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San Luis Obispo, CA 93401

Official Records
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Julie L. Rodewald
Recorder
Sep 02, 1999
Time: 09:50

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**FIRST AMENDMENT TO THE
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF**

ISLAY POINTE VILLAS HOMEOWNERS ASSOCIATION,

A Planned Unit Development

THIS AMENDMENT to the Declaration of Covenants, Conditions and Restrictions, which was recorded on June 6, 1995, as Document No. 023642, is amended in the following respects only:

1. Article XVII, Section 17.1 Organization, is modified to read as follows:

“17.1, Organization: There shall be an Architectural Review Committee consisting of five (5) persons.”

2. Article XVII, Section 17.2.1, Initial Members, is modified to read as follows:

“17.2.1, Members and Terms: Upon election of the members of the association to approve this amendment, the number of Architectural Review Committee members shall be increased to five (5) members. After adoption of this amendment, two (2) additional directors shall be appointed by the Board of Directors. Such designation shall be reflected in the Minutes of the Association. The term of service for each Architectural Review Committee member shall be two (2) years from the date of appointment, unless they have resigned or been removed from office. Any new member appointed to replace a member who has resigned or been removed shall serve such member's unexpired term.”

3. Article XVII, Section 17.2.2 Appointment and Removal, is modified to read:

"17.2.2, Appointment and Removal: The Board of Directors shall have the power to appoint all of the members of the Architectural Review Committee. Members appointed to the Architectural Review Committee by the Board shall be from the membership of the Association. Exercise of right of appointment and removal, as set forth herein, shall be evidenced by the specification of the Minutes of the Board of each new Architectural Review Committee member or alternate member appointed and each member or alternate replaced or removed from the Committee."

4. Article XVII, Section 17.4, Meetings, is modified to read as follows:

"17.4, Meeting: The Architectural Review Committee shall meet from time to time as necessary to properly perform its duties hereunder. The vote or consent of a majority of the Committee members then sitting on the Committee shall constitute an act by the Committee unless the unanimous decision of its members is otherwise required by this Declaration. The Architectural Review Committee shall keep and maintain a record of all actions taken by it at such meeting or otherwise. The members of the Architectural Review Committee shall be entitled to reimbursement for reasonable expenses incurred by them in the performance of any Committee function."

In all other respects said Declaration of Covenants, Conditions and Restrictions shall remain in full force and effect.

IN WITNESS WHEREOF, this First Amendment to the Declaration is executed by the President of the Association.

ISLAY POINTE VILLAS
HOMEOWNERS ASSOCIATION

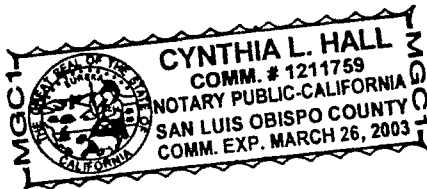
BY: Catherine Haynes
President

STATE OF CALIFORNIA)
)
COUNTY OF SAN LUIS OBISPO) SS.

On ~~August~~ ^{September} 1, 1999, before me, the undersigned, a Notary Public in and for said state, personally appeared CATHERINE HAYNES, personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons who executed the within instrument as President, on behalf of Islay Pointe Villas Homeowners Association, the corporation herein named, and acknowledged to me that such corporation executed the within instrument pursuant to its bylaws or a resolution of its board of directors.

WITNESS my hand and official seal;

Cynthia L. Hall
NOTARY PUBLIC



1-69955

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
AND RESERVATION OF EASEMENTS
OF
ISLAY POINTE VILLAS

THIS AMENDED AND RESTATED DECLARATION is made this 30TH day of May, 1995, by FARM ROAD - SAN LUIS, L.P., a California Limited Partnership, herein after referred to as "Declarant", for the purpose of amending and restating that certain Declaration of Covenants, Conditions and Restrictions recorded on February 27, 1995, as Document No. 1995-008103 in Official Records in the office of the County Recorder of San Luis Obispo County with reference to the following facts:

WHEREAS, Declarant owns certain real property and residential improvements thereon (hereinafter referred to and defined as "the Project") described as follows:

2-1-07-11-22

Lots 20 through 39, and Lots 81 through 84, inclusive, and Common Area Lot 85 of Tract No. 2135 Unit 1, City of San Luis Obispo, County of San Luis Obispo, State of California, as per Map filed in Book 17, Page 42, inclusive of Miscellaneous Records (Maps), in the Official Records of the County Recorder of said County

WHEREAS, Declarant will convey the parcels in said Project to individual owners, and the common area therein to Islay Pointe Villas Homeowners Association, a nonprofit mutual benefit California corporation, to act as a homeowners' association in accordance herewith, subject to certain protective covenants, conditions, restrictions, reservations, liens and charges as hereinafter set forth;

NOW, THEREFORE, said Declarant, the fee owner of said Project, hereby makes the following Declaration as to the divisions, easements, rights, liens, charges, covenants, restrictions, limitations, conditions and uses to which the above-described Project may be put, hereby specifying that said Declarant, its successors and assigns, and all subsequent owners of all or any part of said Project, together with their grantees, successors, lessees, heirs, executors, administrators, devisees, or assigns.

ARTICLE I

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by blood, marriage or legal adoption, or a group of not more than three (3) persons not all so related, including domestic servants, who maintain a common household in a Unit.

1.10 Front Yard Landscaping. "Front Yard" landscaping which include the front yard, side yard and rear yard areas of the individual Lots (exclusive of portions within private patios and fenced yards).

1.11 Lot or Unit. The "Lot" or "Unit" means any plot of land shown on the recorded subdivision map of the Project with exception of the Common Area described herein. The Lots or Units in Phase I are referred to thereon as Lots 20 through 39, and Lots 81 through 84, inclusive.

1.12 Member or Owner. The record owner, whether one or more persons or entities, including Declarant, of the fee simple title to any Lot, but excluding those having such interest merely as security for performance of an obligation, together with contract purchasers in possession.

1.13 Mortgage. A deed of trust as well as a mortgage, both of which are security for the performance of an obligation.

1.14 Mortgagee. A beneficiary under or holder of a deed of trust as well as a mortgage.

1.15 FHA. Federal Housing Administration

1.16 VA. Veterans Administration

1.17 Subdivider. Farm Road - San Luis, L.P., a California Limited Partnership, herein sometimes referred to as "Declarant".

1.18 Voting Power of the Association. A number equal to the total number of Lots subject to this Declaration.

ARTICLE II

Description of Land and Improvements

2.1 Description of Land and Improvements. The land within Phase I of the development consists of seven residential buildings. There is a total of twenty-four (24) residential units in said buildings.

The Common Area, including the improvements thereto, shall be owned by the Association for the common use and enjoyment of the Owners. The Common Area to be owned by the Association at the time of the conveyance of the first Lot shall be all of Lot 85 of the recorded Tract Map for the project. The improvements shall include private streets,

open parking, landscaping, irrigation, walkways, exterior lighting, walls and fencing, and any Project signs. The private streets are substandard in size with respect to those standards which apply to public right-of-way and, as such, the streets will not be accepted for dedication to the City of San Luis Obispo.

