of the Master Common Property, (c) contracts to obtain the services of personnel necessary to operate and manage the Community, including management,

legal and accounting services, and (d) contracts to pay the cost of construction, maintenance, repair, removal and replacement of Improvements on the Master Common Property.

2.10.6 **Delegation.** The power but not the duty to delegate its powers to committees, officers and employees of the Master Association as authorized under the Governing Documents.

2.10.7 **Rules and Regulations.** The power and duty to formulate rules of operation of the Master Common Property.

2.10.8 **Budgets and Financial Reporting.** The power and duty to prepare budgets and financial statements for the Master Association as prescribed in the Governing Documents.

2.10.9 **Right of Entry.** The power to enter upon any privately-owned Separate Interest as necessary in connection with construction, maintenance or emergency repair for the benefit of the Master Common Property or the Owners in common.

2.10.10 **Filling Vacancies.** The power and duty to fill vacancies on the Board except for a vacancy created by the removal of a Director.

2.10.11 **Officers, Agents and Employees.** The power and duty to select, appoint and remove all Association officers, agents and employees, to prescribe such powers and duties for them as may be consistent with law and with the Governing Documents, to fix their compensation, to require from them such security for faithful service as the Board considers advisable, and to contract to provide them with such indemnification as the Board determines is appropriate.

2.10.12 **Bylaws.** The power and duty to adopt these Bylaws.

2.10.13 **Records.** The power and duty to keep a complete record of Association acts and corporate affairs.

2.10.14 **Manager.** The power to engage a professional Manager for the Master Association at a compensation established by the Board to perform such duties and services as the Board authorizes.

2.10.15 **Agreements with Declarant.** The power but not the duty to negotiate and enter into agreements with Declarant subject to applicable restrictions in the Governing Documents.

2.10.16 **Principal Office, Place of Meetings, Seal.** The power but not the duty to move the Master Association's principal office from one location to another in the County; to designate any place in the County for holding any meetings of Owners consistent with the provisions of Section 4.2.4; and to adopt and use a corporate seal and to alter the form of such seal.

2.10.17 Rules for Elections; Inspector of Elections. The power and duty to adopt rules governing elections in accordance with the procedures prescribed in California Civil Code Section 5105(a), and the power and duty to select an independent inspector of election in accordance with California Civil Code Section 5110.

2.11 POWERS AND DUTIES; LIMITATIONS. Without limiting the scope of the Board's general powers and duties, the Board is granted the following powers and duties:

2.11.1 Sale or other Transfer of Property. The power but not the duty to sell property of the Master Association. Approval from Owners representing at least a majority of the Master Association's voting power must be obtained before property of the Master Association having an aggregate fair market value greater than five percent (5%) of the Master Association's budgeted gross expenses for the Fiscal Year is sold in a single Fiscal Year.

2.11.2 Capital Improvement Expenditures. The power to incur expenditures for capital improvements to the Master Common Property. Approval from a majority of the Owners (excluding Declarant), representing a quorum of more than fifty percent (50%) of non-Declarant votes, must be obtained before the Master Association incurs, in any Fiscal Year, aggregate expenditures for capital improvements to the Master Common Property in excess of five percent (5%) of the Master Association's budgeted gross expenses for that Fiscal Year.

2.11.3 Certain Contracts. Notwithstanding anything in these Bylaws to the contrary, the Board shall be prohibited from taking any of the following actions, except with the assent, by vote at a meeting of the Master Association or by written ballot without a meeting pursuant to California Corporations Code Section 7513, of a simple majority of the Members, other than the Declarant, constituting a quorum consisting of more than 50 percent of the voting power of the Master Association residing in Members other than the Declarant:

(a) Entering into a contract with a third person wherein the third person will furnish goods or services for the Master Common Property or the Master Association for a term longer than one year with the following exceptions:

(i) If FHA or VA are insuring loans in the Community, a management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration.

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

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

(iv) Agreements for cable television services and equipment or satellite dish television services and equipment of not to exceed five years duration provided

that the supplier is not an entity in which Declarant has a direct or indirect ownership interest of 10 percent or more.

(v) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five years duration provided that the supplier or suppliers are not entities in which the subdivider has a direct or indirect ownership interest of 10 percent or more.

(vi) A contract for a term not to exceed three years that is terminable by the Master Association after no longer than one year without cause, penalty, or other obligation upon ninety (90) days written notice of termination to the other party.

(vii) A contract reviewed by CalBRE.

(viii) Contracts in which the Master Association enters into litigation or any alternative dispute resolution procedure when the Master Association's obligation to pay for services is set in whole or in part on a contingency basis only if they are (1) contracts for collection of assessments or other accounts receivable, (2) or contracts involving evaluation of services, or (3) contracts with a total amount to be paid by the Master Association not in excess of Forty Thousand Dollars (\$40,000.00).

(b) Incurring aggregate expenditures for capital Improvements to the Master Common Property in any Fiscal Year in excess of five percent (5%) of the budgeted gross expenses of the Master Association for that Fiscal Year.

(c) Selling during any Fiscal Year property of the Master Association having an aggregate fair market value greater than 5% of the budgeted gross expenses of the Master Association for that Fiscal Year.

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

2.12 DISTRIBUTION OF INFORMATION. The Board shall distribute the following financial information to all Owners (and any Beneficiary, insurer and guarantor of a First Mortgage on request), regardless of the number of Owners or the amount of assets of the Master Association:

2.12.1 Budgets. A pro forma operating Budget for each Fiscal Year containing the information required under California Civil Code Section 5300(b), and including at least the following information, must be distributed not less than thirty (30) nor more than ninety (90) days before the beginning of the Fiscal Year:

(a) Estimated revenue and Common Expenses computed on an accrual basis.

(b) A summary of the Master Association's reserves based on the most recent review or study conducted pursuant to California Civil Code Section 5550, which must be printed in bold type and include all of the following:

(i) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component of the Master Common Property for which the Master Association is responsible.

(ii) As of the end of the Fiscal Year for which the study is prepared:

(1) The current estimate of the amount of cash reserves necessary to restore or maintain the major components of the Master Common Property for which the Master Association is responsible ("**Estimated Reserves**").

(2) The current amount of accumulated cash reserves actually set aside to restore or maintain the major components of the Master Common Property for which the Master Association is responsible ("**Actual Reserves**").

(iii) The percentage that the Actual Reserves is of the Estimated Reserves.

(c) A statement of whether the Board has determined or expects that the levy of one or more Capital Improvement or Reconstruction Assessments will be required to repair, replace, or restore any major component of the Master Common Property for which the Master Association is responsible or to provide adequate reserves therefor.

(d) A general statement setting forth the procedures used by the Board in calculating and establishing reserves to defray the costs of repair and replacement of, or additions to, major components of the Master Common Property and facilities for which the Master Association is responsible.

The Board may distribute a summary of each of the Budgets instead of the Budgets themselves, so long as the Board complies with the provisions of California Civil Code Section 5305.

2.12.2 Financial Report. A report consisting of at least the following must be distributed within one hundred twenty (120) days after the close of the Fiscal Year:

(a) A balance sheet as of the end of the Fiscal Year.

(b) An operating (income) statement for the Fiscal Year.

(c) A statement of changes in financial position for the Fiscal Year.

(d) Any information required to be reported under California Corporations Code Section 8322.

(e) For any Fiscal Year in which the Master Association's gross income exceeds \$75,000, a copy of a review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

(f) A statement of the place where the names and addresses of the current Owners are located.

If the report referred to in Section 2.12.2 is not prepared by an independent accountant, it must be accompanied by the certificate of an authorized Association officer stating that the statement was prepared from the Master Association's books and records without independent audit or review.

2.12.3 Insurance Information. The Master Association shall distribute to all Owners a summary of the Master Association's property, general liability, earthquake, flood and fidelity insurance policies (all as applicable) not less than thirty (30) nor more than ninety (90) days before the beginning of the Master Association's Fiscal Year, that includes all of the following information: (a) the name of the insurer, (b) the type of insurance, (c) the policy limits of coverage, and (d) the amount of the deductibles, if any.

(a) The Master Association shall, as soon as reasonably practical, notify the Owners by first-class mail if any of the policies described above have lapsed, been canceled, and are not immediately renewed, restored, or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible, for any of those policies. If the Master Association receives any notice of nonrenewal of a policy described above, the Master Association shall immediately notify the Owners if replacement coverage will not be in effect by the date the existing coverage will lapse.

(b) To the extent that any of the information required to be disclosed is specified in the insurance policy declaration page, the Master Association may meet its obligation to disclose that information by making copies of that page and distributing it to all Owners.

(c) The summary distributed above shall contain, in at least 10-point boldface type, the following statement:

"This summary of the association's policies of insurance provides only certain information, as required by Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including

personal property or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage."

2.12.4 Enforcement Policies. In addition to financial statements, the Board shall annually distribute not less than thirty (30) nor more than ninety (90) days before the beginning of the Master Association's Fiscal Year a statement of the Master Association's policies and practices in enforcing its lien rights or other legal remedies against Owners for defaults in the payment of Assessments, including the recording and foreclosing of liens against Separate Interests.

2.12.5 Assessment and Foreclosure Notice.

(a) The Master Association shall distribute the written notice described in subsection (b) below to each Association member during the 30-90-day period immediately preceding the beginning of the Master Association's Fiscal Year. The notice shall be printed in at least 12-point type. An Association member may provide written notice of a secondary address to the Master Association by facsimile transmission or United States mail. If a secondary address is provided, the Master Association shall send any correspondence and legal notices required pursuant to these Bylaws both to the primary and the secondary address.

(b) The notice required by this Section shall read as follows:

"NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure, or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated

assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code, inclusive)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common area damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5675 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 5685 of the Civil Code)

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, the owner may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 5655 of the Civil Code)

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share interest may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exists. (Section 5665 of the Civil Code)

The board must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 5665 of the Civil Code)"

2.12.6 Accounts. On at least a quarterly basis, the Board shall: (a) cause to be completed and review a current reconciliation of the Master Association's operating and reserve accounts, (b) review the current Fiscal Year's actual reserve revenues and expenses compared to the applicable Budget for the then current Fiscal Year, (c) review the income and

expense statement for the Master Association's operating and reserve accounts, (d) review the most current account statements prepared by the financial institutions where the Master Association keeps its operating and reserve accounts, and (e) fulfill any additional duties established by California Civil Code Section 5500. The signatures of either (1) two (2) Directors, or (2) one (1) Director and one (1) Association officer (who is not also a Director) are required for the withdrawal of money from the Master Association's reserve accounts. As used in this Subsection, the term "reserve accounts" means Budgeted funds that the Board has designated for use to defray the future repair and replacement of, or additions to, those major components of the Master Common Property which the Master Association is obligated to maintain.

2.12.7 **Reserve Study.** The Board shall cause a study of the reserve account requirements of the Community to be conducted in accordance with California Civil Code Section 5550, *et seq.* As used in this Subsection, "reserve account requirements" means the estimated funds which the Board has determined are required to be available at a specified point in time to repair, replace or restore those major components of the Master Common Property which the Master Association is obligated to maintain.

ARTICLE III OFFICERS

3.1 **ENUMERATION OF OFFICERS.** The Master Association's principal officers are a President, a Vice President, a Secretary, and a Treasurer, all elected by the Board. The Board may appoint an Assistant Treasurer, an Assistant Secretary and such other officers as it determines to be necessary. Officers other than the President need not be Directors. Any person may hold more than one office.

3.2 **ELECTION OF OFFICERS.** The Board shall annually elect the Master Association's officers at the first meeting of the Board to occur following the annual meeting of the Members. The Board shall adopt rules relating to the election of officers according to the procedures prescribed by California Civil Code Section 4340. Each officer shall hold his office at the pleasure of the Board, until he resigns or is removed, is otherwise found to be disqualified to serve or a successor is elected and qualified to serve.

3.3 **REMOVAL OF OFFICERS; RESIGNATION.** On an affirmative vote of a majority of the entire Board, any officer may be removed, either with or without cause, and a successor elected at any meeting of the Board. Any officer may resign at any time by giving written notice to the Board or to the President or Secretary. Any such resignation is effective on the date of receipt of such notice or at any later time specified therein. Unless specified in the notice, acceptance of the resignation by the Board is not necessary to make it effective.

3.4 **COMPENSATION.** No officer may receive any compensation for services performed in the conduct of the Master Association's business unless such compensation is approved by the vote or written consent of Owners representing at least a majority of the Master Association's voting power; however (a) nothing in these Bylaws precludes any officer from serving the Master Association in some other capacity and receiving compensation therefor, and (b) any officer may be reimbursed for actual expenses incurred in the performance of

Association duties. Appointment of any officer does not create contractual rights of compensation for services performed by such officer. No officer, employee or director of Declarant or any affiliate of Declarant may receive any compensation for service as an officer of the Master Association.

3.5 PRESIDENT. The President is the chief executive officer of the Master Association and shall (a) preside at all Association and Board meetings, (b) have the general powers and duties which are usually vested in the office of the President of a corporation, including but not limited to the power to appoint committees from among the Owners as the President decides is appropriate to assist in the conduct of the Master Association's affairs, and (c) subject to the control of the Board, have general supervision, direction and control of the Master Association's business.

3.6 VICE PRESIDENT. The Vice President shall take the President's place and perform the President's duties whenever the President is absent, disabled, fails or refuses to act. If neither the President nor the Vice President is available to perform the President's duties, the Board shall appoint another member of the Board to do so on an interim basis. The Vice President has such other powers and duties as may be prescribed by the Board or these Bylaws.

3.7 SECRETARY. The Secretary shall (a) keep the minutes of all meetings of the Board and of the Master Association at the Master Association's principal office or at such other place as the Board may order, (b) keep the Master Association's seal in safe custody, (c) have charge of such books and papers as the Board may direct, (d) in general, perform the duties incident to the office of Secretary, (e) give, or cause to be given, notices of meetings of the Owners and of the Board required by these Bylaws or by law to be given, (f) keep a record book of Owners, listing the names, mailing addresses and telephone numbers of Owners, as furnished to the Master Association ("*Membership Register*"), and (g) record in the Membership Register the termination or transfer of ownership by any Owner, together with the date of the transfer. The Secretary has such other powers and duties as may be prescribed by the Board or these Bylaws.

3.8 TREASURER/CHIEF FINANCIAL OFFICER. The Treasurer or Chief Financial Officer is the Master Association's chief financial officer and is responsible for Association funds. The Treasurer or Chief Financial Officer shall (a) keep, or cause to be kept, full and accurate accounts and tax and business records of the Master Association, including accounts of all assets, liabilities, receipts and disbursements, (b) be responsible for the deposit of all funds in the name of the Master Association in such depositories as the Board designates, (c) disburse the Master Association's funds as ordered by the Board, and (d) render to the President and Directors, on request, an account of all transactions as Treasurer or Chief Financial Officer and of the Master Association's financial condition. The Treasurer or Chief Financial Officer has such other powers and duties as may be prescribed by the Board or these Bylaws.

ARTICLE IV OWNERS

4.1 OWNER VOTING RIGHTS.

4.1.1 Classes of Membership. The Master Association has two (2) classes of Membership, as described in the Master Declaration. The Class A and Class B Memberships are voting Memberships. However, the Declarant's Board Appointment Right is not a part of the "voting power" of the Master Association. It is to be exercised solely for the appointment of Directors in accordance with these Bylaws and the Master Declaration.

4.1.2 Interpretation. Except as provided in Section 2.3.3, any provision of the Bylaws which requires the vote or written consent of a specified percentage of the Master Association's voting power (i.e., actions requiring more than merely the vote or written consent of a majority of a quorum), requires the approval of such specified percentage of all of the following: (a) the Class A Membership; (b) the Class B Membership (so long as a Class B Membership exists); (c) the Master Association's total voting power; and (d) the voting power represented by Owners other than Declarant. Whenever a reference is made in these Bylaws or the Master Declaration to the Master Association's voting power, it is a reference to the voting power of the Class A and Class B Memberships, and not to the Declarant's Board Appointment Right.

4.2 OWNER MEETINGS.

4.2.1 First Annual Meeting. The first annual meeting of Owners, whether regular or special, shall be held no later than the date that is six (6) months after the first Close of Escrow in the Community.

4.2.2 Regular Meetings of Owners. Regular meetings shall be held at least annually on or about the anniversary date of the first annual meeting. Each First Mortgagee may designate a representative to attend all annual meetings.

4.2.3 Special Meetings of Owners. The Board shall call a special meeting of the Owners (a) as directed by resolution of a majority of a quorum of the Board, (b) by request of the President of the Master Association, or (c) on receipt of a written request for a special meeting signed by Owners representing at least five percent (5%) of the Master Association's total voting power. The Secretary shall give written notice of any special meeting not less than ten (10) nor more than ninety (90) days before the date of the meeting at which members are required or permitted to take any action. The notice must state the date, time and place of the special meeting and the general nature of the business to be transacted. The special meeting must be held not less than thirty-five (35) nor more than ninety (90) days after adoption of such resolution or receipt of such request or petition. No business may be transacted at a special meeting except as stated in the notice. Each First Mortgagee may designate a representative to attend all special meetings.

4.2.4 Place. Meetings of the Owners shall be held in the Community, or such other suitable place as proximate to the Community as practical and convenient to the Owners, as designated by the Board.

4.2.5 Adjourned Meetings. If a quorum is not present at the time and place established for a meeting, a majority of the Owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days after the original meeting date, at which meeting the quorum requirement is the presence in person or by proxy of Owners holding at least twenty-five percent (25%) of the Master Association's voting power. Such an adjourned meeting may be held without the notice required by these Bylaws if notice thereof is given by announcement at the meeting at which such adjournment is taken.

4.2.6 Order of Business. Meetings of Owners must be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Master Association may adopt. The order of business at all meetings of the Owners is as follows: (a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice; (c) reading of minutes of preceding meeting; (d) reports of officers; (e) reports of committees; (f) election of inspector of election (at annual meetings or special meetings held for such purpose); (g) election of Directors (at annual meetings or special meetings held for such purpose); (h) unfinished business; and (i) new business.

4.2.7 Minutes, Presumption of Notice. Minutes or a similar record of the proceedings of meetings of Owners, when signed by the President or Secretary, shall be presumed truthfully to evidence the matters described therein. A recitation in the minutes executed by the Secretary that proper notice of the meeting was given constitutes prima facie evidence that such notice was given.

4.2.8 Consent of Absentees; Waiver of Notice. The actions taken at any meeting of Owners held without regular call and notice, are valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present either in person or by proxy, and (b) either before or after the meeting, each of the Owners not present in person or by proxy signs (1) a written waiver of notice, (2) a consent to the holding of such meeting, or (3) an approval of the minutes thereof. The Secretary shall file all such waivers, consents or approvals with the corporate records or make them a part of the minutes of the meeting. In addition, notice of such meeting shall be deemed given to any person who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

4.2.9 Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of at least twenty-five percent (25%) of the Master Association's voting power constitutes a quorum of the Membership. Owners present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, despite the withdrawal of enough Owners to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of a quorum. If a meeting is actually attended, in person or by proxy, by Owners having less than one-third (1/3) of the Master Association's voting power, then no matter may be voted on except matters which were generally described in the notice of the meeting. No action by the Owners on any matter is effective if the votes cast in favor are fewer than the minimum number of votes required by the Governing Documents to approve the action.

4.2.10 Majority of Quorum. Unless otherwise provided in the Governing Documents, any action which may be taken by the Master Association may be taken by a majority of a quorum of the Master Association's voting power.

4.2.11 Proxies. Votes may be cast in person or by proxy. Proxies must be in writing, comply in form with the requirements of California Civil Code Section 5130, and be filed with the Secretary in advance of each meeting. Every proxy is revocable and automatically ceases to have any further legal effect after completion of the meeting for which the proxy was filed. Any form of proxy or written ballot distributed by any Person to the Owners must afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted on, except it is not mandatory that a candidate for election to the Board be named in the proxy or written ballot. The proxy or written ballot must provide that, when the Owner specifies a choice, the vote shall be cast in accordance with that choice. The proxy must also identify the person authorized to exercise the proxy and the length of time it will be valid. No proxy is valid concerning a vote on any matter described in California Corporations Code Section 7613(g) unless the general nature of the proposal was described in the proxy.

4.2.12 Notice. The Secretary shall send to each Owner of record, and to each first Mortgagee who has filed a written request for notice with the Secretary, a notice of each annual or special meeting. The notice must be sent by first-class mail, at least ten (10) but not more than forty-five (45) days before the meeting. The notice must state the purpose for the meeting as well as the day, hour and place where it is to be held. The notice may establish time limits for speakers and nominating procedures for the meeting. The notice must specify those matters the Board intends to present for action by the Owners, but, except as otherwise provided by law, any proper matter may be presented for action at the meeting. The notice of any meeting at which Directors are to be elected must include the names of all nominees when the notice is given to the Owners. The mailing of a notice, postage prepaid, in the manner provided in this Section, shall be considered notice served, forty-eight (48) hours after the notice has been deposited in a regular depository of the United States mail. Such notice must be posted in a conspicuous place on the Master Common Property and is deemed served on an Owner on posting if no address for such Owner has been then furnished the Secretary.

4.2.13 Matters Requiring Special Notice to Owners. Notwithstanding any other provision of these Bylaws, approval by the Owners of any of the following proposals, other than by unanimous approval of those Owners entitled to vote, is not valid unless the general nature of the proposal was stated in the notice or in any written waiver of the notice: (a) removing a Director without cause; (b) filling vacancies on the Board; (c) approving a contract or transaction between the Master Association and one or more Directors, or between the Master Association and any entity in which a Director has a material financial interest; (d) amendment of the Articles; or (e) electing to wind up and dissolve the Master Association.

4.2.14 Matters Requiring Secret Ballot. Notwithstanding any other law or provision of the Governing Documents, an election regarding Assessments, selection of Board members, amendments to the Governing Documents, or the grant of exclusive use of Master Common Property under California Civil Code Section 4600 shall be held by secret ballot according to the procedures set forth in California Civil Code Section 5100, *et seq.* and Section 2.3.2 above.

4.3 RECORD DATES. The Board may fix a date in the future as a record date for determining which Owners are entitled to notice of any meeting of Owners. The record date so fixed must be not less than ten (10) nor more than sixty (60) days before the date of the meeting. If the Board does not fix a record date for notice to Owners, the record date for notice is the close of business on the business day preceding the day on which notice is given. In addition, the Board may fix a date in the future as a record date for determining the Owners entitled to vote at any meeting of Owners. The record date so fixed must be not less than ten (10) nor more than sixty (60) days before the date of the meeting. If the Board does not fix a record date for determining Owners entitled to vote, Owners on the day of the meeting who are otherwise eligible to vote are entitled to vote at the meeting.

4.4 ACTION WITHOUT MEETING. Except for election of Directors, any action which may be taken at a meeting of the Owners may be taken without a meeting by written ballot of the Owners, according to the provisions of California Civil Code Section 5115. Solicitations for ballots must specify (a) the number of responses needed to meet the quorum requirements, (b) the percentage of approvals necessary to approve the action, and (c) the time by which ballots must be received to be counted. The form of written ballot must afford an opportunity to specify a choice between approval and disapproval of each matter and must provide that, where the Owner specifies a choice, the vote shall be cast in accordance therewith. Receipt within the time period specified in the solicitation of (1) ballots which equal or exceed the quorum which would be required if the action were taken at a meeting, and (2) approvals which equal or exceed the number of votes which would be required for approval if the action were taken at a meeting at which the total number of votes cast was the same as the total number of ballots cast, constitutes approval by written ballot.

ARTICLE V AMENDMENTS

These Bylaws may be amended by the vote or written consent of Owners representing at least (a) a majority of the voting power of each class of the Owners, and (b) a majority of the Master Association's voting power represented by Owners other than Declarant; provided that the specified percentage of each class of Owners necessary to amend a specific provision of these Bylaws may not be less than the percentage of affirmative votes prescribed for action to be taken under that provision. These Bylaws may be amended by a majority of the entire Board, (1) at any time before the Close of Escrow for the sale of the first Separate Interest, or (2) if the amendment is within the Board's power to adopt without Owner approval pursuant to the California Corporations Code and either (a) the proposed amendment conforms the Bylaws to California law or the requirements of CalBRE, FHFA, FHA, VA, Fannie Mae, Ginnie Mae or Freddie Mac, or (b) the proposed amendment corrects a typographical error in the Bylaws. Any amendment to these Bylaws which materially affects the rights of Mortgagees as described in Article 11 or Section 13.2 of the Master Declaration must be approved by at least the percentage of Mortgagees specified in the applicable provision of Article 11 or Section 13.2 of the Master Declaration. If an amendment to these Bylaws materially affects matters listed in both Article 11 and Section 13.2 of the Master Declaration, then the amendment must be approved pursuant to the requirements of both Article 11 and Section 13.2 of the Master Declaration. Notwithstanding anything to the contrary in these Bylaws or in the other Governing Documents of the Master Association, during the term of Declarant's Board Appointment Right (described in Section 2.4

above), no amendment concerning the Board Appointment Right shall be effective without the prior written consent of the Declarant, which consent it may withhold in its sole discretion.

ARTICLE VI MISCELLANEOUS

6.1 VOTE TO INITIATE RIGHT TO REPAIR LAW CLAIM. Beginning on the date of the first annual meeting of the Owners, Declarant relinquishes control over the Master Association's ability to decide whether to initiate a Right to Repair Law Claim. This means that Declarant and Directors who are current employees or agents of Declarant or elected by a majority of votes cast by Declarant and all other Persons whose vote or written consent is inconsistent with the intent of the preceding sentence, whether they are appointed by exercise of Declarant's Board Appointment Right, are prohibited from participating and voting in any decision of the Master Association or Owners to initiate a Right to Repair Law Claim.

6.2 CHECKS, DRAFTS AND DOCUMENTS. All checks, drafts, orders for payment of money, notes and other evidences of indebtedness issued in the name of or payable to the Master Association must be signed or endorsed in the manner and by the person or persons the Board designates by resolution, subject to the requirements of Section 2.12.6 for withdrawing money from the Master Association's reserve accounts.

6.3 CONFLICTS. If any of these Bylaws conflict with any California law, such conflicting Bylaws shall be void on final court determination to such effect, but all other Bylaws shall remain in full force. In case of any conflict between the Articles of Incorporation and these Bylaws, the Articles of Incorporation shall control. In case of any conflict between the Master Declaration and these Bylaws, the Master Declaration shall control.

6.4 EXECUTION OF DOCUMENTS. The Board may authorize any officer or officers, agent or agents to enter into any contract or execute any instrument in the name and on behalf of the Master Association. Such authority may be general or confined to specific instances. Unless so authorized by the Board, no officer, agent, committee member or employee may bind the Master Association by any contract or pledge its credit or render it liable for any purpose in any amount.

6.5 AVAILABILITY OF ASSOCIATION DOCUMENTS.

6.5.1 Records To Be Maintained. The Master Association shall keep at its principal office (or at such other place in or near the Community as the Board may prescribe) the Governing Documents and the Master Association's records, as defined in California Civil Code Section 5200, *et seq.* (collectively, the "**Association Documents**"). The Master Association Documents shall be made available for inspection and copying by any Owner or the Owner's duly appointed representative for a purpose reasonably related to the Owner's interest as an Owner.

6.5.2 Inspection Rights. Subject to reasonable Rules and Regulations adopted from time to time by the Board, the Master Association shall make Association Documents available for the time periods and within the timeframes provided in California Civil Code Sections 5210 (a) and (b) for inspection and copying by an Association member, or the

member's designated representative. The Master Association may bill the requesting member for the direct and actual cost of copying requested documents. The Master Association shall inform the member of the amount of the copying costs before copying the requested documents.

6.5.3 Manner of Inspection. The Master Association shall make the specified Association Documents available for inspection and copying in compliance with California Civil Code Sections 5205 and 5215. The inspection and copying rights provided in these Bylaws are subject to the rights and restrictions set forth in California Civil Code Sections 5205, *et seq.*

6.5.4 Limitation on Information Disclosed. The Master Association may withhold or redact information from the Master Association's Documents for any of the reasons as set forth in California Civil Code Section 5215.

6.5.5 Distribution of Records on Sale or Transfer of Title. No later than ten (10) days after the Master Association receives written request from any Owner, the Master Association shall provide to that Owner a copy of each of the documents listed in California Civil Code Section 4525 that have been requested by the Owner.

6.5.6 Distribution of Budget, Minutes. Owners must be notified in writing when the budget required in Section 2.12.1 is distributed or at the time of any general mailing to the entire Association Membership of their right to have copies of the minutes of meetings of the Board and how and where those minutes may be obtained.

6.6 FISCAL YEAR. The Board shall select the Master Association's Fiscal Year. The Fiscal Year is subject to change as the Board determines.

6.7 CHANGES IN APPLICABLE LAW. Provisions of various laws, including the Davis-Stirling Common Interest Development Act, various provisions of the California Corporations Code, including the General Corporation Law at Section 100, the Nonprofit Corporation Law at Section 5000, *et seq.*, and the Nonprofit Mutual Benefit Corporation Law at Section 7000, *et seq.*, or the Federal Fair Housing Act codified at Title 42 United States Code, Section 3601, *et seq.*, may in the future be amended, in which case such amendment will be deemed to supplement or override applicable provisions of these Bylaws (as applicable).

ARTICLE VII NOTICE AND HEARING PROCEDURE

7.1 INITIAL COMPLAINT. Persons who believe a violation of the Governing Documents has occurred may file a complaint with a Person designated by the Board on a form approved by the Board. The Board will commence the enforcement process and determine whether a violation has occurred. In its discretion, the Board may issue one or two violation letters to the Person alleged to have committed the violation ("**Respondent**") or set a hearing described in Section 7.2 below. The Board may direct the Manager to assist the Board in any of the steps the Board chooses to take in enforcing the Governing Documents except that decisions made at hearings must be made by the Board.

7.2 SCHEDULING HEARINGS. A hearing before the Board to determine whether a sanction should be imposed may be initiated by the Board after receipt of at least one complaint or for violations noted during a physical inspection. To initiate a hearing, the Board must deliver to the Respondent a notice which includes the following:

7.2.1 Complaint. A written statement setting forth in ordinary and concise language the acts or omissions with which the Respondent is charged,

7.2.2 Basis for Violation. A reference to the specific provisions of the Governing Documents which the Respondent is alleged to have violated,

7.2.3 Hearing Schedule. The date, time and place of the scheduled hearing,

7.2.4 Sanctions. A list of sanctions which may be imposed at the hearing.

The date for the hearing may be not less than fifteen (15) days after the date the notice of hearing is mailed or delivered to the Respondent. The Respondent is entitled to attend the hearing, submit a statement of defense to the Board in advance of the hearing, or present a statement of defense and supporting witnesses at the hearing. If the Respondent does not attend the hearing, the Respondent waives these rights.

7.3 CONDUCT OF HEARING. The Board shall conduct the hearing in executive session (if so requested by the Respondent), and shall afford the Respondent a reasonable opportunity to be heard. Before a sanction will be effective, proof of notice and the invitation to be heard must be placed in the minutes of the meeting. Such proof is adequate if a copy of the notice together with a statement of the date and manner of delivery is entered by the Master Association officer or Board member who mailed or delivered such notice. The record of the meeting must contain a written statement of the results of the hearing and the sanction imposed (if any).

7.4 IMPOSITION OF SANCTIONS. After affording the Respondent an opportunity for a hearing before the Board, the Board may impose any one or more of the following sanctions: (a) levy a Special Assessment as authorized in the Master Declaration; (b) suspend or condition the Respondent's right to use any recreational facilities the Master Association owns, operates or maintains commencing on a date in the future selected by the Board; (c) suspend the Respondent's voting privileges established under the Master Declaration; (d) enter into a Separate Interest to perform maintenance which, according to the Master Declaration, is the responsibility of the Respondent; or (e) record a notice of noncompliance if allowed by law. Any suspension of Membership privileges may not be for a period of more than thirty (30) days for any non-continuing infraction, but in the case of a continuing infraction (including continuing failure to pay any Assessment after it becomes delinquent) may be imposed as long as the violation continues. Written notice of any sanctions to be imposed must be delivered to the Respondent personally, by any system or technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means, by first class mail or certified mail return receipt requested, or any combination of the foregoing. No action against the Respondent arising from the alleged violation may take effect before five (5) days after the

hearing. The Board shall not impose any sanction that will interfere with or prevent Declarant's exercise of any rights reserved in Article 15 of the Master Declaration.

7.5 LIMITS ON REMEDIES. The Board's failure to enforce the Governing Documents does not waive the right to enforce them. The remedies provided by the Governing Documents are cumulative and not exclusive. However, any individual Owner must exhaust all available internal Association remedies prescribed by the Governing Documents before that Owner may resort to a court of law for relief concerning any alleged violation of the Governing Documents by another Owner.

[Certificate of Secretary on Next Page]

CERTIFICATE OF SECRETARY

I, the undersigned, certify that:

1. I am the duly elected and acting Secretary of Righetti Ranch Maintenance Corporation, a California nonprofit mutual benefit corporation (the "*Association*"); and

2. The foregoing Bylaws comprising 28 pages (including this page) constitute the Bylaws of the Master Association duly adopted by the Master Association Board of Directors on _____, 20____.

I have signed this Certificate and affixed the seal of the Master Association effective on _____, 20____.

_____,
_____, Secretary

(SEAL)

EXHIBIT D
PROHIBITED NON-NATIVE SPECIES

African sumac (*Rhus lancea*)

Australian saltbush (*Atriplex semibaccata*)

Black locust (*Robinia pseudoacacia*)

California pepper (*Schinus molle*) and Brazilian pepper (*S. terebinthifolius*)

Cape weed (*Arctotheca calendula*)

Cotoneaster (*Cotoneaster pannosus*), (*C. lacteus*)

Edible fig (*Ficus carica*)

Fountain grass (*Pennisetum setaceum*)

French broom (*Genista monspessulana*)

Ice plant, sea fig (*Carpobrotus edulis*)

Leafy spurge (*Euphorbia esula*)

Myoporum (*Myoporum spp.*)

Olive (*Olea europaea*)

Pampas grass (*Cortaderia selloana*), and Andean pampas grass (*C. jubata*)

Russian olive (*Elaeagnus angusticifolia*)

Scotch broom (*Cytisus scoparius*) and striated broom (*C. striatus*)

Spanish broom (*Spartium junceum*)

Tamarix, salt cedar (*Tamarix chinensis*), (*T. gallica*), (*T. parviflora*), (*T. ramosissima*)

Blue gum (*Eucalyptus globulus*)

Athel tamarisk (*Tamarix aphylla*)

EXHIBIT E

**ISLAY HILL HOA BASIN DEED AND ASSUMPTION OF MAINTENANCE
OBLIGATIONS**

RECORDING REQUESTED BY:
FIRST AMERICAN TITLE COMPANY

JULIE RODEWALD
San Luis Obispo County - Clerk/Recorder

AG
1/17/2014
8:00 AM

Recorded at the request of
First American Title Company

~~RECORDING REQUESTED BY AND~~
WHEN RECORDED MAIL TO:

Righetti Ranch, LLC
2917 Canon Street
San Diego, CA 92106

DOC#: **2014002035**



Titles: 2 Pages: 2

Fees	31.00
Taxes	8.80
Others	7.00
PAID	\$46.80

APN No. 053-091-018 and 044-412-003
4535203-RM

SPACE ABOVE THIS LINE FOR RECORDER'S USE

GRANT DEED WITH COVENANT RUNNING WITH LAND

The undersigned Grantor declares:

DOCUMENTARY TRANSFER TAX \$8.80

XX Computed on the consideration or value of property conveyed; OR
____ Computed on the consideration or value less liens or encumbrances remaining at time of sale.
____ Unincorporated area; XX City of San Luis Obispo

FILED	FEE PAID	EXEMPT	OUT OF STATE
<i>Al</i>			

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged ISLAY HILL HOMEOWNERS ASSOCIATION, a California corporation, hereby GRANTS to RIGHETTI RANCH, LLC, a Delaware limited liability company, the following real property located in the City and County of San Luis Obispo, State of California, described as follows:

SEE ATTACHED EXHIBIT "A."

A.P.N. No. 053-091-018 and 044-412-003

Dated: January 2, 2014

ISLAY HILL HOMEOWNERS ASSOCIATION,
a California corporation

By: Kay Cementina
Kay Cementina, President

CERTIFICATE OF ACKNOWLEDGMENT OF NOTARY PUBLIC

State of California
County of San Luis Obispo

}ss.

On January 14, 2014 before me, Rosanna M. Medeiros, Notary Public, personally appeared KAY CEMENTINA, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

Rosanna M. Medeiros

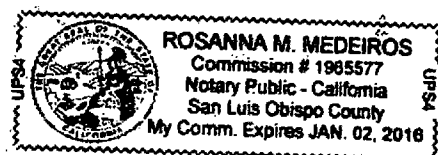


EXHIBIT "A" TO GRANT DEED

COVENANT RUNNING WITH LAND CONVEYED

The conveyance of the real property described below is subject to the following covenant that binds the assigns of the covenantor and vests in the assigns of the covenantee and runs with the land:

1. any modification to the design and/or drainage basin capacity of the property described below must first be approved by the City and/or County of San Luis Obispo, as necessary. The title holder of the property described below shall indemnify and hold any previous title holder, its officers, directors, shareholders, members, agents, employees, and assigns harmless from all damages, liability, claims, demands, attorney's fees, and legal costs relating to or arising out of any modifications performed by the current title holder.

2. the current title holder of the property described below shall assume the all maintenance obligations as proscribed by the City or County of San Luis Obispo and shall indemnify and hold any previous title holder, its officers, agents, employees, and assigns harmless from all damages, liability, claims, demands, attorney's fees, and legal costs relating to or arising out of any maintenance obligations arising subsequent to the current title holder acquiring title.

3. the current title holder of the property described below shall at all times maintain a liability insurance policy covering the property described below in a minimum amount of \$1,000,000. This policy will name Islay Hill Homeowners Association, a California corporation, as an additional insured party and will provide a notice of cancellation provision. The current title holder will promptly notify Islay Hill Homeowners Association of any accident or incident that may result in an insurance claim. Not more frequently than once in any five (5) year period, if, in the opinion of the Seller's insurance consultant retained by Seller, the amount of the insurance covering the Real Property is not adequate, Purchaser shall increase the insurance coverage as required by Seller's insurance consultant; provided however, that in no event shall any insurance coverage be increased in excess of that which is from time to time being required for other comparable properties in the vicinity of the Real Property, if any.

DESCRIPTION OF THE REAL PROPERTY CONVEYED

Real property in the unincorporated area of the County of San Luis Obispo; and in the City of San Luis Obispo, State of California, described as follows:

Lot 132 of Tract No. 1376, Unit No. 1, in the City of San Luis Obispo and the County of San Luis Obispo, State of California, according to map recorded August 19, 1988 in Book 14, Page 77 of Maps.

APN: 053-091-018 and 044-412-003

RECORDING REQUESTED BY:
FIRST AMERICAN TITLE COMPANY

~~RECORDING REQUESTED BY, AND~~
WHEN RECORDED, RETURN TO:

Righetti Ranch, LLC
2917 Canon Street
San Diego, CA 92106

JULIE RODEWALD
San Luis Obispo County – Clerk/Recorder

AG
1/17/2014
8:00 AM

Recorded at the request of
First American Title Company

DOC#: 2014002036



Titles: 1 Pages: 4

Fees	23.00
Taxes	0.00
Others	0.00
PAID	\$23.00

APN: 053-091-018 and 044-412-003
4535203-RM

MEMORANDUM OF TRANSFER AND ASSUMPTION OF MAINTENANCE OBLIGATIONS

THIS MEMORANDUM OF TRANSFER AND ASSUMPTION OF MAINTENANCE OBLIGATIONS ("Memorandum") is made as of January 6, 2014 by and between ISLAY HILL HOMEOWNERS ASSOCIATION, a California corporation ("Seller"), and RIGHETTI RANCH, LLC, a Delaware limited liability company ("Purchaser"). The Seller and Purchaser are hereinafter collectively referred to as "the Parties".