2.2 Annexation. Additional real property will be annexed to Islay Pointe Villas and become subject to this Declaration by the methods hereinafter set forth:

2.2.1 Additions by Declarant. Declarant shall develop or cause to be developed the additional real property described as Lots 1 through 19, and Lots 40 through 80, inclusive, and the common areas contiguous thereto, as shown on the Map for Tract No. 2135 referred to hereinabove. Declarant will annex such additional real property to Islay Pointe Villas and bring such real property within the general plan and scheme of this Declaration without the approval of the Association, its Board of Directors or Members, provided, however, that such annexation must comply with the provisions of Section 2792.27(b), Title 10, of the California Administrative Code, and provided further that said annexation must be completed prior to the expiration of three (3) years from the date of the original issuance of the most recently issued Final Public Report for Islay Pointe Villas.

2.2.2 Other Additions. Additional real property may be annexed to Islay Pointe Villas and brought within the general plan and scheme of this Declaration upon the approval by the vote or written consent of Members entitled to exercise not less than two-thirds (2/3) of the voting power of each class of membership of the Association so long as there is a Class B membership outstanding and, thereafter by the vote or written consent of Members entitled to exercise not less than two-thirds of the voting power residing in Members other than Declarant. Upon obtaining the requisite approval pursuant to this paragraph 2.2.2, the Owner of any real property who desires to annex it to Islay Pointe Villas and subject it to the jurisdiction of the Association shall file or record a Supplemental Declaration as more particularly described in paragraph 2.2.4 below.

2.2.3 Conveyance of the Common Area. Prior to the conveyance of any Lot within the real property annexed from the areas described in paragraph 2.2.1 of this Article to the purchasers thereof for single family residential use, title to the common area within said annexed real property, if any, shall be conveyed to the Association, free and clear of any and all encumbrances and liens, except current real property taxes, which taxes, if any, shall be prorated to the date of transfer, and reservations, easements, covenants, conditions and restrictions then of record, including those set forth in this Declaration.

2.2.4 Supplemental Declarations. The additions authorized under paragraphs 2.2.1 and 2.2.2 of this Article II shall be made by filing of record a Supplemental Declaration, or other similar instrument, with respect to the additional real property which shall be executed by the Owner thereof and shall extend the general plan and scheme of this Declaration to such real property. The filing of record of said Supplemental Declaration shall constitute and effectuate the annexation of the additional real property described therein, and thereupon said real property shall become and constitute a part of Islay Pointe Villas, become subject to the functions, powers and jurisdiction of the Association, and the Owners of Lots in said real property shall automatically become members of the Association.

Such Supplemental Declaration may contain such additions and modifications of the covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the added real property, and as are not inconsistent with the general plan and scheme of this Declaration. In no event, however, shall such Supplemental Declaration revoke, modify, or add to the covenants, conditions and restrictions established by this Declaration as the same pertain to Islay Pointe Villas, except as hereinafter may be provided.

ARTICLE III

The Owner's Association; Membership and Voting Rights

3.1 Management and Operations. The development, to be known as Islay Pointe Villas, shall be organized and operated as a planned unit development. The Grant Deed conveying interests to individual purchasers shall expressly refer to and incorporate by reference this Declaration. All owners of Lots in the development shall be members of the Islay Pointe Villas Homeowners Association, a nonprofit mutual benefit corporation which will operate the development. The powers as granted to the Association are for the purpose of operating, maintaining and managing the Common Area and Common Facilities of the development for the benefit of the owners of Lots within the development and for providing such service for and conducting such common business affairs of its members, as specified in this Declaration and in the By-Laws.

3.2 Consent to Becoming Member of Association. The purchaser of any Lot in said development, by the acceptance of a deed therefor, whether from Declarant or from subsequent owners of such property, or by the signing of a contract or agreement to purchase such Lot, shall by the acceptance of such deed or by the signing of a contract or agreement, consent to becoming a member

of the Association, to abide by the Articles of Incorporation and the By-Laws thereof and to accept all of the benefits and obligations of members thereof. The membership held by an Owner of a lot shall not be transferred, pledged or alienated in any way except upon the sale or encumbrance of such lot, and then only to the purchaser or mortgagee of such lot. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Association.

3.3 Powers of the Association. The powers of the Association, the membership and voting rights therein and the authority of its officers and directors shall be set forth in its Articles of Incorporation and By-Laws.

3.3.1 Voting Classes. The Association shall have two (2) classes of voting memberships:

3.3.1.1 Class A. Class A members shall be all lot Owners with the exception of the Declarant and shall be entitled to one (1) vote for each lot owned. When more than one (1) person holds an interest in any lot, all such persons shall be members. The vote for such lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any lot. A Class A Member who has sold his property to a contract purchaser under an agreement to purchase shall be entitled to delegate to such contract purchaser his membership rights in the Association. However, the contract seller shall remain liable for the charges and assessments until title to the property sold shall be transferred.

3.3.1.2 Class B. The Class B member(s) shall be the Declarant and shall be entitled to three (3) votes for each lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of one of the following events, whichever occurs earlier:

(i) Two (2) years from the date of the original issuance of the most recently issued Final Subdivision Public Report by the California Commissioner of Real Estate for Islay Pointe Villas, or

(ii) Four (4) years from the date of the original issuance of the initial Final Subdivision Public Report by the California Commissioner of Real Estate for Islay Pointe Villas.

As long as two classes of members in the Association exist, no action by the Association that must have the prior approval of the Association members shall be deemed approved unless approved by the appropriate percentage of both classes of members, except provisions with respect to the action

to enforce the obligations of the Declarant under any completion of Bonds.

3.3.2 Multiple Owner Voting. The vote for each such lot may be cast only as a unit, and fractional votes shall not be allowed. In the event joint Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any Owner or Owners cast a vote representing a certain lot, it shall thereafter be conclusively presumed for all purposes that he or they were acting with authority and consent of all other Owners of the same lot. In the event more than one vote is cast for a particular unit by Class A members, none of said votes shall be counted and all of said votes shall be deemed void.

3.3.3 Cumulative Voting. Every Owner entitled to vote at any election of the Board may, if the procedural prerequisites set forth in Section 7615(b) of the California Corporations Code is first followed, cumulate his vote and give one candidate a number of votes equal to the number of Directors to be elected multiplied by the number of votes to which his lot or lots are entitled, or may distribute his vote on the same principle among as many candidates as he desires. The entire Board may be removed from office by the affirmative vote of fifty-one percent (51%) of the Owners entitled to vote at any election of the Board. However, unless the entire Board is removed, an individual Director shall not be removed if the number of votes against the resolution for his removal exceeds the quotient arrived at when the total number of votes which all members are entitled to cast is divided by one plus the authorized number of Directors. If any or all of the Directors are so removed, new Directors may be elected at the same meeting.

3.3.4 Vesting of Voting Power. The voting power shall vest when the power of assessment has passed to the Association, as set forth in Section 6.1 herein.

ARTICLE IV

Property Rights of Owners and Members; Easements; Partition

4.1 Designation of Lots. Each of the Lots and the structures thereon, each separately shown, numbered and designated on the Subdivision Map as recorded in Book 17, Page 42, of Maps, Official Records, of San Luis Obispo County, California, incorporated herein by reference as though specifically made a part hereof, together with a non-exclusive easement for use and access to the common area shall be a separate estate in fee.

4.2 Ownership of Lot; Easements. Ownership of each Lot shall include a fee ownership interest in the Lot, a membership in the Association and any exclusive or nonexclusive easement or easements appurtenant to such Lot over the Common Area as described in this Declaration, or the deed to the Lot.

4.3 Owners' Nonexclusive Easements of Enjoyment; Powers and Duties of the Association. Every Owner of a Lot shall have a nonexclusive easement of use and enjoyment in, to and throughout the Common Area of the Development and for ingress, egress and support over and through the Common Area. However, such nonexclusive easements shall be subordinate to, and shall not interfere with, exclusive easements appurtenant to Lots over the Common Area. Each such easement shall be appurtenant to and pass with the title to every Lot, subject to the following rights and restrictions:

4.3.1 The right of the Association to temporarily suspend the voting rights and/or rights to use the recreational facilities of an Owner and their lessees, guests and their families for any period during which any assessment against his lot remains unpaid, and/or impose monetary penalties authorized by this Declaration; and for a period not to exceed thirty (30) days for any infraction of its published rules and regulations (other than failure to pay assessments) after hearing by the Board of Directors of the Association where said Owner has been given at least fifteen (15) days prior written notice and the opportunity to appear and be heard not less than five (5) days prior to the effective date of the disciplinary action as more specifically set forth in Article IV, Section IV-2(c) of the Bylaws which satisfies the minimum requirements of Section 7341 of the California Corporations Code.

4.3.2 The right of the Association to dedicate or transfer its interest in all or any part of the common area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective unless an instrument agreeing to such dedication or transfer signed by two-thirds (2/3) of each class of members has been recorded, and unless written notice of the proposed action is sent to every member not less than thirty (30) days nor more than sixty (60) days in advance;

4.3.3 The right of the Association to establish uniform rules and regulations pertaining to the use of the common area.

4.3.4 The right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving or renovating the common area and landscaping thereof.

4.3.5 The right of the Association, or its representatives, to enter the Lot of any other Owner to perform permissible installations, alterations, or repairs to mechanical or electrical services, including installation of television antennae and related cable, if requests for entry are made in advance and such entry is at a time convenient to the Owner whose Lot is being entered. In case of emergency, such right of entry shall be immediate.

4.4 Delegation of Use; Contract Purchaser; Tenants. Any Owner may delegate, in accordance with the Bylaws of the Association, his right of enjoyment in the Development, including any recreational facilities, to the members of his family, his guests, and invitees, and to such other persons as may be permitted by the By-Laws and the Association rules, subject however, to this Declaration, to the By-Laws and to the Association rules. However, if an Owner has sold his Unit to a contract purchaser or rented the Unit, the Owner, members of his family, his guests and invitees shall not be entitled to use and enjoy the recreational facilities of the Development while the Owner's Lot is occupied by such contract purchaser, or tenant. Instead, the contract purchaser, or tenant, while occupying such shall be entitled to use and enjoy the recreational facilities of the Development and can delegate the rights of use and enjoyment in the same manner as if such contract purchase, or tenant, were the Owner of such Lot during the period of his occupancy. Each Owner shall notify the Secretary of the Association of the names of any contract purchaser, or tenant of such Owner's Lot. Each Owner, contract purchaser or tenant also shall notify the Secretary of the Association, in advance, of the names of all persons to whom such Owner, contract purchaser or tenant has delegated any rights of use and enjoyment in the Development and the relationship that such person bears to the Owner, contract purchaser or tenant. Any delegated rights of use and enjoyment are subject to suspension to the same extent as the rights of Owners.

4.5 Waiver of Use. No member may exempt himself from personal liability for assessments duly levied by the Association, nor release the Lot owned by him from the liens and charges hereof, by waiver of the use and protection of the common area or by abandonment of his Lot.

4.6 Encroachments. Each residential unit is hereby declared to have an easement over the Common Area for the purpose of accommodating any encroachment due to engineering or surveying errors, errors in original construction, settlement or shifting of any building, overhangs or projections in original construction, or for any other cause not due to willful misconduct of any Owner or Owners. In addition, there shall be valid and appropriate easements for the maintenance of such

encroachments. In the event any portion of the Common Area encroaches upon any residential unit or any residential unit encroaches upon the Common Area as a result of the construction, reconstruction, repair, shifting, settlement, or movement of any portion of the development, a valid easement for the encroachment and for the maintenance thereof shall exist so long as the encroachment exists.

4.7 Association's Easement; Grants of Easements. The Association shall have an easement over, under and through the Common Area and each residential Lot where necessary for any construction, maintenance, repair or other functions required of the Association by this Declaration. Declarant and the Association shall have the right to grant nonexclusive, and specific as well as blanket, easements in, on, over, under, and through the Common Area for all utility services and purposes. Declarant's power hereunder shall cease after the initial sale of the Lots.

4.8 Partition. Except as provided by Section 1359 of the California Civil Code, there shall be no judicial partition of the Development or any part thereof, and Declarant and any person acquiring an interest in the Development or any part thereof absolutely waive the right to partition the real property in kind and waive the right to seek partition for the purpose of a sale of the real property, or any portion thereof, unless the bringing of a suit for partition has been approved by the vote or written agreement of two-thirds (2/3) of the voting power of the Association other than the Declarant and two-thirds (2/3) of all first mortgagees and beneficiaries of first deeds of trust; provided, however, that if any Lot shall be owned by two or more co-tenants in common or as joint tenants, nothing herein contained shall be deemed to prevent a judicial partition as between such co-tenants.

4.9 Prohibition Against Severability of Component Interests. No owner shall be entitled to sever his residential unit from his membership in the Association. Neither of said interests may be severally sold, conveyed, encumbered, hypothecated or otherwise affected, and any violation of this provision shall be void and of no effect. The suspension of this right of severability in no event will last beyond the period set forth in Article XI of this Declaration, including any extensions thereunder.