Recitals

A. Seller is the owner of record of all that certain real property commonly known as the Islay Hill drainage basin which is approximately 2.27 acres, and is situated in the unincorporated area of the County of San Luis Obispo; and in the City of San Luis Obispo, State of California, and more particularly described as follows:

Lot 132 of Tract No. 1376, Unit No. 1, in the City of San Luis Obispo and the County of San Luis Obispo, State of California, according to map recorded August 19, 1988 in Book 14, Page 77 of Maps.

APN: 053-091-018 and 044-412-003 (the "Property")

B. On November 20, 2013, the Parties entered into a Purchase and Sale Agreement (the "Purchase Agreement"), pursuant to which Seller agreed to sell and Purchaser agreed to buy the Property. The Property is designed to be used as a water detention basin(s).

C. As more particularly set forth in the Purchase Agreement, along with all rights, title and interests in the Property, immediately upon recording of the Grant Deed conveying title to the Property from Seller to Purchaser (the "Grant Deed") which is intended to be recorded simultaneously herewith, any and all maintenance obligations for the Property will transfer to the Purchaser.

D. The Parties desire to execute this Memorandum to provide constructive notice to all third parties of the transfer and assumption of any and all maintenance obligations of the Property from Seller to Purchaser upon the recording of the Grant Deed.

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

Section 1. Maintenance Obligations

Seller agrees to transfer, and Purchaser agrees to assume, all maintenance obligations for the Property including, but not limited to the following:

In accordance with the requirements of the City of San Luis Obispo, Purchaser shall maintain the Property. The duty to maintain the Property shall include the duty to maintain, repair, and replace the Property in safe and sanitary condition and in accordance with the maintenance schedule as follows. The Purchaser shall also make periodic reports regarding the condition of said Property for the life of said Property as follows:

The Property which is designed to be a water detention basin has four components which require periodic inspection and maintenance to give reasonable assurance that the Property will function as designed. The four items are: (1) Basin holding capacity. The Property shall be inspected for siltation or deposition of any material which would adversely impact the holding capacity of the basin. If it is determined the basin capacity is less than ninety (90%) of the design capacity, the basin shall be cleaned out and the capacity restored to at least one hundred percent (100%) of design capacity. (2) Basin structural integrity. The berms forming the sides of the basin shall be inspected for structural integrity and rodent infestation. If a defect in the structural integrity is apparent, a qualified soils engineer shall determine remedial actions to be taken. If rodent infestation is apparent, an aggressive rodent control program shall immediately be undertaken by a licensed Pest Controller. (3) Basin storm drain structure function. The inlet and outlet structures shall be inspected for cleanliness and blockage. Any debris shall be removed. (4) Fencing, landscaping and irrigation. This includes repair and replacement of damage components, collection and removal of trash and appropriate horticultural practices.

The Property's basins shall be inspected by a registered civil engineer each year during the months of April and September. The engineer's report shall be filed with the City Engineer, City of San Luis Obispo, and with the County Engineer, County of San Luis Obispo. The report shall state the status of all four items above and shall note any deficiencies found during the inspection and the remedial action required to correct the deficiencies. The report shall be filed prior to May 15 and October 15 of each year. Remedial work, if any, must be completed prior to November 15 of each year.

Section 2. Commencement Date of Transfer and Assumption of Obligations to Maintain

The transfer and assumption of maintenance obligations from Seller to Purchaser shall commence immediately upon the recording of the Grant Deed.

Section 3. Irrevocable Assumption

Upon recording of the Grant Deed, the assumption of the maintenance obligations by Purchaser is irrevocable.

Section 4. Indemnification

Purchaser shall indemnify, defend, and hold Seller, its officers, directors, shareholders, members, agents, employees, and assigns harmless from all damages, liability, claims, demand, attorneys fees, and legal costs relating to or arising from any obligations to maintain the Property assumed by Purchaser, including without limitation, disputes involving the City or County of San Luis Obispo.

Section 5. Successors and Assigns

This Memorandum shall bind and inure to the benefit of the Parties and their respective heirs, successors, and assigns.

Section 6. Governing Law

This Memorandum is governed by California law.

This Memorandum has been entered into effective as of the date first written above.

"PURCHASER"

RIGHETTI RANCH, LLC,
a Delaware limited liability company

By: Ambient Communities, LLC,
a California limited liability company

By: [Signature]

Its Member
Dated: 1/8/14

By: [Signature]

Its Member
Dated: 1/8/14

"SELLER"

ISLAY HILL HOMEOWNERS
ASSOCIATION,
a California corporation

By: Kay Cementina
Kay Cementina, President

Dated: 1/15/14

[illegible]

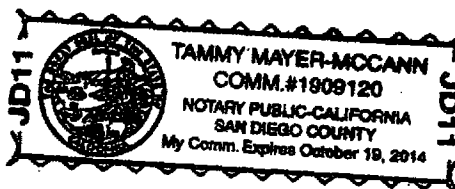
On January 8 2014, before me Tammy Meyer-McCann, Notary Public, personally appeared Wade Hall and Robert Hower III who proved to me on the basis of satisfactory evidence to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities, and that by their signature on the instrument, the persons or the entity upon behalf of which the persons acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

Donaghy-M



STATE OF CALIFORNIA)
) ss.
COUNTY OF San Luis Obispo)

On January 14, 2014, before me Rosanna M. Medeiros, Notary Public, personally appeared Kay Cementina, who proved to me on the basis of satisfactory evidence to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities, and that by their signature on the instrument, the persons or the entity upon behalf of which the persons acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

Reanna M. Medlin

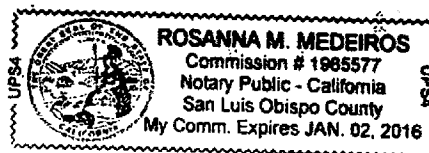
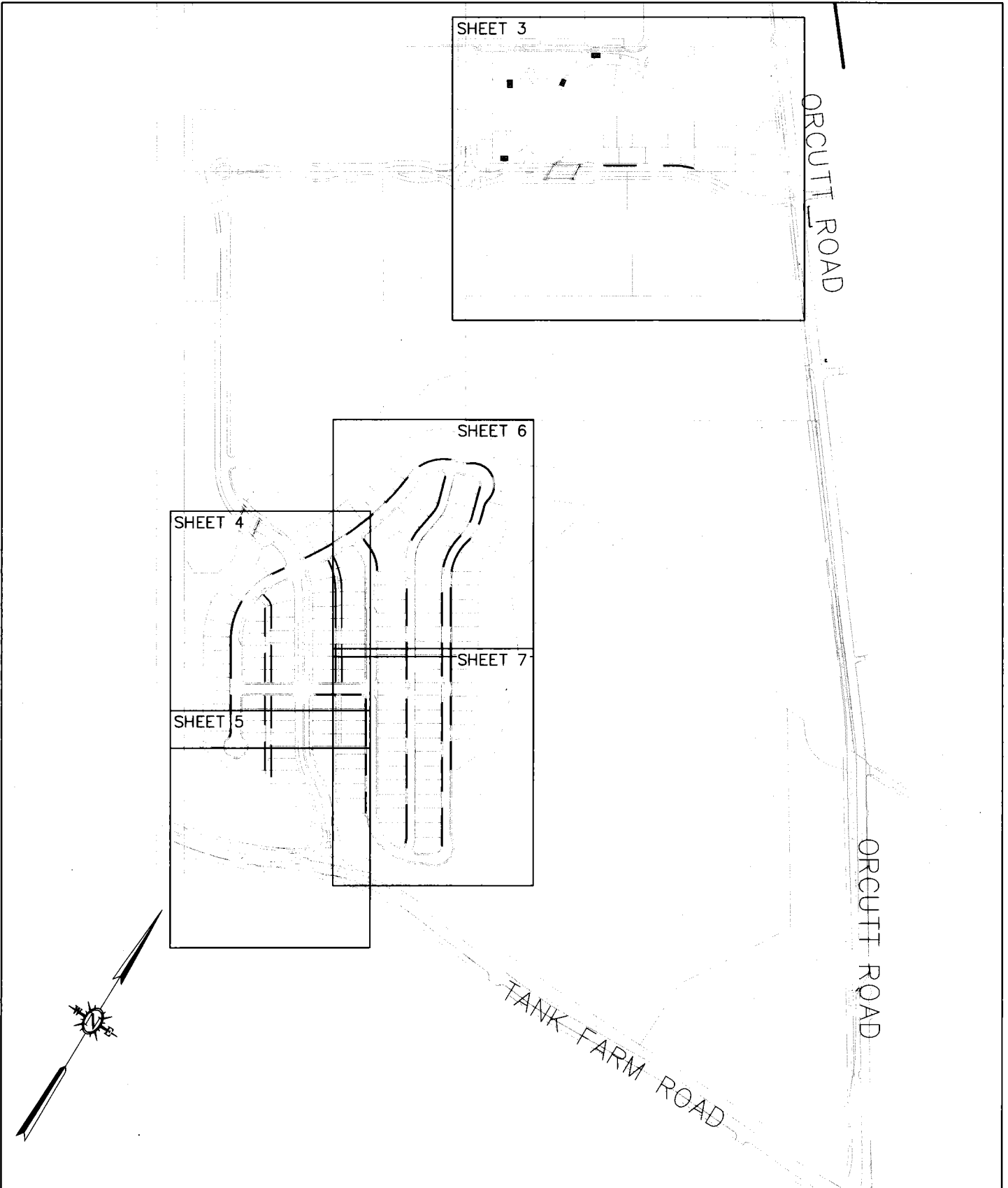


EXHIBIT F

**DESIGNATED TRASH PICKUP LOCATIONS IN THE INITIAL COVERED
PROPERTY**



SHEET 1 OF 7

NO SCALE



EXHIBIT F
DESIGNATED TRASH PICKUP
AREAS IN THE INITIAL
COVERED PROPERTY

LEGEND

TRASH ENCLOSURES



CURB PICKUP



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SHEET 2 OF 7

NO SCALE



1050 Southwood Drive
San Luis Obispo, CA 93401
P 805.544.7407 F 805.544.3863

EXHIBIT F
DESIGNATED TRASH PICKUP
AREAS IN THE INITIAL
COVERED PROPERTY

TRACT 3066

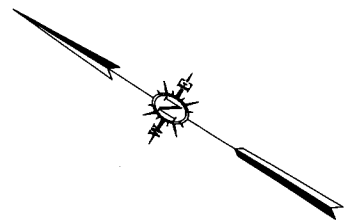
NOT A PART

TIBURON WAY

LOT 168

SPONZA DRIVE

RANCH HOUSE ROAD

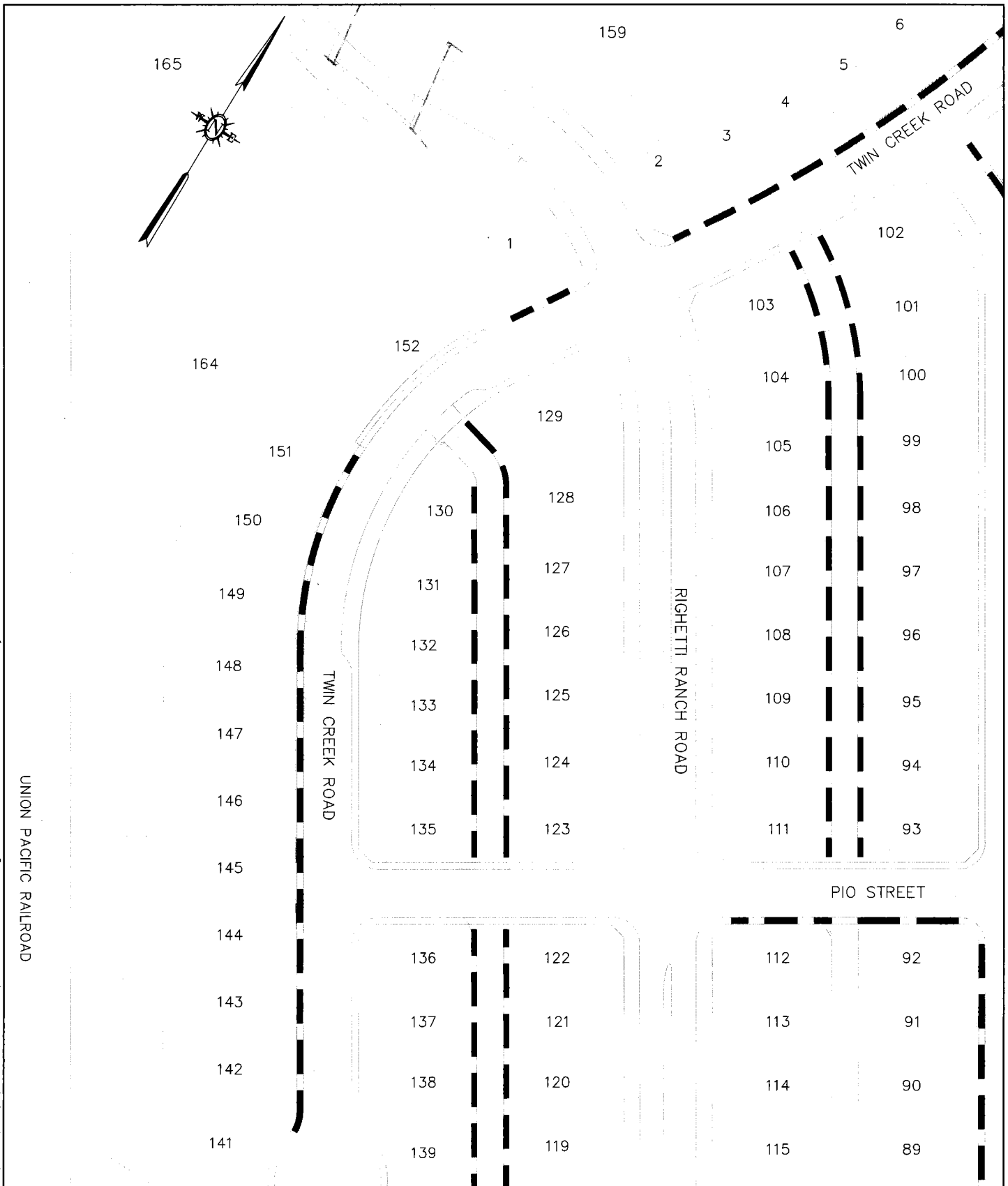


SHEET 3 OF 7

NO SCALE



EXHIBIT F
DESIGNATED TRASH PICKUP
AREAS IN THE INITIAL
COVERED PROPERTY

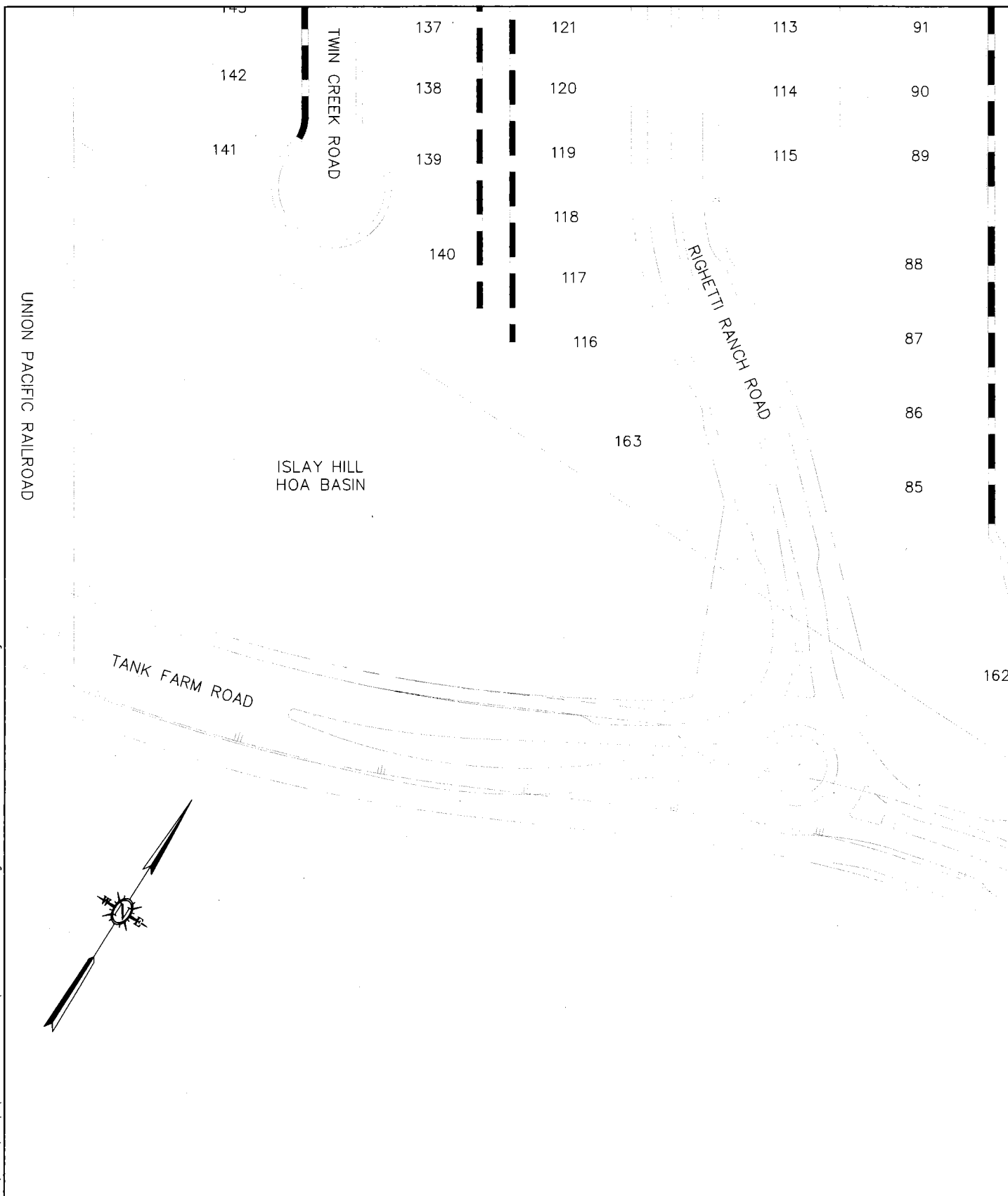


SHEET 4 OF 7

NO SCALE



EXHIBIT F
DESIGNATED TRASH PICKUP
AREAS IN THE INITIAL
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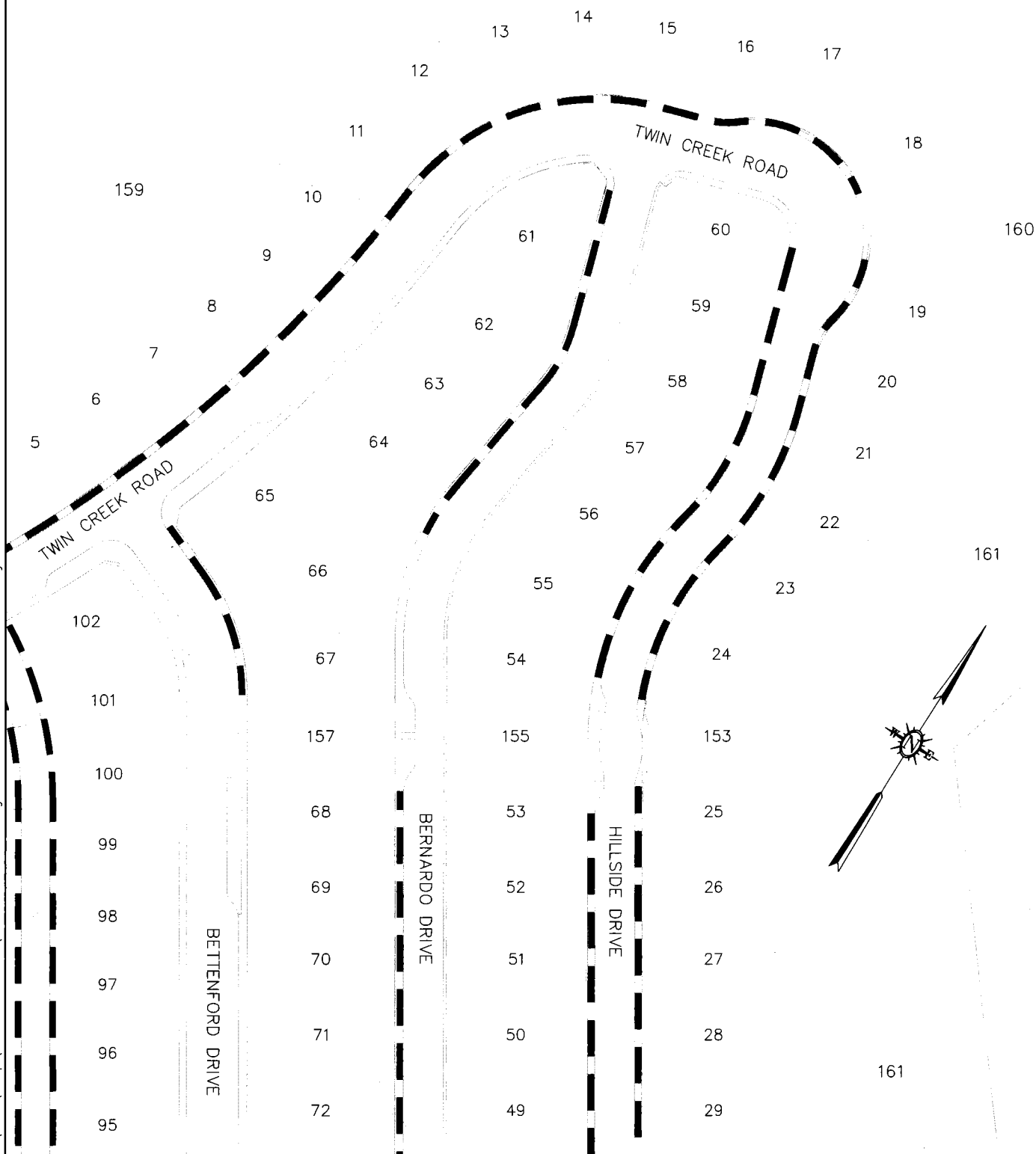


SHEET 5 OF 7

NO SCALE



EXHIBIT F
DESIGNATED TRASH PICKUP
AREAS IN THE INITIAL
COVERED PROPERTY



SHEET 6 OF 7

NO SCALE



EXHIBIT F
DESIGNATED TRASH PICKUP
AREAS IN THE INITIAL
COVERED PROPERTY

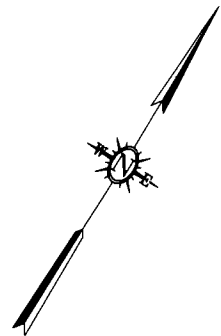


EXHIBIT G

APPROXIMATE LOCATIONS OF COMMUNITY WALLS IN THE INITIAL COVERED PROPERTY

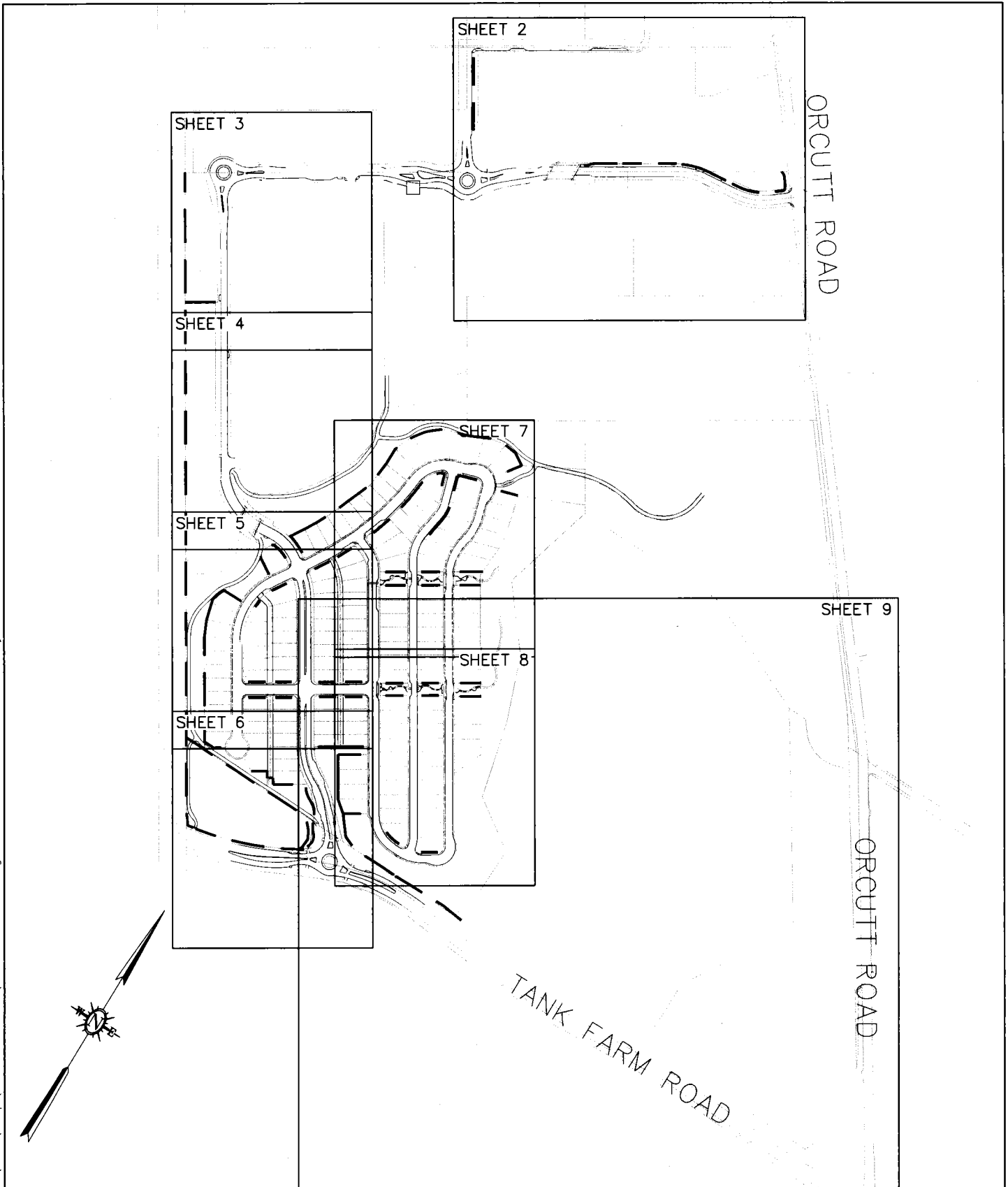
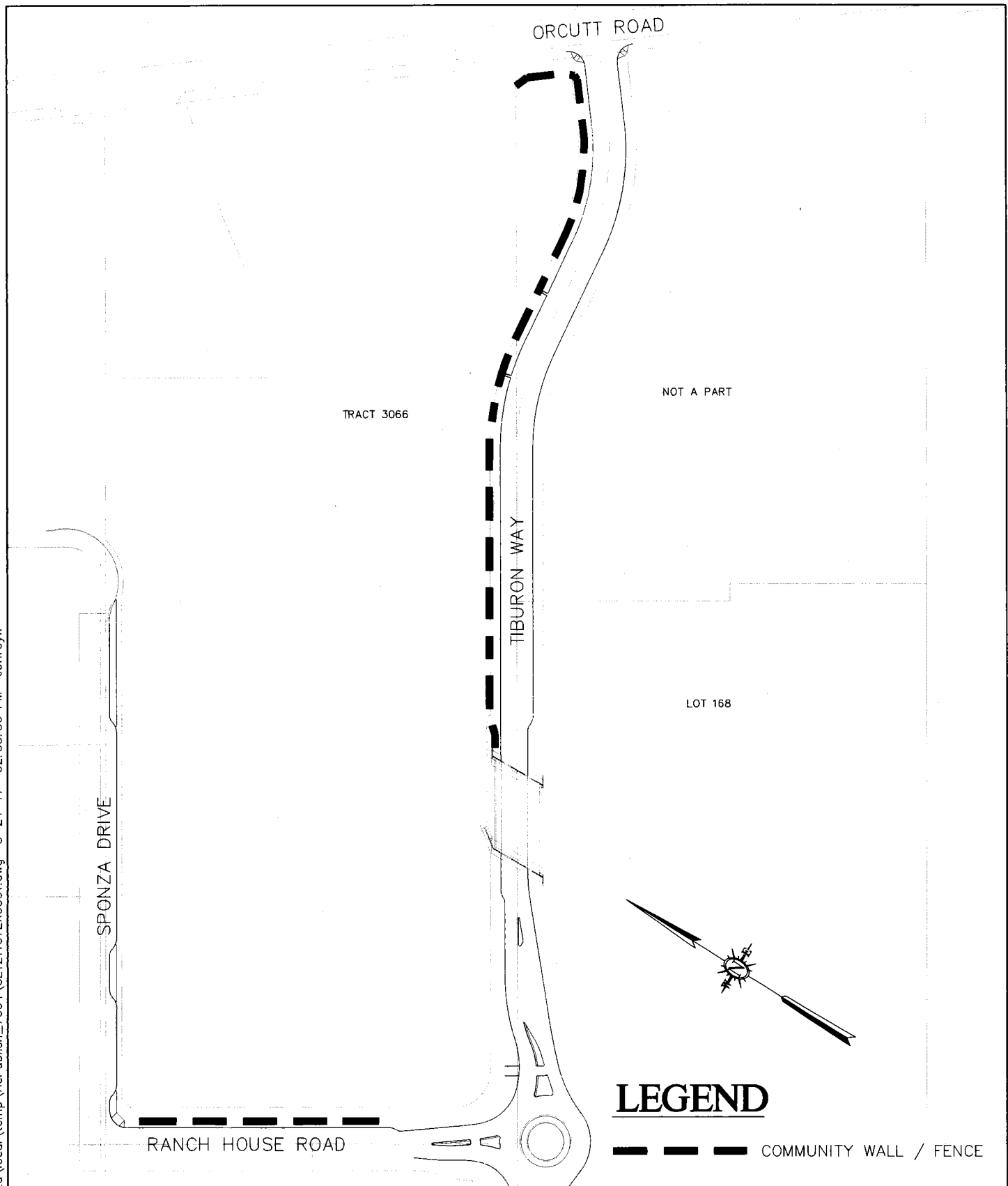


EXHIBIT G
APPROXIMATE LOCATIONS OF
COMMUNITY WALLS AND FENCING
IN THE INITIAL COVERED PROPERTY



SHEET 2 OF 9

NO SCALE



EXHIBIT G
APPROXIMATE LOCATIONS OF
COMMUNITY WALLS AND FENCING
IN THE INITIAL COVERED PROPERTY

NOT A PART

TIBURON WAY

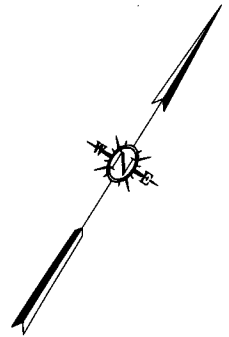
UNION PACIFIC RAILROAD

LOT 167

LOT 171

RIGHETTI RANCH ROAD

LOT 165



LEGEND

--- COMMUNITY WALL / FENCE

SHEET 3 OF 9

NO SCALE

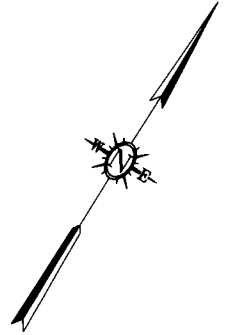


EXHIBIT G
APPROXIMATE LOCATIONS OF
COMMUNITY WALLS AND FENCING
IN THE INITIAL COVERED PROPERTY

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LEGEND

--- COMMUNITY WALL / FENCE



RICHETTI RANCH ROAD

165

171

166

159

7

6

5

4

3

2

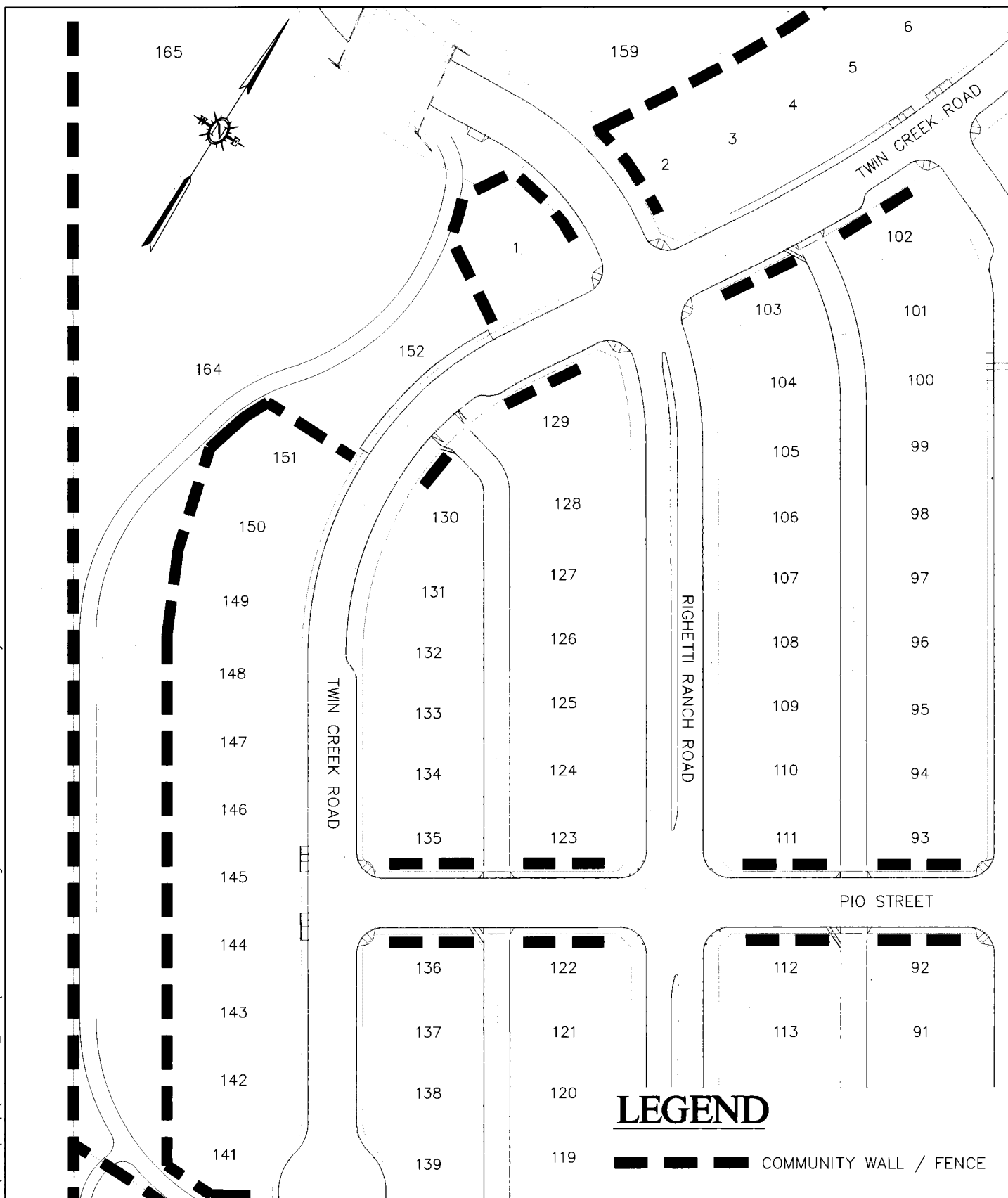
TWIN CREEK ROAD

SHEET 4 OF 9

NO SCALE



EXHIBIT G
APPROXIMATE LOCATIONS OF
COMMUNITY WALLS AND FENCING
IN THE INITIAL COVERED PROPERTY



SHEET 5 OF 9

NO SCALE

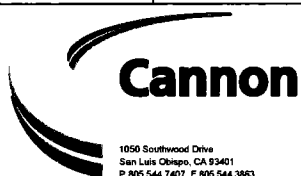
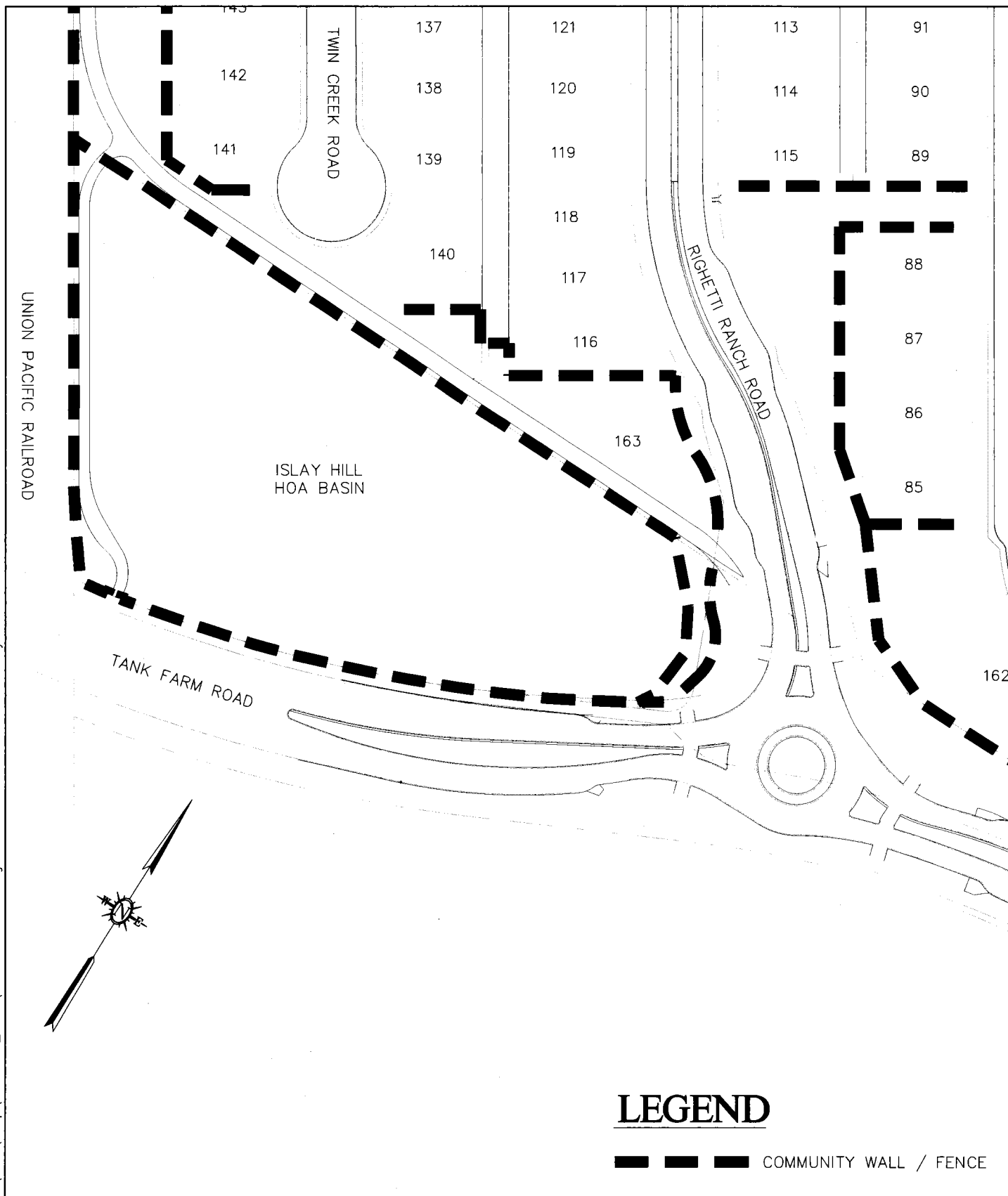