ARTICLE V

Uses of the Real Property

5.1 Residential Use; Obligation to Rebuild. The real property is hereby restricted to residential use. No buildings or structures shall be erected or placed, temporarily or permanently, upon the real property other than the structures bounding the residential units substantially the same as those originally erected thereon by Declarant and the Common Facilities used in connection therewith. In the event of damage to or destruction of any structure bounding one or more residential units by fire or other casualty, or any Common Facilities used in connection therewith, unless prohibited by law the Association shall reconstruct the same substantially in accordance with the original plans and specifications, to the end that the exterior appearance resembles that obtaining prior to such damage or destruction in accordance with the provisions of Article VII.

Declarant shall have the right to designate from time to time and use one or more residential units owned or leased by it for model homes and/or for sales offices. This right shall terminate three (3) years after issuance of the Final Subdivision Public Report for the final phase of the development, or upon sale of the last residential unit in the development, whichever shall last occur.

5.2 Restriction on Use. The property shall be subject to the following restrictions:

(a) Each residential unit shall be used as a residence for a Single Family in compliance with applicable zoning regulations and in compliance with this Declaration, including but not limited to Section 1.9 of Article I hereof.

(b) No animals, livestock or poultry of any kind shall be raised, bred or kept on any portion of the development, except that dogs, cats or other household pets may be kept provided that they are not kept, bred or maintained for any commercial purposes; and that they do not become a nuisance to other owners and/or occupants of the property; and if and when declared to be a nuisance by the Board, such dog, cat or other household pet or pets shall be forthwith removed from the Development. The owners of animals shall be responsible for the cleanup of any litter left by such animals in the Common Area. Dogs shall be kept on a leash when in the Common Area.

(c) No advertising signs, billboards, or unsightly objects shall be erected on the development, except that one (1) sign of customary and reasonable dimensions may be used for the sole purpose of advertising for sale any Unit or Units. This provision shall not be applicable to Declarant.

(d) No obnoxious or offensive activity shall be carried on upon any portion of the Development, nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood or which shall increase the rate of insurance on an adjacent residential unit or in connection with any common facility.

(e) No clothesline, storage pile or other unsightly object shall be maintained on the Development, except that clotheslines may be placed in private open areas which are substantially screened from common view, and storage piles or other objects may be allowed by or with the written consent of the Board; and there shall be no exterior drying or laundering of clothes or other materials on the deck or patio-yard area of a Unit or the common walkways in the Development, except as provided above.

(f) All rubbish, trash, or refuse shall be placed and kept in covered containers of a type and style which will prevent such garbage, trash or refuse from being dispersed by wind conditions or interference by animals. In no event shall such containers be maintained where they would be visible from neighboring property, except when necessary to make the same available for rubbish collection and then only for a maximum period of twenty-four (24) hours. Woodpiles may be maintained by owners on the deck or patio-yard area of a unit, provided it is of a clean and attractive appearance as determined by the Board.

(g) No combustible material or any other material which would increase the risk of fire shall be stored on the Development.

(h) All streets, driveways, sidewalks, entries and passages outside of the residential Units shall remain unobstructed and shall not be used for purposes other than ingress and egress to and from the residential Units, except that parking spaces designated by the Board may be used for parking vehicles. The City is hereby vested with the power to tow away vehicles parked in unauthorized areas of the Project when the City receives a complaint from an Owner or from the Association.

(i) No boats, trucks, trailers or other recreational vehicles (except for passenger automobiles, station wagons and pickup trucks, all to be maintained in running order) shall be kept upon the Development, except as authorized pursuant to rules adopted by the Board.

(j) No awnings, sunshades or screen doors, other than those originally installed, shall be installed without written approval of the Architectural Review Committee. All window

coverings visible from the exterior of the buildings shall be of a neutral tone and of material approved by the Architectural Review Committee. No windows shall be covered by paint, foil, sheets or similar items.

(k) No roofs shall be erected over any patio or balcony areas, and no fences shall be constructed surrounding any patio areas without the prior written approval of the Architectural Review Committee.

(l) No fences, statuary or structures of any kind shall be installed or erected on any Common Area without the written consent of the Architectural Review Committee.

(m) No exterior radio or television antenna shall be erected on the development or on any structure except that the Association may erect one or more community antennae if needed.

(n) No plants or other improvements other than those installed and maintained by the Association shall be planted, installed or maintained in the Common Area.

(o) No owner or occupant shall engage in activity within the Project which is in violation of any law, ordinance, statute, rule or regulation of any local, county, state or federal agency.

(p) Garages shall be used only for parking purposes and for the storing of household goods of owners and occupants and for such other purposes as may be permitted by the Board so long as adequate clear space is maintained within the garage for the intended number of vehicles. No garage door shall be permitted to remain open except for a temporary purpose.

(q) No external items such as, but not limited to, television and radio poles and antenna, satellite dishes, solar connector panels, flag poles, clothes lines, wiring, insulation, air conditioning equipment, water softening equipment, fences, awnings, ornamental screens, screen doors, porch or patio enclosures, sunshades, walls, landscaping, planting, spas, other than those provided in connection with the original construction of the Project and any replacements thereof, and other than those approved by the Board in writing shall be constructed, erected or maintained on or within the Project, including any structures thereof.

(r) In addition to the requirements prescribed in Article V herein, no exterior addition to or change or alteration of any common area or unit shall be made until or unless such exterior addition, change or alteration is first approved in writing by the Board.

ARTICLE VI

Assessments and Liens

6.1 Assessment Power. Each Lot within the Development and the improvements thereon, except such improvements as are owned by the Association, shall be subject to general and special assessments and liens to secure their payment. The Association, by and through the Board only, shall have the sole authority to fix and establish the amounts of the general assessments provided for in this Declaration and the amounts of such interest, costs and late charges for the late payment or nonpayment thereof. The power of assessment shall vest on the first day of the month following the first conveyance of a Lot in the first phase of Islay Pointe Villas by Declarant to a Public Purchaser.

6.2 General Assessments. The general assessment shall be fixed and established annually or more often by the Board and shall be collected monthly by the Association as follows:

(a) Budget - General: The Board shall, as hereinafter provided by resolution duly adopted, annually estimate in its best judgment the cash requirements and reserves for future maintenance or contingencies reasonably necessary and proper for the management, operation, maintenance, care and improvement of the development in accordance with those rules set forth in this Declaration and in the Bylaws for the year or portion of the year for which such estimate is made.

(b) Annual Budget: The Board shall at a regular or special meeting held during the month of October of each year, or at such other time as may be designed by the Board, make its estimate of cash requirements for the following calendar year. If the Board elects a fiscal year other than the calendar year, such estimate shall be made at least three (3) months prior to the beginning of that fiscal year.

(c) General Assessments: Subject to the terms of subparagraph (d), the Board may from time to time, by resolution adopted at any regular or special meeting, establish and fix general assessments based upon duly adopted estimates as provided above, or modify any estimate or estimates previously made and increase or diminish the amount previously estimated as cash.

requirements of the Association for any year or portion thereof, and the Board may increase or diminish the amount of the general assessment to correspond to such revised estimate, provided that no such determination by the Board shall have any retroactive effect on the amount of assessment payable by any owner of a Lot for any period elapsed prior to the date of such determination. Such estimate of cash requirements and reserves and the whole thereof shall be apportioned equally among all the Lots, and the sum allocable to each Lot shall be the general assessment against such Lot for the following calendar year.