EXHIBIT G
APPROXIMATE LOCATIONS OF
COMMUNITY WALLS AND FENCING
IN THE INITIAL COVERED PROPERTY



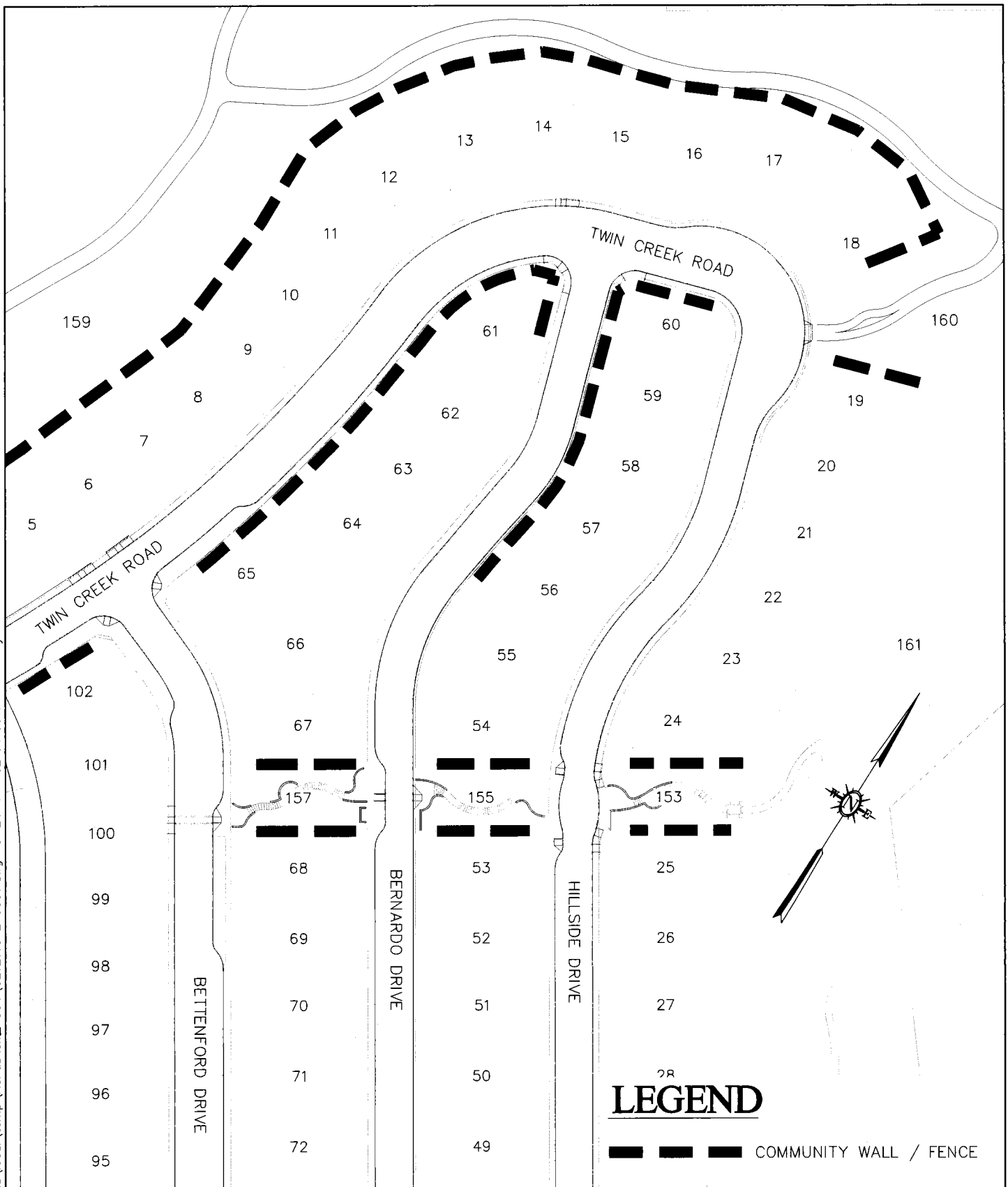
SHEET 6 OF 9

NO SCALE



EXHIBIT G
APPROXIMATE LOCATIONS OF
COMMUNITY WALLS AND FENCING
IN THE INITIAL COVERED PROPERTY

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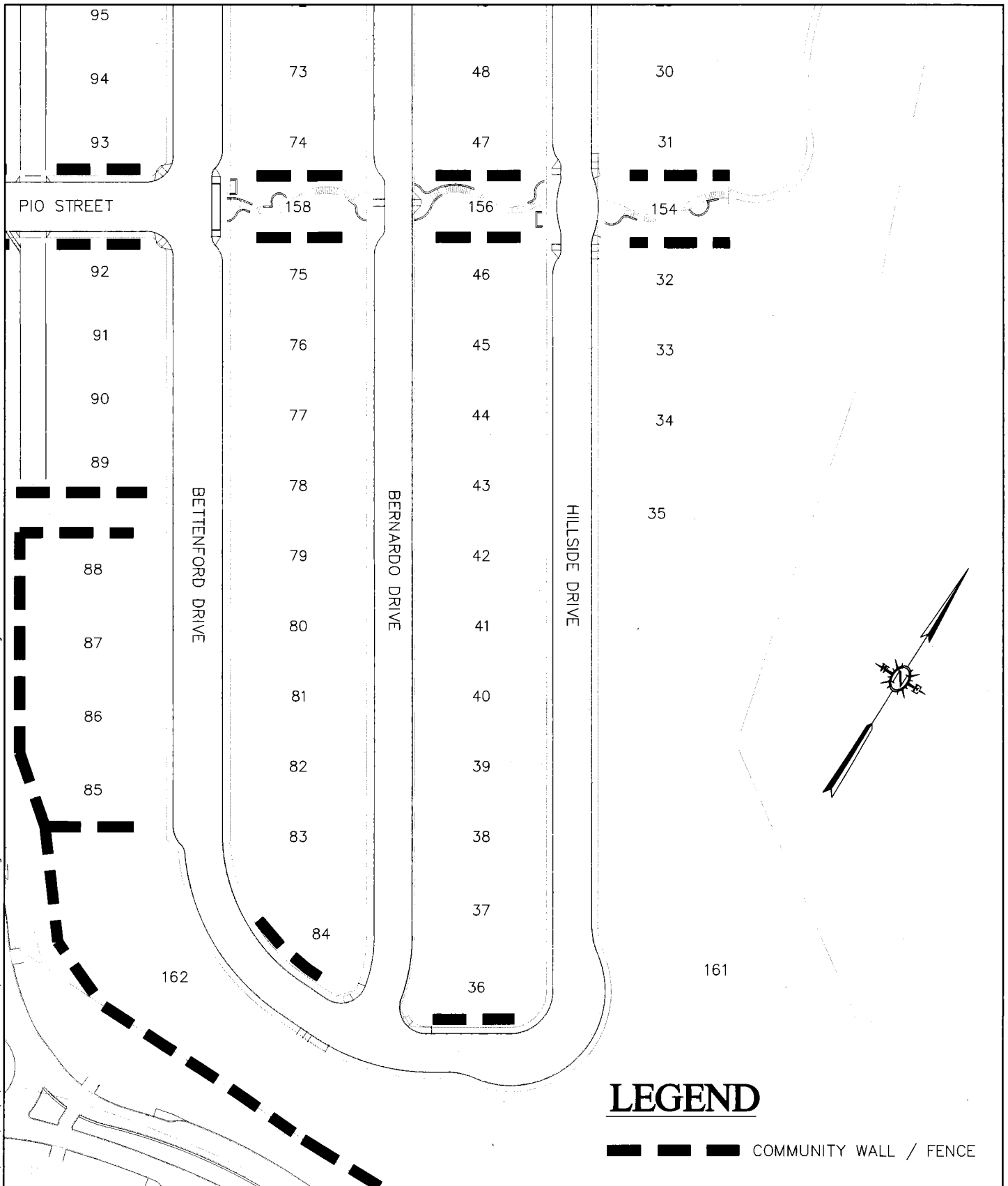


SHEET 7 OF 9

NO SCALE



EXHIBIT G
APPROXIMATE LOCATIONS OF
COMMUNITY WALLS AND FENCING
IN THE INITIAL COVERED PROPERTY



LEGEND

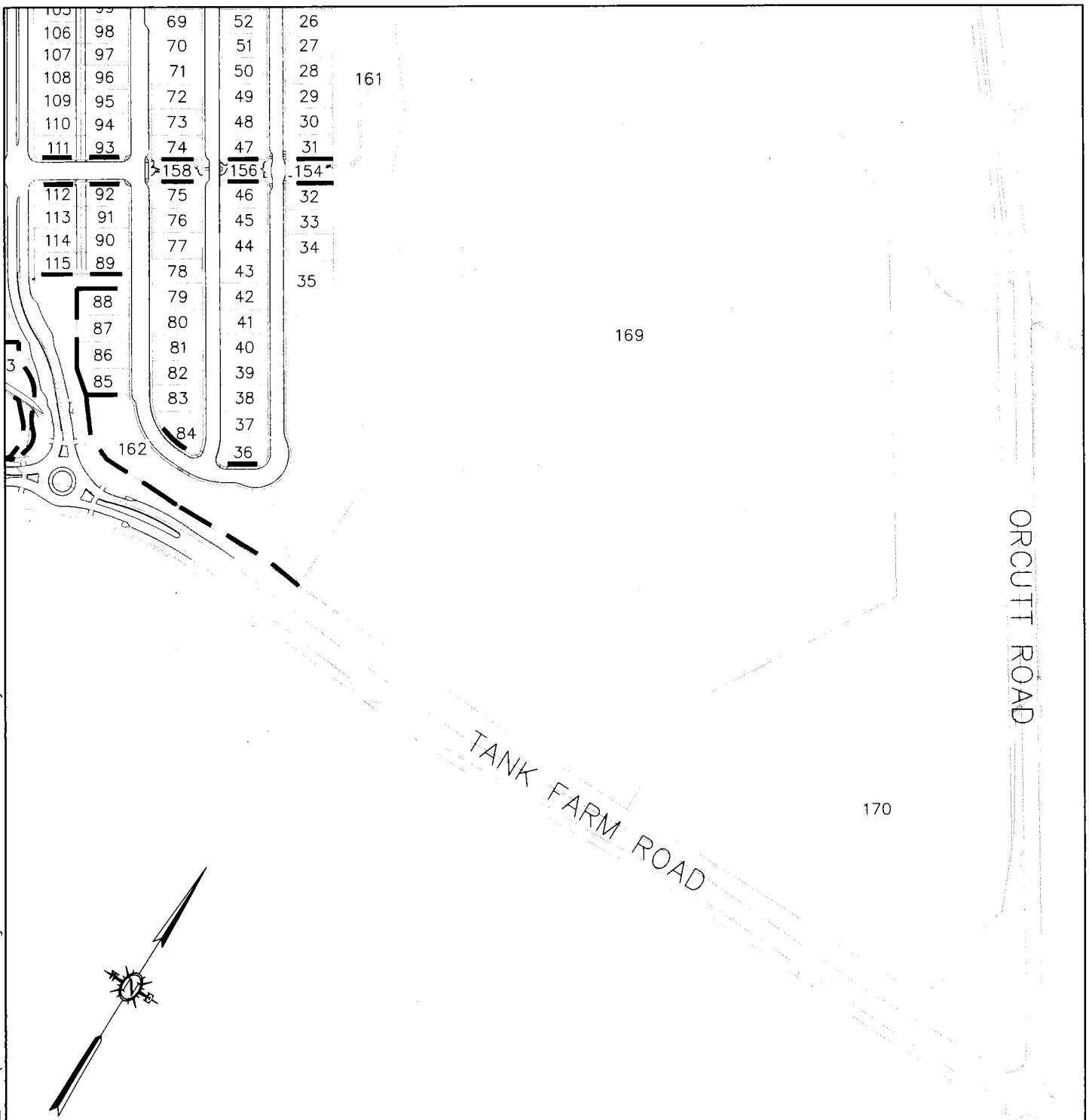
— — — — — COMMUNITY WALL / FENCE

SHEET 8 OF 9

NO SCALE



EXHIBIT G
APPROXIMATE LOCATIONS OF
COMMUNITY WALLS AND FENCING
IN THE INITIAL COVERED PROPERTY



LEGEND

--- COMMUNITY WALL / FENCE

SHEET 9 OF 9

NO SCALE

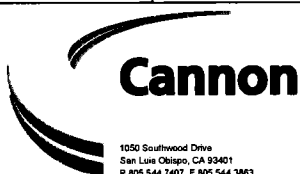
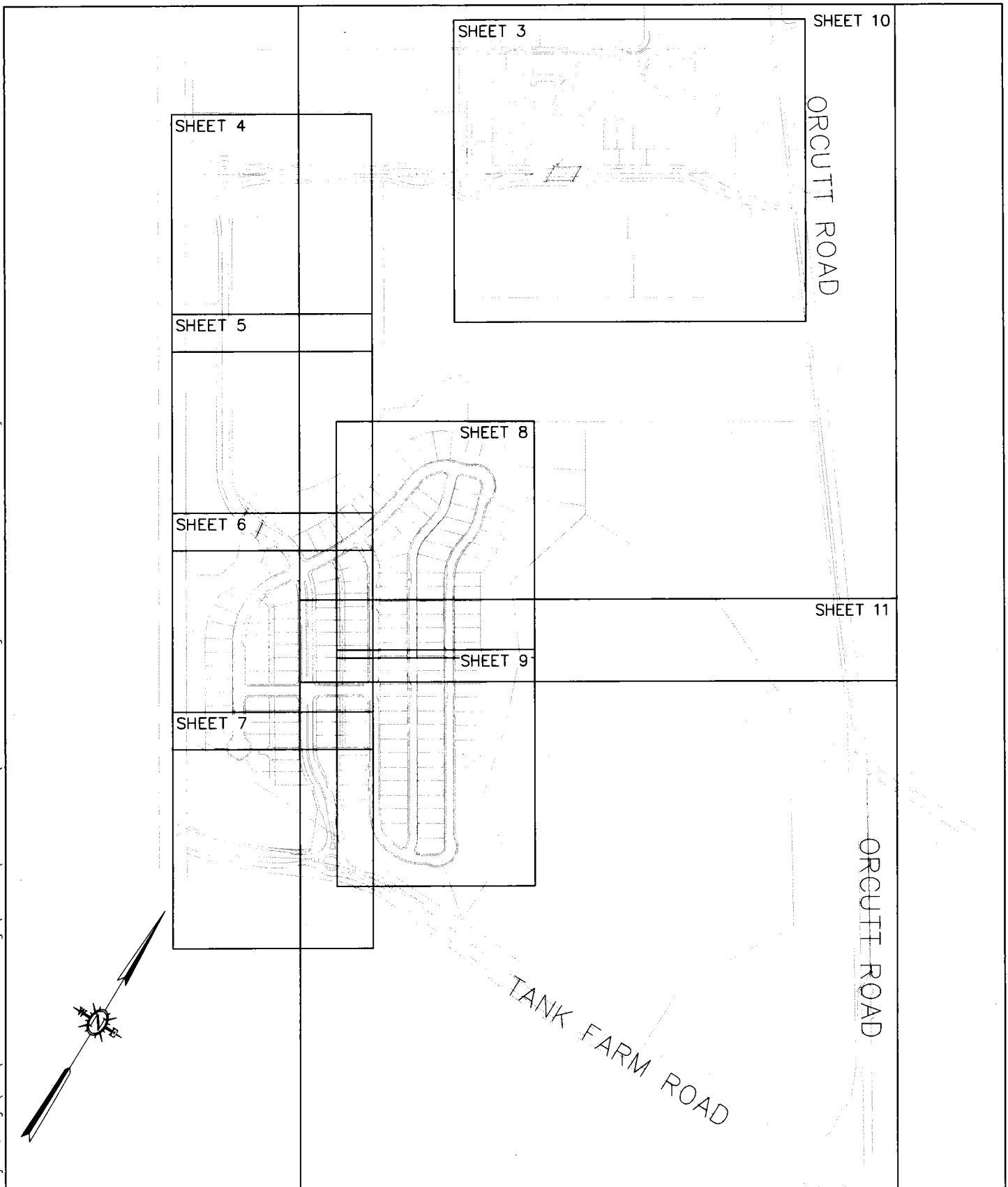


EXHIBIT G
APPROXIMATE LOCATIONS OF
COMMUNITY WALLS AND FENCING
IN THE INITIAL COVERED PROPERTY

EXHIBIT H

**APPROXIMATE LOCATIONS OF MASTER ASSOCIATION-MAINTAINED
DRAINAGE AND WATER QUALITY IMPROVEMENTS IN THE INITIAL COVERED
PROPERTY**



SHEET 1 OF 11

NO SCALE

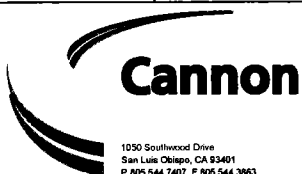


EXHIBIT H
APPROXIMATE LOCATIONS OF MASTER
ASSOCIATION MAINTAINED DRAINAGE
AND WATER QUALITY IMPROVEMENTS
IN THE INITIAL COVERED PROPERTY