(d) Limit on Increased Assessments: Except as provided below, the Board may not impose a general assessment hereunder which is more than twenty percent (20%) greater than the general assessment for the immediately preceding fiscal year without the vote or written approval of those members constituting a quorum casting a majority of votes at a meeting or election of the Association. For purposes hereof, a quorum shall be defined as being more than fifty percent (50%) of the members, including the Declarant, of the Association.

(e) Apportionment of Assessments: The general assessments shall be apportioned equally among the Lots then subject to assessments.

(f) Payment: All such general assessments shall be collected on a monthly basis, due on the first of the month to which such assessment pertains.

(g) First Assessments: The notice provisions of Section 6.5 notwithstanding, assessments on all Lots in the first phase of Islay Pointe Villas shall commence on the first day of the month following the first conveyance of a Lot under authority of a Final Public Report from the California Department of Real Estate in an amount per month equal to that set forth in the Public Report until the Board at any meeting thereafter legally held shall determine by resolution in accordance with the provisions of this Section a change in the amount of the assessment and the first date for payment of such changed assessment. In subsequent phases, the assessments against all Lots in each phase shall commence on the first day of the month following the first conveyance of a Lot in such phase to a Public Purchaser in accordance with the budget for that phase submitted to and approved by the California Department of Real Estate.

(h) Declarant's Obligations: Declarant shall be liable for the payment of all general and special assessments, and subject to all liens to secure the payment of same pursuant to this Article VI, upon any Lot owned by Declarant at the time and in the manner, as provided herein, as such assessment shall be an obligation of any other Lot Owner within the Development.

6.3 Special Assessments. A special assessment is an assessment to reimburse the Association for expenses incurred or to be incurred which are not ordinarily included in the annual estimate of expenses referred to in Section 6.2. Special assessments may be levied as follows:

(a) Purpose: The Association shall have the right to impose special assessments for, but not limited to, the following purposes:

[i] To collect such sums due from Owners under Sections 6.11 (Taxes), 7.7(b) (Insufficient Insurance), 8.5 (Common Area Damage, Unit Damage and Unit Maintenance) and 8.6 (Utilities).

[ii] To defray the cost of any construction or reconstruction, unexpected repair or replacement of a Common Facility or any other capital improvement in the Common Area not covered by the provisions of Article VII; provided that any such assessment shall have the vote or written approval of (1) a majority of the voting power of the Association and (2) a majority of the voting power of the Association other than the Declarant at a meeting duly called or noticed for this purpose.

[iii] To collect a monetary penalty imposed by the Board in accordance with the Bylaws or otherwise to reimburse the Association for costs incurred in bringing a member and that member's interest in his or her Lot into compliance with provisions of this Declaration and the Bylaws.

[iv] To defray the cost of any improvement in the Common Area.

(b) Limit: Except for special assessments levied pursuant to subsection (a)[i], [ii], [iii], the Board may not levy special assessments to defray the costs of any action or undertaking of the Association which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year without the vote or written consent of those members constituting a quorum casting a majority of votes at a meeting or election of the Association. For purposes hereof, a quorum shall be defined as being more than fifty percent (50%) of the Owners, including the Declarant, of the Association.

(c) Apportionment: Any special assessment levied pursuant to the provisions of Section 6.3(a)(i) shall be levied upon the basis of the ratio of the square footage of the floor area of the residential unit to be assessed to the total square footage of floor area of all such units to be assessed. Any other special assessment which is levied against all Lots shall be apportioned among all of the Lots as provided in Section 6.2.

6.4 Emergency Situations: The provisions of Section 6.2(d) and 6.3 to the contrary notwithstanding, the Board may increase or levy assessments necessary for emergency situations. For purposes of this Section, an emergency situation is any one of the following:

[i] An extraordinary expense required by court order.

[ii] An extraordinary expense necessary to repair or maintain the project, or any part of it for which the Association is responsible where a threat to safety of persons is discovered.

[iii] Repairs to or maintenance of the project that could not have been reasonably foreseen in preparing the Budget. Prior to imposition of the assessment, the Board shall be required to make written findings, distributed to the members, as to the necessity of the expense and why it could not have been foreseen.

6.5 Notice of Assessments. Notice of the amount of any general or special assessment imposed by the Association shall be mailed to the Lot Owner not less than thirty (30) days prior to the date such assessments or charges become due and payable.

6.6 Default; Late Charge. Fifteen (15) days after any general or special assessment shall be due and payable, and unpaid or not otherwise satisfied, the same shall be and become delinquent and shall so continue until the amount of said assessment, together with all costs, late charges and interest as herein provided, have been fully paid or otherwise satisfied. The Board may establish a reasonable charge for late payment of any assessment to defray the additional administration costs such late payment may cause, subject to the limitations as set forth in Civil Code Section 1366(c)(2) as follows: a late charge not exceeding ten percent (10%) of the delinquent assessment or Ten Dollars (\$10.00), whichever is greater. Such late charges may be imposed at any time after any such assessment as become delinquent.

6.7 Notice of Delinquency. At any time after any general or special assessment against any Lot has become delinquent, the Association may record a Notice of Delinquency as to such Lot, which Notice shall state therein the amount of such delinquency and the interest, costs and late charges which have accrued thereon, a description of the Lot against which the delinquency has been assessed, the name of the record or reputed owner thereof, and the name and address of the trustee authorized by the Association to enforce the lien by sale, if any. Such Notice

shall be signed by an Officer of the Association. Upon payment of such assessments, interest, late charges and costs in connection with which such Notice has been so recorded, or upon other satisfaction thereof, the Association shall concurrently or within twenty (20) days, record a further Notice stating the satisfaction and the release of any lien. The foregoing procedures and the provisions of the remainder of this Article, insofar as they relate to creation of a lien against a Lot and the enforcement thereof by the sale of the Lot in accordance with the provisions of Section 2924, 2924(b), 2924(c) and or 2934(a) of the California Civil Code, are inapplicable in the instance of any enforcement of special assessments made pursuant to the provisions of Sections 6.3(a)(iii), 8.5 and 8.6.

6.8 Lien. Immediately upon the recording of any Notice of Delinquency pursuant hereto, the amounts of the delinquency set forth therein and the interest, all costs and expenses (including attorney fees) and late charges accrued and accruing thereon shall be and become a lien upon the Lot or Lots described therein, which lien shall continue until the amount of such delinquency and the interest, costs and late charges accrued thereon have been fully paid or otherwise satisfied or the lien foreclosed as provided for herein.

6.9 Enforcement of Lien; Attorney's Fees. Each lien created pursuant to the provisions of this Declaration by the recordation of a Notice of Delinquency, as hereinabove provided, may be enforced by sale by the Association, its attorney or other person authorized to make the sale. Such sale may be conducted in accordance with the provisions of Sections 2924, 2924(b), and 2924(c) and/or 2934(a) of the California Civil Code or in any other manner permitted by law. The Association may bring separate legal action to collect said delinquent assessments without foreclosing such lien and before the Association has recorded a Notice of Delinquency. Interest shall accrue at the rate of twelve percent (12%) per annum upon all unpaid assessments commencing thirty (30) days after the assessment becomes due. In any action to collect said delinquent assessments or to foreclose any such lien, the Association shall be entitled to costs, including reasonable attorney's fees as determined by a court of competent jurisdiction, interest, and such late charges for delinquent assessments as shall have been established by the Board.

6.10 Assessments and Liens Subordinated. Each and every lien and assessment, together with any costs, expenses, late charges or interest established, reserved or imposed under this Declaration, shall be subordinated to any valid bona fide first mortgage or first trust deed (and the lien and/or title thereto) which has been or may hereafter be given in good faith and for

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Insurance, Destruction of Improvements

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7.2 All Risk Hazard Insurance. Fire, extended coverage, vandalism, malicious mischief and other hazard insurance, with demolition and contingent liability from operating of building laws endorsements, shall be purchased by the Board as promptly as possible following its election and shall be maintained in force at all times, the premiums thereon to be paid out of the general assessment fund. Until the beginning of assessments pursuant to Section 6.2, such insurance shall be procured by the Declarant. The Board shall continue the Declarant's policy and pay the premiums accruing thereon after the date of the beginning of assessments until such new policy as selected by the Board is in force. The policy shall provide for the issuance of certificates or such endorsements evidencing the insurance as may be required by the respective mortgagees. The policy or policies shall insure against loss from perils therein covered as to all the improvements in the development except such as may be separately insured by the Association hereunder. The amount of insurance under this Section shall be an amount equal to one hundred percent (100%) of the full replacement cost of the improvements, and the policy or policies shall contain a stipulated amount clause or determinable cash adjustments clause or similar clause to permit a cash settlement covering specified value in the event of destruction and the inability to rebuild pursuant to this Declaration. The policy or policies shall name as insured all of the Owners, any mortgagees or record, the Association and the Declarant so long as the Declarant is the owner of any of the Lots in the Project. The policy or policies shall also cover personal property owned in common and shall further contain waiver of subrogation rights by the carrier as to negligent Owners.

7.3 No separate Hazard Insurance on Structures. Except as expressed and provided in this Article, no Owner shall insure separately his residential unit or any part thereof against loss by fire or other casualty covered by the insurance carried under Section 7.2. Should any Owner violate this provision, any diminution in insurance proceeds resulting from the existence of such other insurance and/or failure to have the proceeds resulting from the existence of such other insurance payable pursuant to the provisions of Section 7.2 shall be chargeable to the Owner who acquired such other insurance, who shall be liable to the Association to the extent of any such diminution and/or loss of such proceeds.

7.4 Owner's Liability and Contents Insurance. In addition to the Common Area liability insurance covered under Section 7.1, an owner may carry such personal liability insurance as he may desire. Further, any improvements made by an Owner to the real property within a residential Unit as well as the personal property of an Owner may be separately insured by such owner, and

the Association shall have no responsibility to secure any insurance therefor. Such insurance would be limited to the type and nature of coverage often referred to as "condominium unit Owners' package." All such insurance separately carried shall contain waiver of subrogation rights by the carrier as to negligent Owners.

7.5 Other Insurance Coverage. The Board may purchase and maintain in force at the expense of the general assessment fund debris removal insurance, assessment loss insurance, fidelity bonds and other insurance and/or bonds that are necessary. The Board shall purchase and maintain workers' compensation insurance to the extent of that required by law respecting employees of the Association. Any and all policies purchased pursuant hereto by the Association may be combined into one or more blanket or consolidated policy or policies at the Board's discretion.

7.6 Board Appointed Attorney in Fact. The Board is hereby appointed attorney-in-fact for all Owners to negotiate loss adjustments on the policies carried under Sections 7.1, 7.2, 7.3 and 7.5 above.

7.7 Damage or Destruction.

(a) Segregation of Funds; Obligation to Rebuild. In the event any structure bounding a residential unit is damaged or destroyed by fire or other casualty, all insurance proceeds paid in satisfaction of claims for said loss or losses shall be segregated according to losses suffered by each residential Unit and shall be paid to the Association as trustee for the owners and for the encumbrancer as their interest may appear. Said insurance proceeds and the proceeds of any special assessments as hereinafter provided, whether or not subject to liens of mortgages or deeds of trust, shall be collected and disbursed by said trustee through a separate trust account pursuant to the provisions hereof. Subject to the provisions of subparagraphs (d) and (e) below, the Board shall contract immediately to repair or rebuild the damaged portion of such structure substantially in accordance with the original plans and specifications thereof.

(b) Special Assessment: In the event that any structure bounding a residential unit or any common facility is repaired or reconstructed pursuant to the provisions of this section and there is any deficiency between the insurance proceeds paid for the damage to the residential structure or Common Facility and the contract price for repairing or rebuilding such structure or common facility, the Board shall levy a special assessment against all Owners apportioned equally as provided in Section 6.3(c). If any Owner shall fail to pay said special assessment or assessments within thirty (30) days

after the levy thereof, the Board shall make up the deficiency by payment from the general assessment fund, and the remaining Owners shall be entitled to the same remedies as those provided in Article VI of the Declaration covering a default of any Owner in the payment of assessments.

(c) Disbursement Procedure: In the event the estimated cost of repair or reconstruction of any structure bounding a residential Unit including any associated garage exceeds the sum of Ten Thousand Dollars (\$10,000.00), whether or not all or any part of said cost is covered by the insurance proceeds, the monies deposited in the special trust account hereinabove referred to shall be disbursed for the purpose of said repair or reconstruction on the following terms and conditions:

[i] The Board shall obtain the consent and agreement of a majority of the affected first mortgagees or holders of first deeds of trust of record to supervise the progress of repair or reconstruction work and the disbursement of funds in connection therewith, jointly with the manager, agent or Board.

[ii] The trust funds shall be deposited in an account mutually agreed upon by the Board and said institutional encumbrancer.

[iii] No disbursement for said work shall be made without the prior approval of said institutional encumbrancer.

(d) Election Not to Rebuild: It is the general intent of subsections (a), (b) and (c) of this Section 7.7 to assure the repair and reconstruction of any structure bounding a residential Unit irrespective of the cause of the damage or destruction or of the adequacy of any insurance proceeds; the Board may, however, with the vote or written consent of two-thirds (2/3) or more of the voting power of the Association elect not to repair or rebuild such structure provided that in such event the Board shall have prepared and filed, as promptly as practicable, a map reverting the property to acreage (converting the Project into an unimproved parcel of land), and the entire Development all be offered for sale forthwith at the highest and best price obtainable, either in its damaged condition or after all structures have been razed. The net proceeds of such sale and the proceeds, if any, of insurance shall be distributed among the Owners and their respective mortgagees as their interests appear according to the proportionate fair market value of the respective Lots at the time of the destruction as determined by independent appraisal.