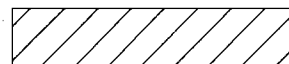
LEGEND

STORMWATER TREATMENT AREAS

MECHANICAL DEVICES



BIO-FILTRATION PLANTERS



RETENTION AREAS



DRAINAGE FACILITIES

STORM DRAIN LINES



INLETS



MANHOLES

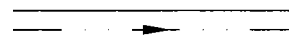


OUTFALLS



RIP-RAP FOR OVERFLOW AT RETENTION

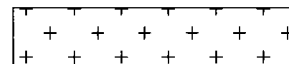
LINED SWALES



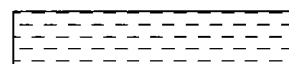
UNLINED SWALES



SURFACE DETENTION BASINS



UNDERGROUND DETENTION BASINS



HEADWALLS



SHEET 2 OF 11

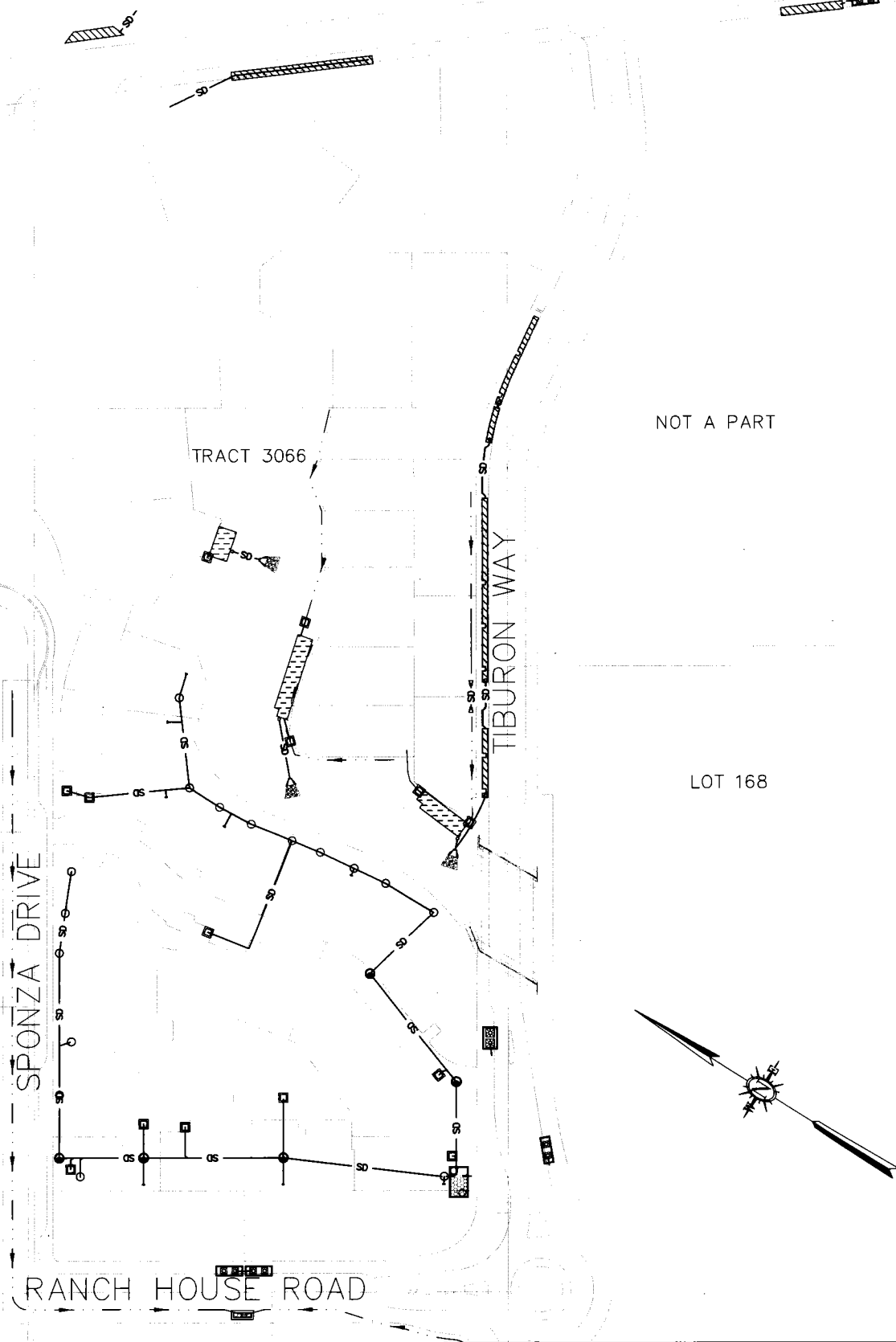
NO SCALE



1050 Southwood Drive
San Luis Obispo, CA 93401
P 805.544.7407 F 805.544.3863

EXHIBIT H

APPROXIMATE LOCATIONS OF MASTER
ASSOCIATION MAINTAINED DRAINAGE
AND WATER QUALITY IMPROVEMENTS
IN THE INITIAL COVERED PROPERTY



SHEET 3 OF 11

NO SCALE



EXHIBIT H
APPROXIMATE LOCATIONS OF MASTER
ASSOCIATION MAINTAINED DRAINAGE
AND WATER QUALITY IMPROVEMENTS
IN THE INITIAL COVERED PROPERTY

UNION PACIFIC RAILROAD

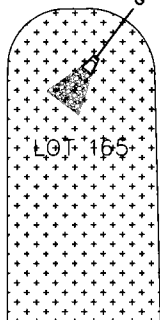
LOT 167

LOT 171

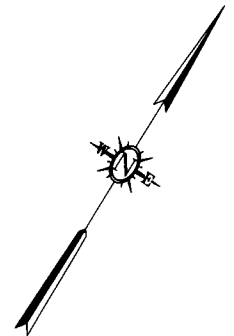
RICHETTI RANCH ROAD

NOT A PART

TIBURON WAY



LOT 165



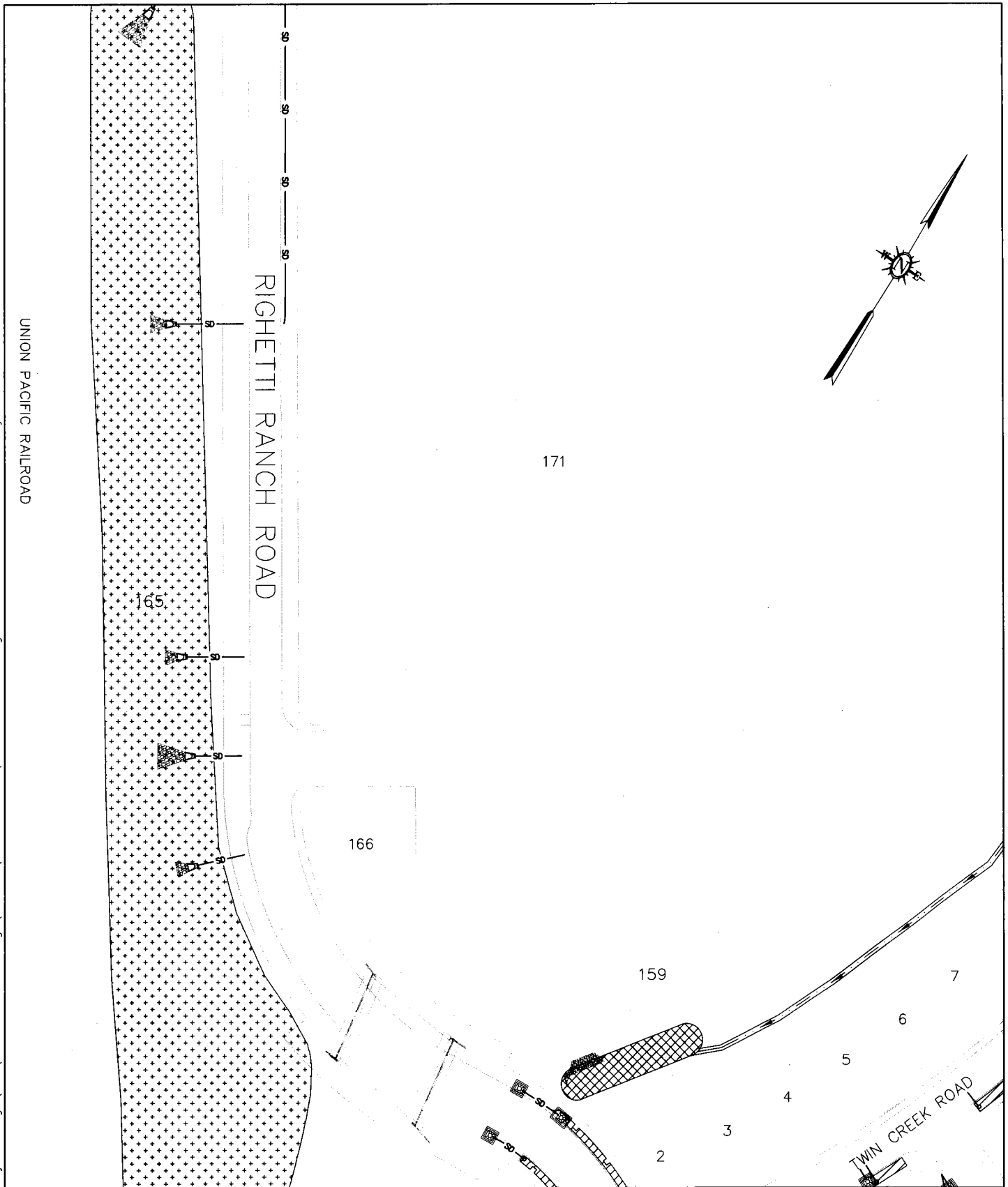
SHEET 4 OF 11

NO SCALE



1050 Southwood Drive
San Luis Obispo, CA 93401
P 805.544.7407 F 805.544.3863

EXHIBIT H
APPROXIMATE LOCATIONS OF MASTER
ASSOCIATION MAINTAINED DRAINAGE
AND WATER QUALITY IMPROVEMENTS
IN THE INITIAL COVERED PROPERTY



SHEET 5 OF 11

NO SCALE

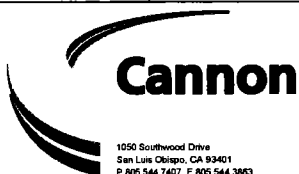
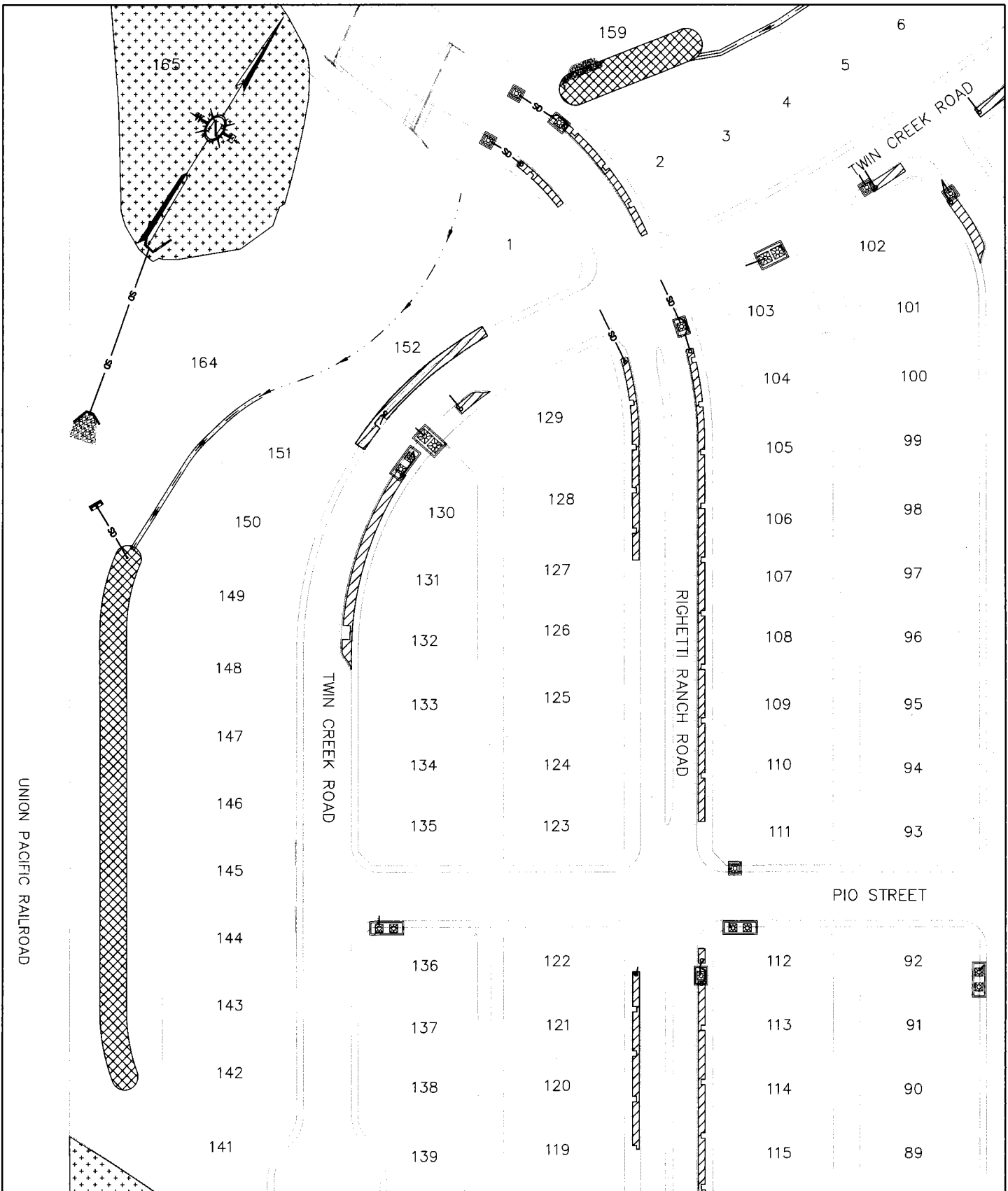


EXHIBIT H
 APPROXIMATE LOCATIONS OF MASTER
 ASSOCIATION MAINTAINED DRAINAGE
 AND WATER QUALITY IMPROVEMENTS
 IN THE INITIAL COVERED PROPERTY



SHEET 6 OF 11

NO SCALE

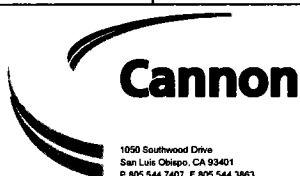
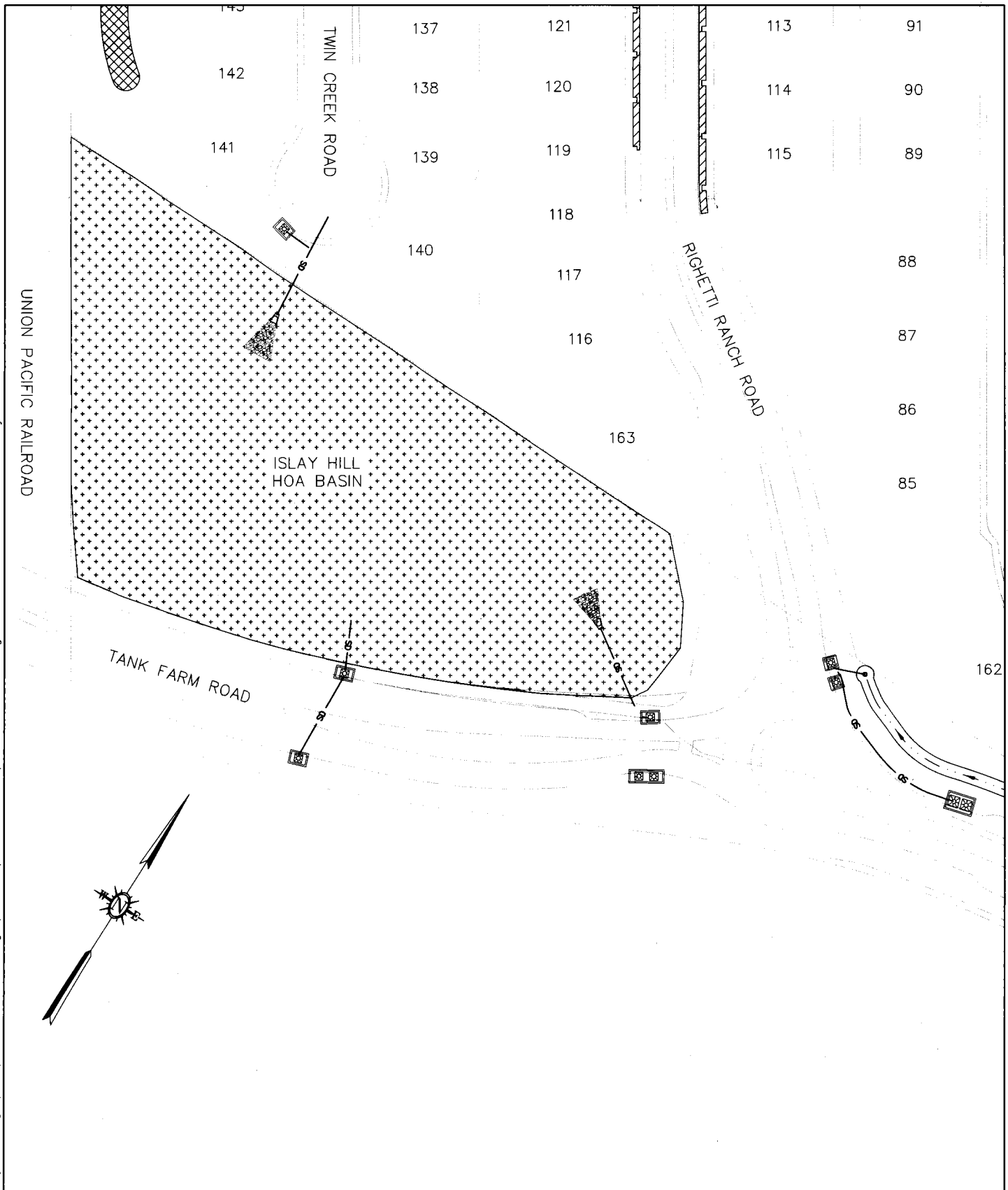


EXHIBIT H
 APPROXIMATE LOCATIONS OF MASTER
 ASSOCIATION MAINTAINED DRAINAGE
 AND WATER QUALITY IMPROVEMENTS
 IN THE INITIAL COVERED PROPERTY

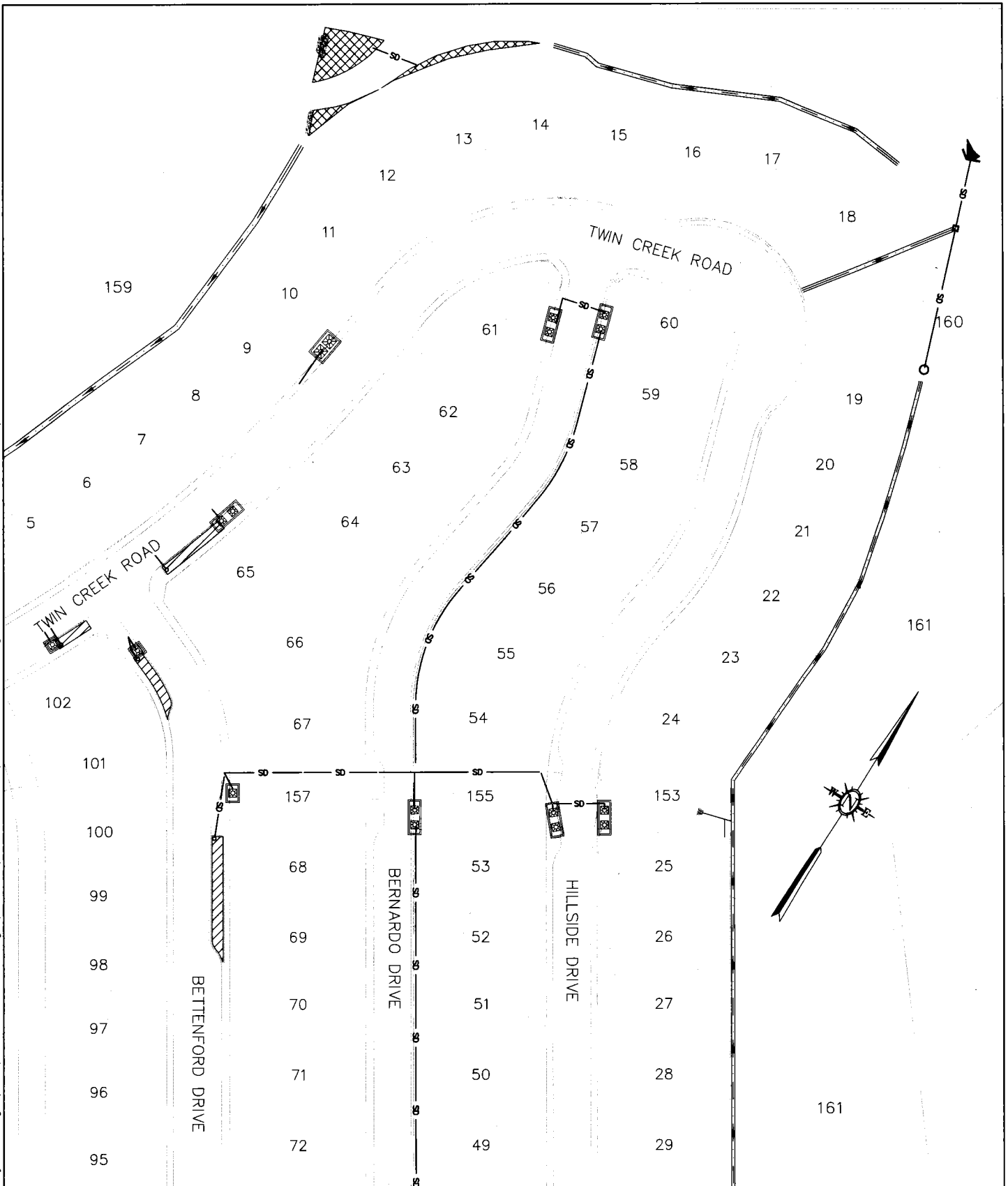


SHEET 7 OF 11

NO SCALE



EXHIBIT H
APPROXIMATE LOCATIONS OF MASTER
ASSOCIATION MAINTAINED DRAINAGE
AND WATER QUALITY IMPROVEMENTS
IN THE INITIAL COVERED PROPERTY