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(e) Inability to Rebuild: In the event of the damage or destruction of less than all of the residential Units in the development and the impossibility or inability to repair or reconstruct all of the damaged residential Units for reasons beyond the control of the Owners, including but not limited to zoning restrictions which have been enacted or geological hazards which have developed since the date of this Declaration, and the Owners do not make the election under subparagraph (d) above, the following shall occur:

[i] The insurance proceeds payable on account of such damage or destruction shall be disbursed by the Board as follows: First, to the holders of mortgages and beneficiaries of first trust deeds as their interest appear to the extent of monies owed them which are secured by mortgages or trust deeds on the affected improvements; Second, to the cost of removing any remaining or destroyed portions of the improvements and complying with all other applicable requirements of governmental agencies; and, Third, to the Owners of damaged or destroyed Lots in proportion to the respective fair market values of their Lots immediately preceding the destruction as determined by independent appraisal and the aggregate insurance proceeds amount - the "net compensation amounts".

[ii] The Association shall have two (2) independent appraisals made as follows:

(a) An appraisal of the total increase in value of all remaining Lots as affected by the removal of the damaged or destroyed residential Units and the resulting decreased density of the Development. Such increase in value shall be referred to below as the "aggregate increase in value."

(b) An appraisal of the value of the damaged or destroyed Lots which could not be rebuilt immediately preceding the act causing the destruction, less the net amounts paid to the Owners from the insurance proceeds distributed pursuant to subparagraph [i] above. Such sum shall be referred to as the "aggregate net loss in value".

Upon determination of the aggregate increase in value and the aggregate net loss in value as set forth above, the net compensation payable to the Owners of the damaged or destroyed Lots shall be computed as follows: one-half of the difference between the aggregate net loss in value and the aggregate increase in value shall be added to the aggregate increase in value and such sum shall be referred to as the "net compensation amount." The net compensation amount shall be apportioned among the Owners of the damaged or destroyed Lots in accordance with their relative market values immediately

preceding the destruction. Such sum shall be assessed to the Owners of the remaining Lots as a special assessment payable over a term not to exceed two (2) years and at an interest rate of twelve percent (12%) per annum on the unpaid balance, and apportioned among the remaining Lots in accordance with their relative market values determined by independent appraisal as of a date after the destruction or demolition of the damaged residential Units and the resulting increase in open space in the Development.

[iii] Each of the Owners of damaged residential Units, following destruction or demolition, shall concurrently convey his Lot to the Association free and clear of all monetary liens and encumbrances and execute such other documents necessary to terminate his interest in the development, including any right he may have had to rebuild in the event of damage or destruction.

(f) Amendment: Subsections (a), (b), (c), (d) and (e) of this Section 7.7 may be amended only by an instrument in writing, executed, acknowledged and recorded in the Office of the County Recorder by two-thirds (2/3) of the total voting power of the Association and a majority of the voting power of the Association other than Declarant, such percentages to include all owners whose residential units have suffered damage or destruction and which have not, at the time of such amendment, been fully repaired or reconstructed.

(g) Damage to Common Facilities: In the event of damage to or destruction of all or any portion of a Common Facility other than a structure bounding a residential Unit by fire or other casualty, all insurance proceeds paid in satisfaction for claims of said loss and the proceeds of any special assessment as hereinafter provided, shall be used by the Board to repair or rebuild the damaged portion of such Common Facility substantially in accordance with the original plans and specifications thereof, unless within ninety (90) days from the date of such destruction two-thirds (2/3) or more of the voting power of the Association present and entitled to vote in person or by proxy at a duly constituted meeting determine that such reconstruction shall not take place or that such facility be reconstructed in a manner differing from the original plans and specifications thereof. In the event all or any portion of the insurance proceeds are not devoted to the repair or rebuilding of any Common Facility (other than a structure bounding a residential Unit or the associated garage or carport, if any), the same shall be distributed among the Owners and their respective mortgagees as their interests appear according to the proportionate fair market value of the respective Lots at the time of the destruction as determined by independent appraisal.

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Abstract

Maintenance, Replacement and Improvement

Abstract

permits for any such modification, application shall first be submitted to and approved by the City pursuant to the applicable provisions of the San Luis Obispo Municipal Code. In addition, the Association may, to the extent it deems the same reasonably necessary for the maintenance of the appearance of the property or any part thereof, maintain and improve any adjacent public areas, including street rights-of-way, not otherwise maintained by a public agency.

The Association shall maintain all landscaping improvements installed in the Development by the Declarant upon and after acceptance of such improvements by the City and shall indemnify and hold the Declarant harmless from any losses or claims for replacing such landscape materials which were inspected and accepted by the City on the inspection date. The Association shall cooperate with the Declarant in obtaining a release of any landscape bond for maintenance posted by the Declarant within one (1) year from the date of acceptance by the City of such improvements.

The Association shall pay the cost for the repair and maintenance of any structure damaged by the presence of wood-destroying pests or organisms and may cause the temporary removal of any Member or occupant from the property for such periods and at such times necessary for the prompt effective treatment of such wood-destroying pests or organisms. In the event the Association deems it necessary to temporarily remove a member or occupant from the property, the Association shall give written notice to such member or occupant not less than fifteen (15) days nor more than thirty (30) days prior to the date of removal in the manner prescribed in Section 1364 of the California Civil Code, as amended. The cost of temporary relocation shall be borne by the Member or occupant and not by the Association.

8.2 Damage to Common Area. In the event any Common Area is damaged or destroyed through the act or omission of any Owner or his guests, members of his family, agents, or employees, whether or not such act or omission is negligent or otherwise culpable, such Owner shall forthwith proceed to rebuild, repair, or replace the same to as good condition as formerly existed, without cost to the Association, or the Association may proceed to effect such rebuilding, repair or replacement.

8.3 Exterior Maintenance of Residential Units. As part of the Association's responsibility for maintenance of the Common Area, the Association shall provide exterior maintenance for the structures bounding each residential unit which is subject to assessment hereunder, as well as all retaining walls, fences and the garage structures appurtenant to certain Units, such maintenance to include roofs, gutters, downspouts, all exterior surface treatments, and front yard landscaping, including trees,

shrubs, grass and irrigation systems. Such exterior maintenance shall not include the repair, replacement or cleaning of glass surfaces and associated window hardware, the repair or replacement of exterior doors or garage doors and the accompanying hardware, or the maintenance of any floor or deck surface within the interior of the balconies or patios. The Association shall have the exclusive right to plant and maintain planting and other improvements on the Common Area and front yard areas of the individual Lots (exclusive of portions within private patios and fenced yards). In the event that the need for exterior maintenance or repair is caused by an act of an Owner or any of his agents or guests or members of his family, whether or not such act is negligent or culpable, then such Owner shall pay the cost of such maintenance or repair, or the Association may effect such maintenance or repair.