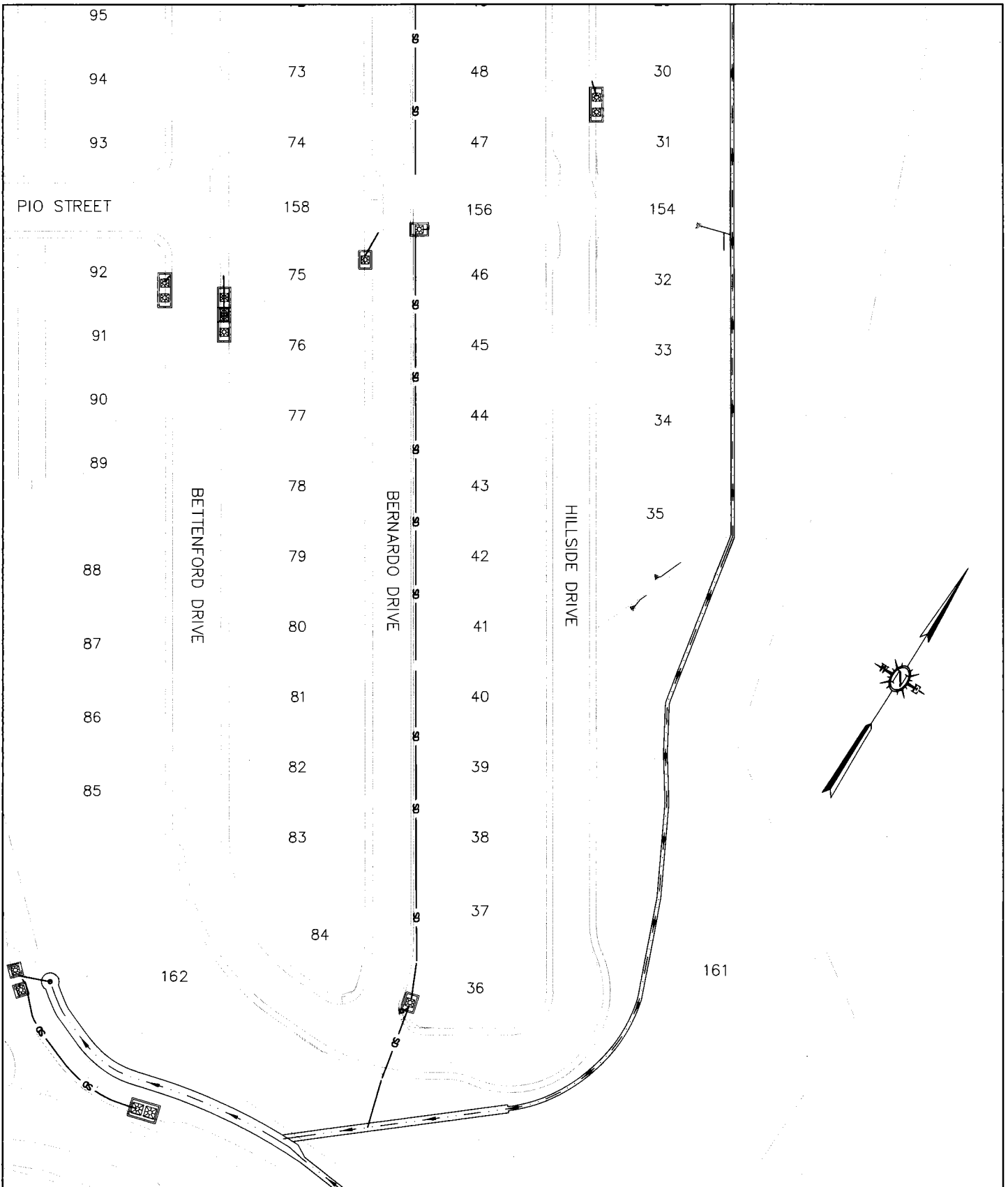
SHEET 8 OF 11

NO SCALE



1050 Southwood Drive
San Luis Obispo, CA 93401
P 805.544.7407 F 805.544.3963

EXHIBIT H
APPROXIMATE LOCATIONS OF MASTER
ASSOCIATION MAINTAINED DRAINAGE
AND WATER QUALITY IMPROVEMENTS
IN THE INITIAL COVERED PROPERTY



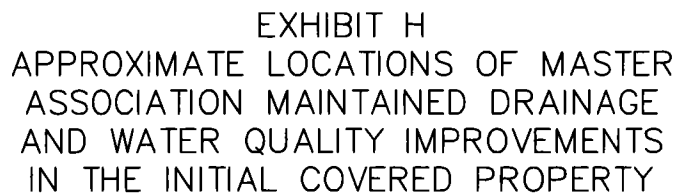
SHEET 9 OF 11

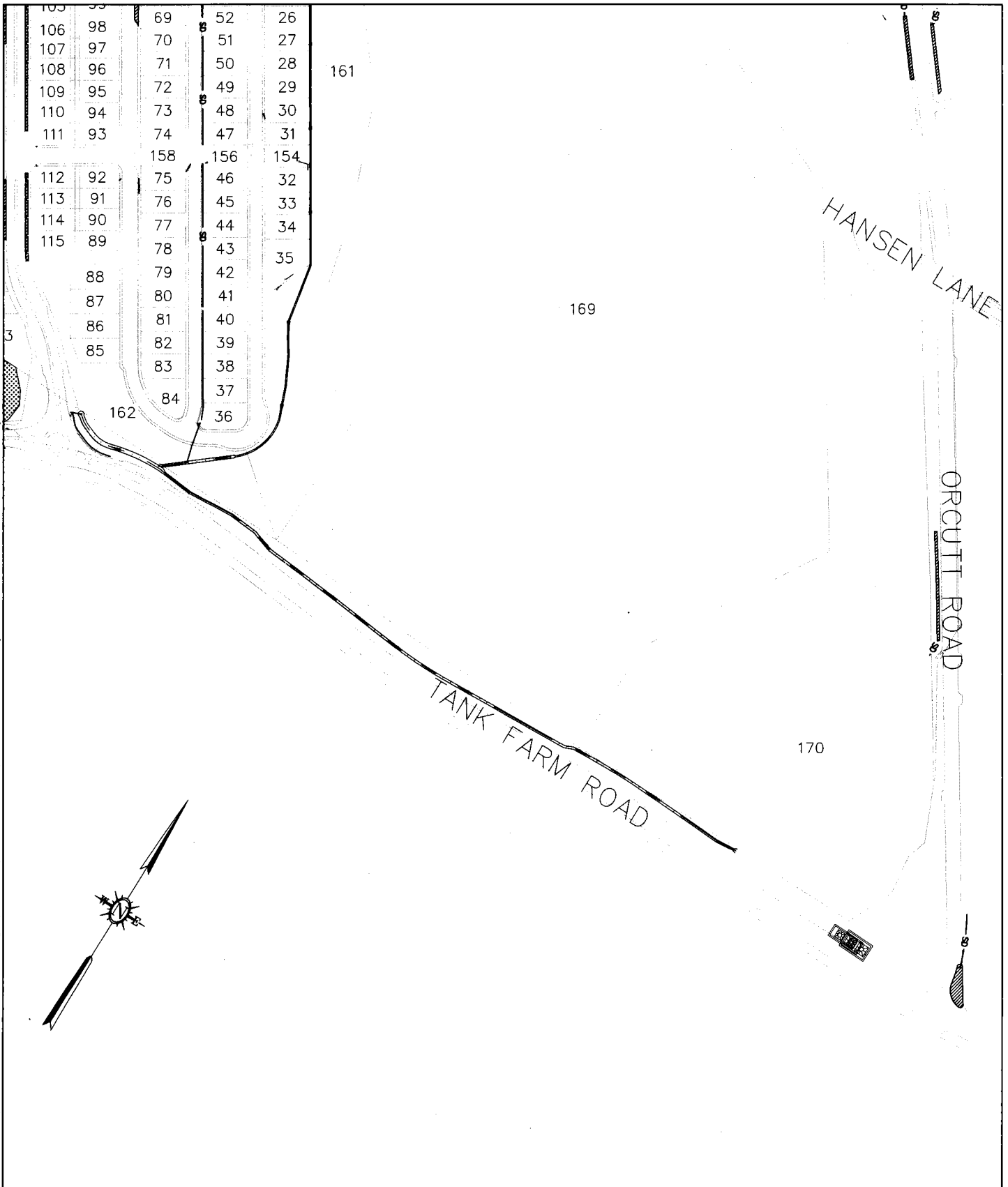
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EXHIBIT H
APPROXIMATE LOCATIONS OF MASTER
ASSOCIATION MAINTAINED DRAINAGE
AND WATER QUALITY IMPROVEMENTS
IN THE INITIAL COVERED PROPERTY

NO SCALE





SHEET 11 OF 11

NO SCALE

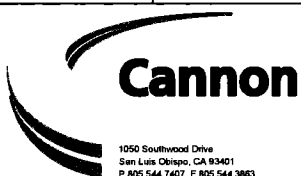
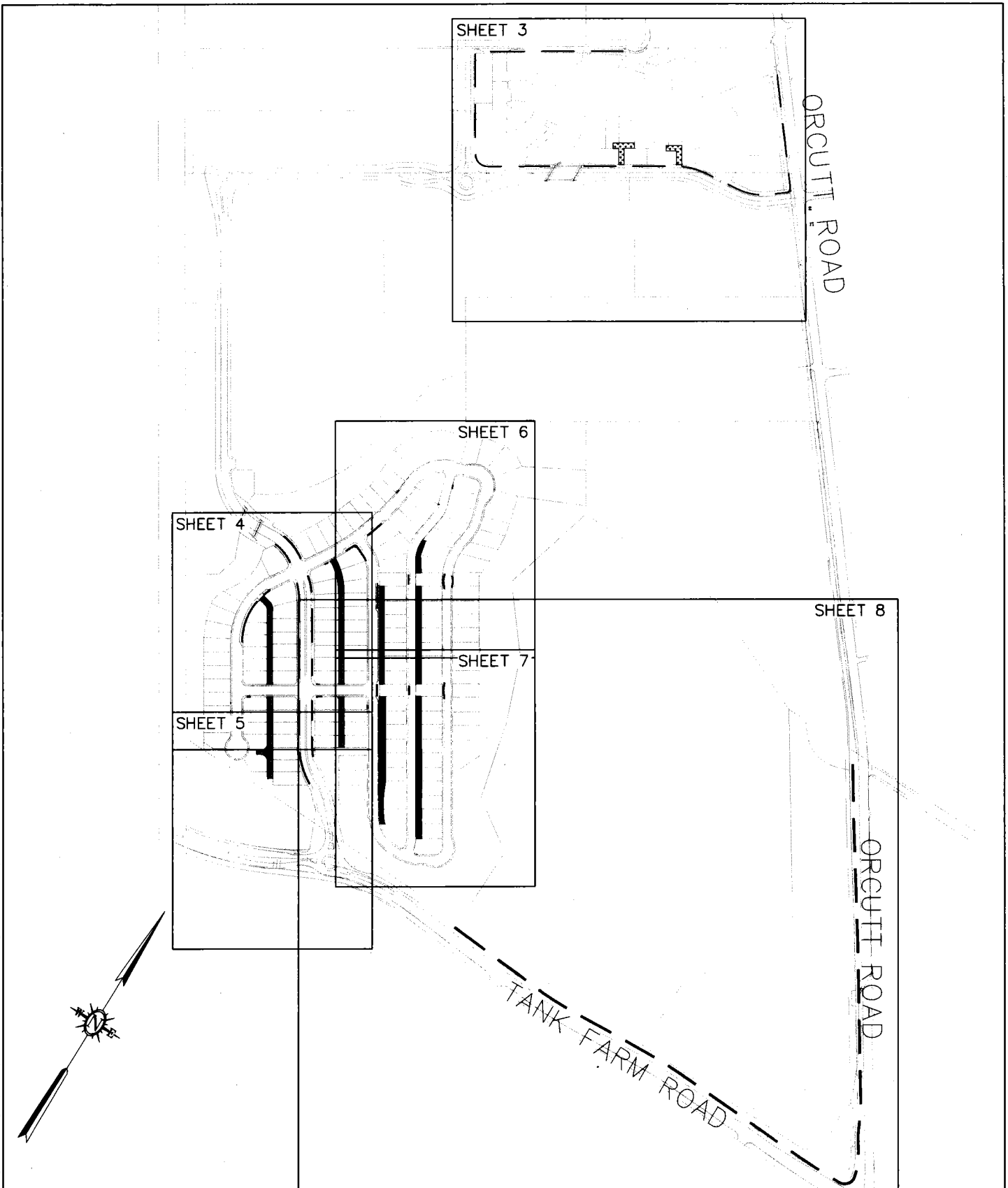


EXHIBIT H
 APPROXIMATE LOCATIONS OF MASTER
 ASSOCIATION MAINTAINED DRAINAGE
 AND WATER QUALITY IMPROVEMENTS
 IN THE INITIAL COVERED PROPERTY

EXHIBIT I

APPROXIMATE LOCATIONS OF MASTER MAINTENANCE AREA MOTOR COURTS, PRIVATE ALLEYS, SLOPES AND LANDSCAPING IN THE INITIAL COVERED PROPERTY



SHEET 1 OF 8

NO SCALE



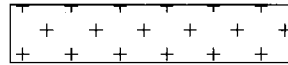
EXHIBIT I
APPROXIMATE LOCATIONS OF
MASTER MAINTENANCE AREA
MOTOR COURTS, PRIVATE ALLEYS,
SLOPES, AND LANDSCAPING IN
THE INITIAL COVERED PROPERTY

LEGEND

PRIVATE ALLEY



MOTOR COURT



SLOPE AND LANDSCAPE AREAS



PARKWAY LANDSCAPING



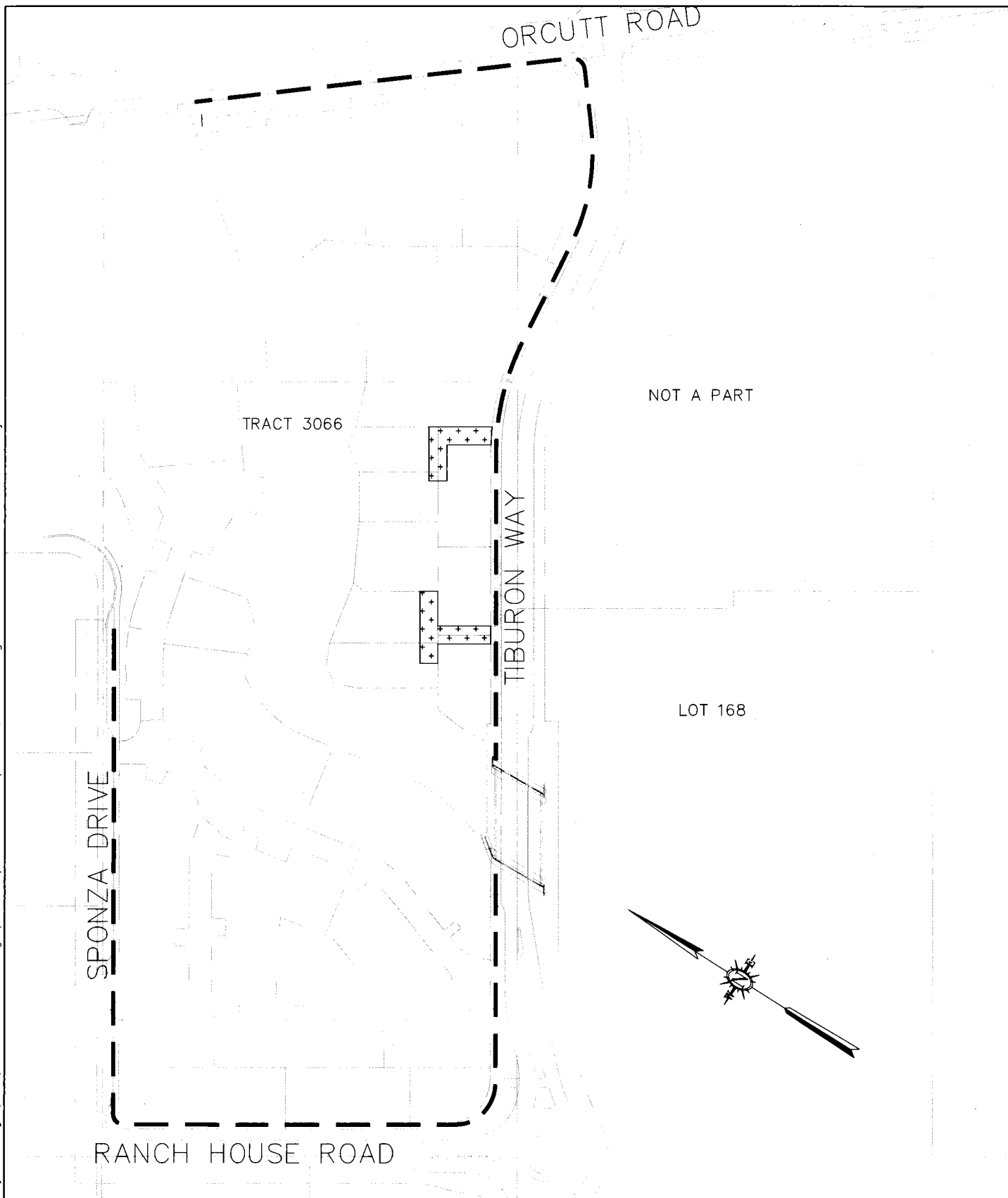
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SHEET 2 OF 8

NO SCALE



EXHIBIT I
APPROXIMATE LOCATIONS OF
MASTER MAINTENANCE AREA
MOTOR COURTS, PRIVATE ALLEYS,
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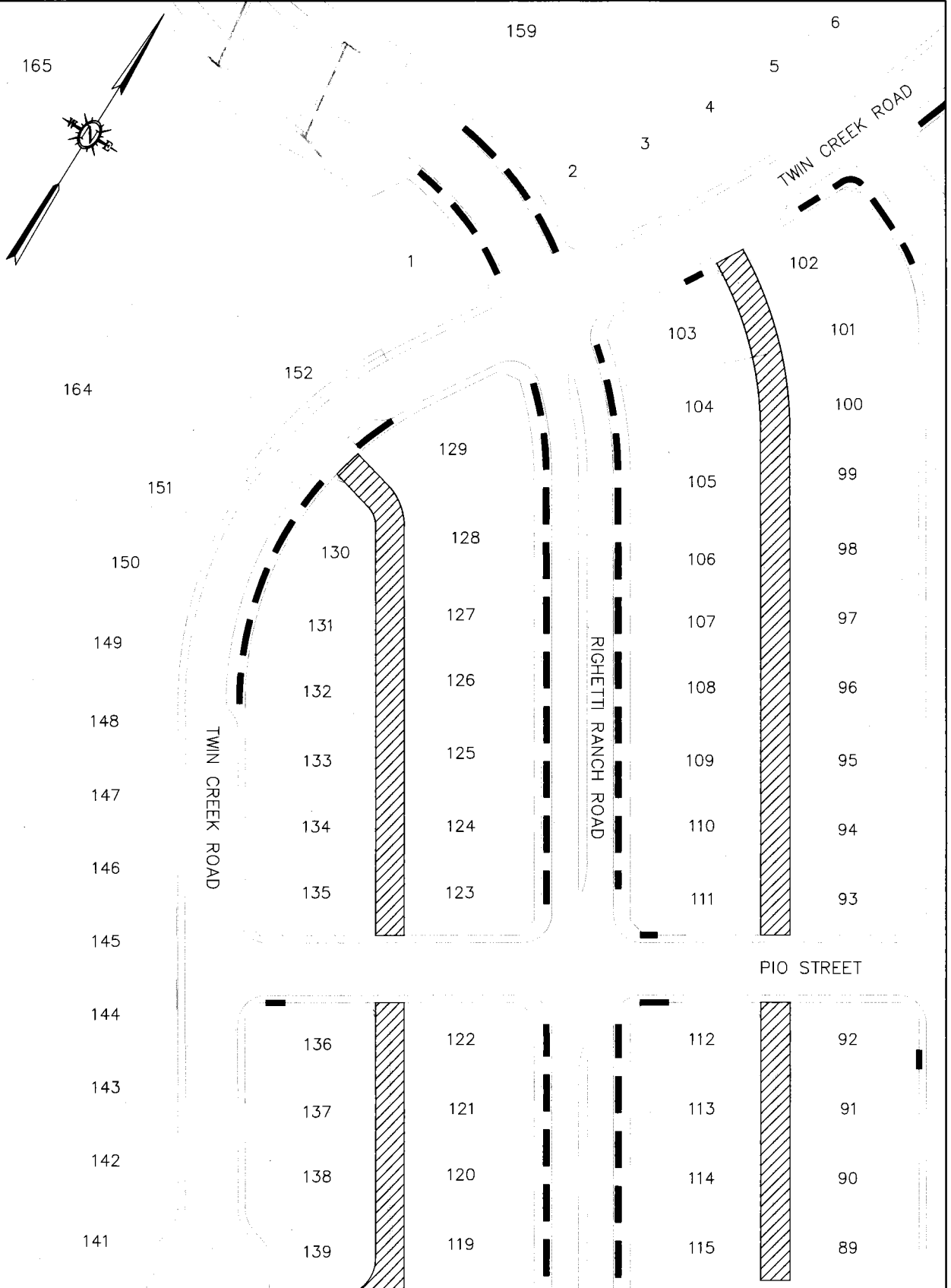
SHEET 3 OF 8

NO SCALE



EXHIBIT I
APPROXIMATE LOCATIONS OF
MASTER MAINTENANCE AREA
MOTOR COURTS, PRIVATE ALLEYS,
SLOPES, AND LANDSCAPING IN
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UNION PACIFIC RAILROAD

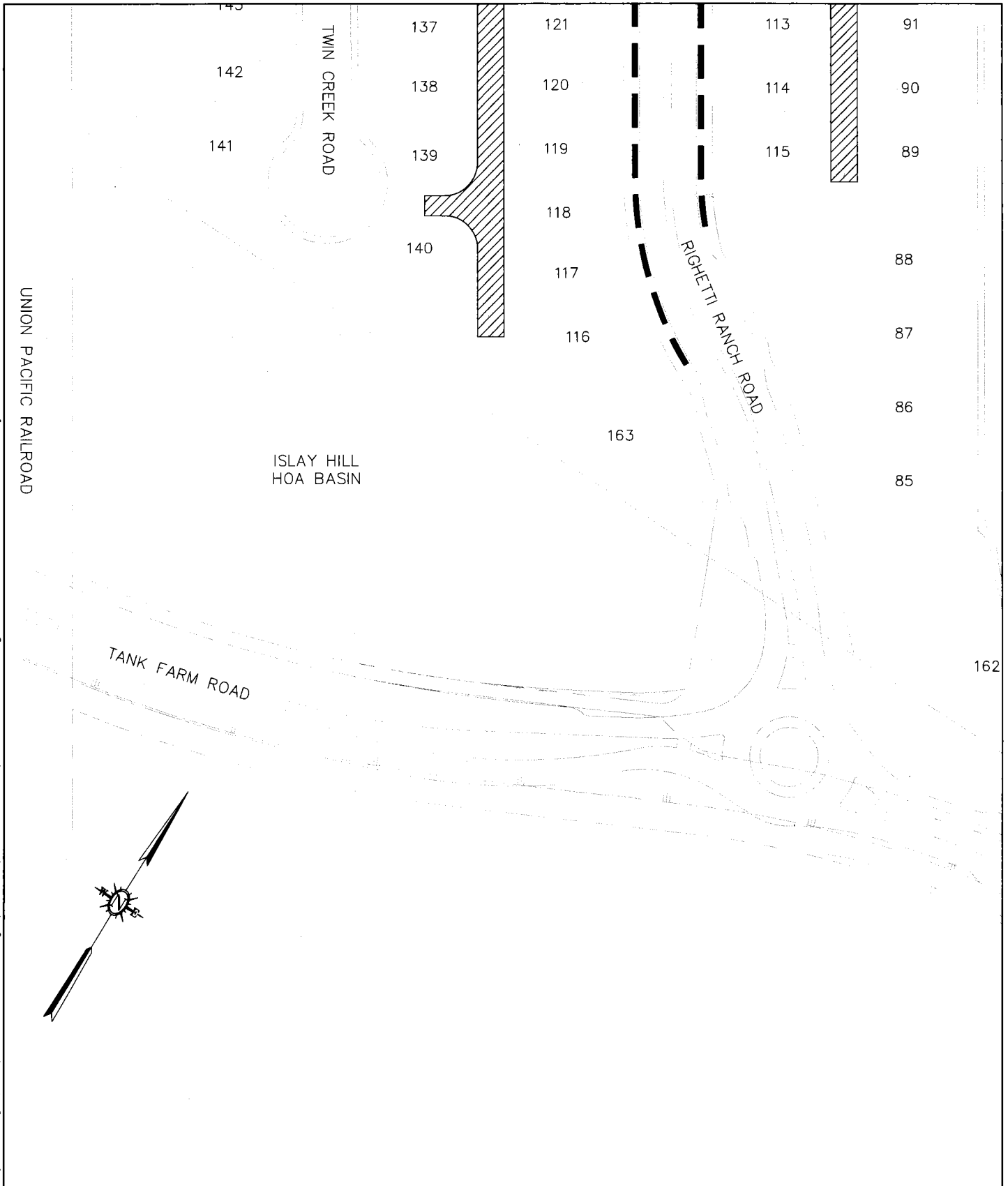


SHEET 4 OF 8

NO SCALE



EXHIBIT I
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 MASTER MAINTENANCE AREA
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SHEET 5 OF 8

NO SCALE

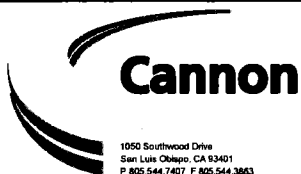
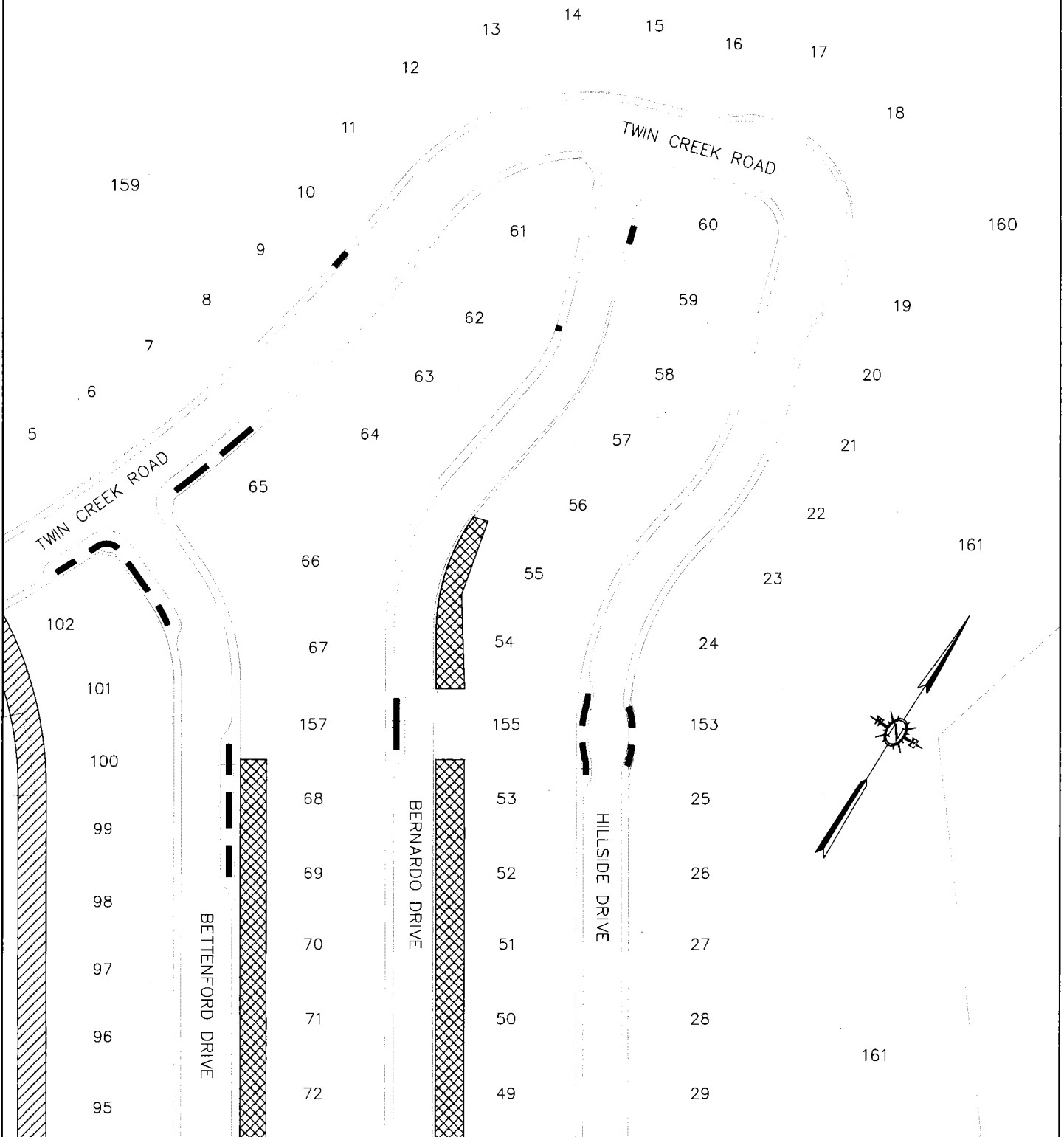


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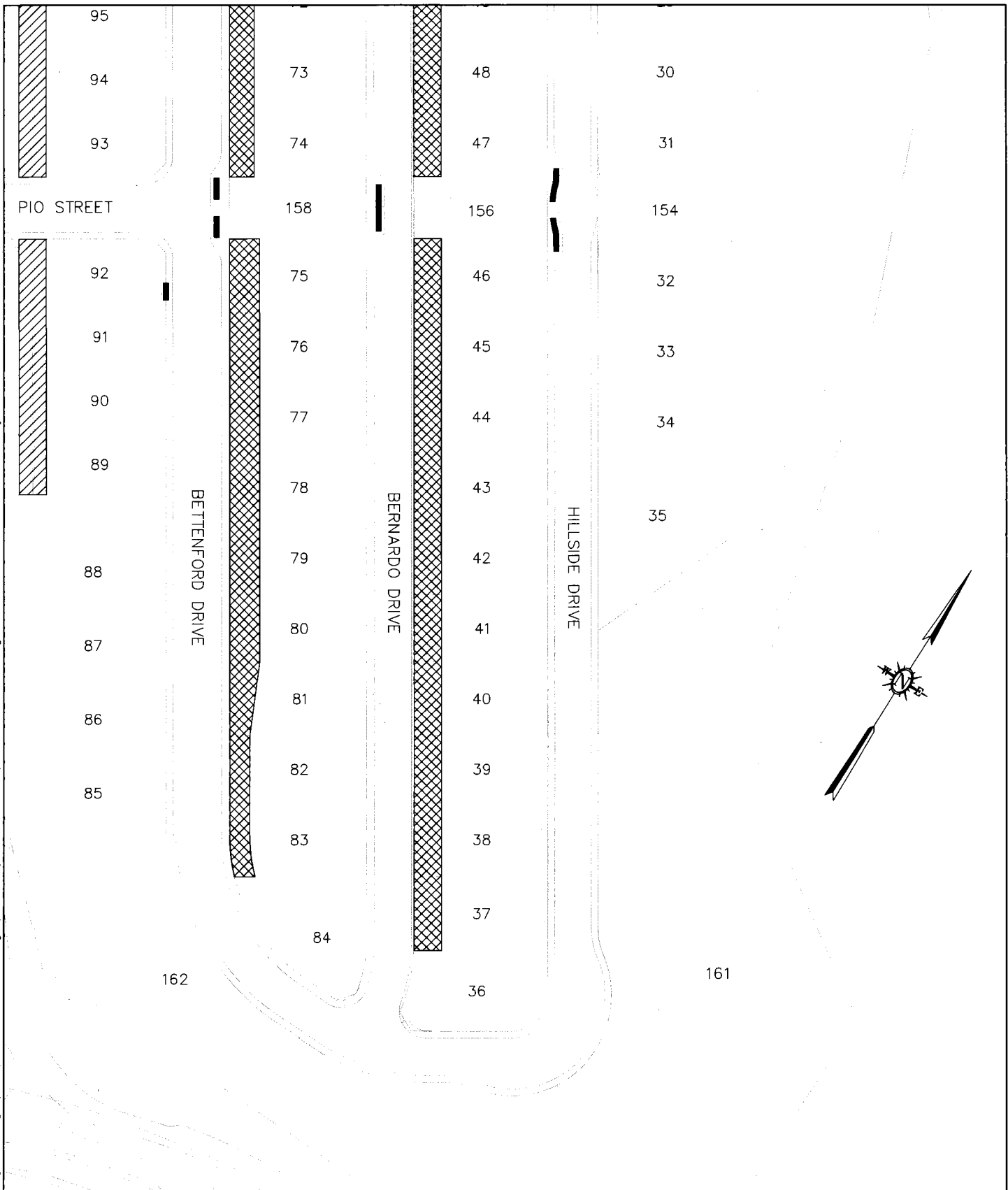


SHEET 6 OF 8

NO SCALE



EXHIBIT I
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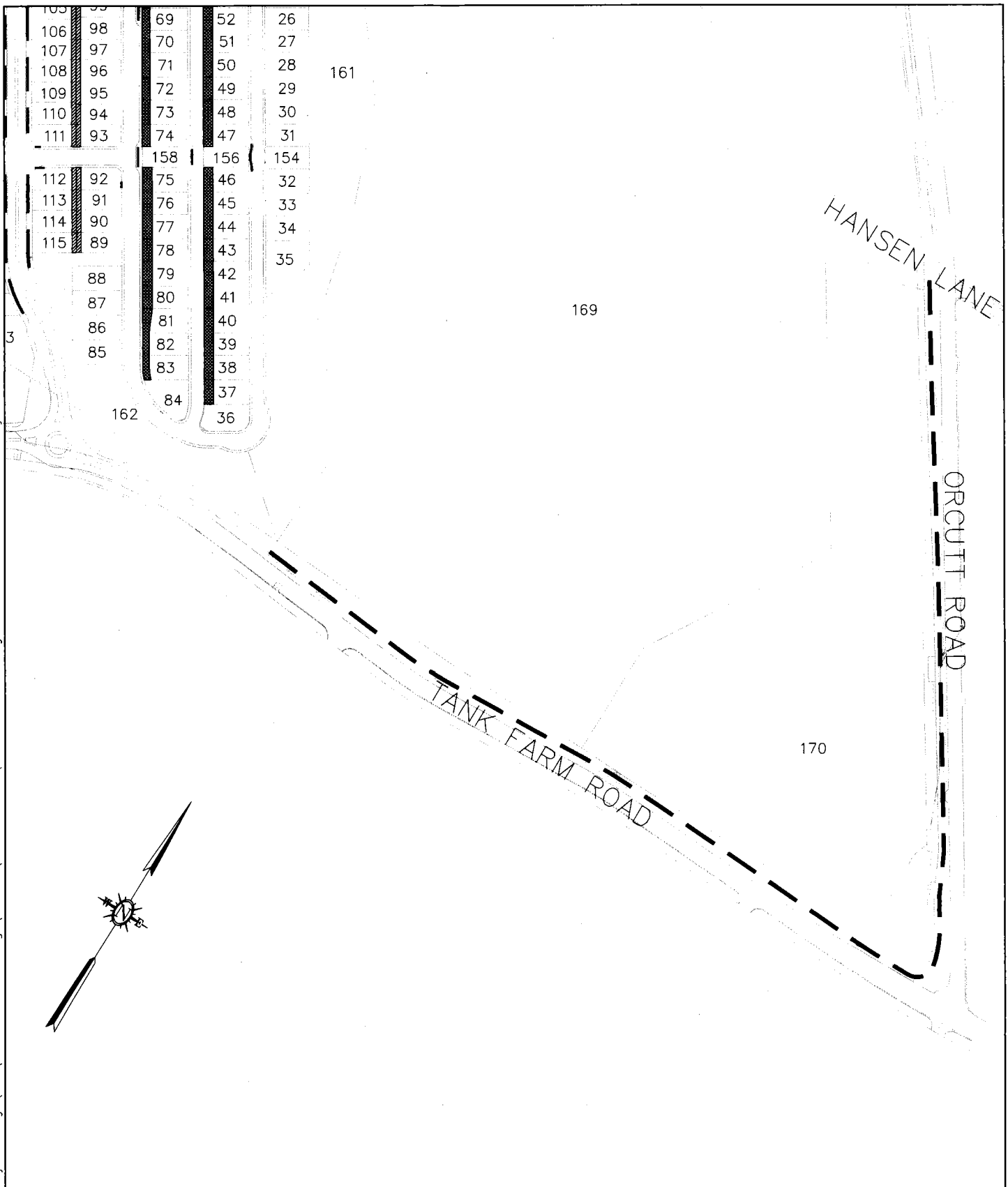


SHEET 7 OF 8

NO SCALE



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SHEET 8 OF 8

NO SCALE

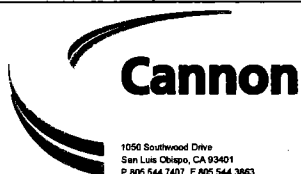


EXHIBIT I
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EXHIBIT J

AESTHETIC MITIGATION MEASURE AES-3 FROM CITY COUNCIL RESOLUTION NO. 10619 (2015 SERIES) FOR REVIEW OF PROPOSED IMPROVEMENTS ON LOTS 19 TO 35, INCLUSIVE, OF TRACT NO. 3063-PHASE 1

AESTHETIC MITIGATION

AES-3 Special Building Height Limits, Scale and Massing Design Standards for Western Flank of Righetti Hill (Righetti Ranch VTM#3063). Added building design restrictions shall be required for residential lots and units (Lots 19 to 35) adjoining the Righetti Hill URL on the western flank of the hillside. These standards are intended to reduce the massing of residential units abutting the URL. These standards will include use of the following building techniques, and considered during ARC and/or staff review of any project applications for residential units in this location:

1. Residential Building Heights shall not exceed 25' as measured above average finished grade;
2. Grading for lots abutting the URL will be encouraged to be split-pads, to reduce the scale of the building mass by stepping down the hillside;
3. The upper pad shall be limited to one-story (a maximum of 15') in height;
4. First floor massing and footprint shall be encouraged to be built into the topography (recessed) into the hillside;
5. Second floor square footage shall be set back from the first floor elevation, creating a stepped appearance to the buildings;
6. Maximum lot coverage shall not exceed 50%; and,
7. Roof lines on the upper pad will align front-to-back to narrow the high point of the roof when viewed from the street.

AES-3 Monitoring Program:

Compliance will be reviewed and implemented at two (2) stages. First, any final map recorded for subdivision of lots abutting URL along the western flank of the Righetti Hill shall include a special deed restriction incorporating this mitigation and special development criteria on such lots. This requirement will be verified by the City Engineer's office prior to recordation of such a final map. Second, Community Development Department staff will insure ARC and staff level application of these standards during review of any design review and building permit submittals.