8.4 Owner's Maintenance: Alterations. Except for the maintenance of the exterior as provided in Section 8.3, each Owner shall maintain at his own cost and expense his residential Unit, including the repair, replacement and cleaning of glass surfaces. No exterior addition to or change or alteration of any Unit or the front yard landscaping shall be made until the plans and specifications showing the nature, kind, shape, height, materials, color and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors of the Association or by an Architectural Committee composed of three (3) representatives appointed by the Board from Association membership. In the event said Board or the designated committee fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required, provided that any structure or improvement so erected or altered conforms to all of the conditions and restrictions herein contained and is in harmony with similar structures erected within the Project. Following receipt of approval from the Association and prior to issuance of a building permit for any such modification, application shall first be submitted to and approved by the City of San Luis Obispo pursuant to the applicable provisions of the San Luis Obispo Municipal Code. Grade, level or drainage characteristics of any Lot or any portion thereof shall not be altered without the prior written consent of the Board or its designated committee. No vegetation shall be planted, removed or pruned within the Common Area or the front yard of any Lot unless first authorized by the Board or its designated committee. No portion of a Unit shall be painted or otherwise have its color changed except by the Association. In the event an owner shall fail to maintain his residential unit as herein specified, the Association shall have the right to repair, maintain, rehabilitate and restore the same.

8.5 Special Assessment. In the event the Association undertakes the rebuilding, repair or replacement of any Common Area for which an Owner is liable under Section 8.2, or the maintenance or repair of any exterior walls, roofs or landscaping for which an Owner is liable under Section 8.3 or the repair, maintenance, rehabilitation or restoration of a residential Unit for which an Owner is liable under Section 8.4, the Association may recover the cost thereof through a special assessment against the Owner pursuant to Section 6.3(a)[1].

8.6 Utilities. With regard to the maintenance of sanitary, sewer, water, drainage, electricity, gas, telephone and television lines and connections, herein referred to as "utility lines," the following shall be applicable:

(a) Maintenance, repairs and replacements within the Common Area required for the functioning of utility lines to a residential Unit shall be furnished by the Association; provided, however, that the heating system serving an individual residential Unit, including ducts and outlets, shall be repaired, replaced and maintained by the Owner of such Unit.

(b) In the event sewer lines located outside of the Unit become clogged, stopped-up, or require repair, the Association shall furnish such maintenance, replacement or repair as set forth in subsection (a) above; provided that if it can be determined that the cause of such clogging, stoppage or repair originated in any particular residential Unit, the Association may charge the Owner of such Unit the cost of such repair, replacement or maintenance. In the event an Owner fails to pay such costs, the Association may collect same pursuant to a special assessment upon the Lot or Lots of the Owners who are responsible therefor under the provisions of this section.

(c) City maintenance of water, sewer or storm drain facilities within the project will include replacement of conventional pavement only. Replacement of decorative concrete pavement or other special surfacing shall be at the expense of the Association.

(d) In the event any such utility line is damaged or destroyed by an act of an Owner or any of his agents or guests or members of his family, whether or not such act is negligent or culpable, then such Owner shall replace or repair the same to as good a condition as formerly existed without cost to other Owners served by such utility line.

In the event that one or more Owners shall fail to repair any utility line as hereinabove specified, the Association shall have the right to repair such line. The costs thereof shall be a special assessment upon the Lot or Lots of the Owners

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The Board periodically and at least once every two years shall review and update the inspection and maintenance guidelines.

ARTICLE IX

In the event that an action for condemnation is proposed or commenced by a governmental body having the right of eminent domain, the following provisions shall apply:

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(a) Upon the written consent of two-thirds (2/3) of the voting power of the Association, the Development may be sold to such government body prior to judgment, and the proceeds of such sale shall be divided among the Owners as set forth below in subsection (b).

(b) Lacking the consent required by subsection (a), the proceeds shall be apportioned by one of the following means in the following order of priority:

[i] As set forth by decree of a court or competent jurisdiction; or,

[ii] According to the relative values of the Lots affected by the condemnation as determined by independent appraisal. Such independent appraisal shall be made by a licensed MAI appraiser as chosen by a majority of the Board, or lacking such a majority, as chosen by a majority of the Members present and voting, in person, or by proxy, at a regular or special meeting of the members duly called.

ARTICLE X

General Provisions

2025-07-22

10.0 Interpretation: Inconsistency. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the operation of the Development for the mutual benefit of all Owners. In the event that the provisions of this Declaration conflict with any of the provisions of the Articles or Bylaws, the provisions of this Declaration shall control.

10.2 Severability. The provisions herein shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any of the provisions hereof shall not affect the validity of the remaining provisions.

10.3 Enforcement: Waiver. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants and reservations imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

10.4 Binding on Successors. This Declaration shall be binding upon, and shall inure to the benefit of, the successors and assigns of Declarant and the heirs, personal representatives, grantees, lessees, sublessees, contract purchasers, guests and assignees of the Owners.

10.5 Attorney's Fees. In any action whatsoever arising from rights and obligations established under this Declaration, including but not limited to actions for damages resulting from a breach of this Declaration or actions for specific enforcement hereof, the prevailing party shall be entitled to recover such a reasonable sum as the court may fix as attorney's fees, costs and expenses, which costs and expenses shall not be limited to "taxable costs", but shall include all costs and expenses reasonably incurred by the prevailing party.

10.6 Breaches: Effect on Liens. A breach of any of the provisions of this Declaration will not render invalid or otherwise affect the lien of any mortgage or deed of trust.

10.7 Leases. No Owner is permitted to lease his Unit for transient or hotel purposes. No Owner may lease less than the entire Unit. Any lease of a Unit shall provide that the lease is subject to in all respects the provisions of this Declaration, the Articles of the Association, the Bylaws and Rules and Regulations. Such lease shall further provide that any failure by the lessee to comply with the terms of such document shall be a default under the lease. All leases and rental agreements of Units shall be in writing and shall be for a term of thirty (30) days or more. Upon written request by the Board of Directors, an Owner shall provide the Board with a photocopy of all leases or rental agreements for Units.

10.8 Dispute Resolution. Any controversy or claim between the Declarant and the Association shall be settled by arbitration in accordance with the rules of the American Arbitration Association, and judgment upon the award rendered by the Arbitrator(s) may be entered in any Court having jurisdiction thereof.

ARTICLE XI

Duration and Amendment.

11.1 Term. The provisions contained herein shall run with the land and shall be binding on all parties and all persons claiming under them until fifty (50) years from the date hereof, after which time this Declaration shall be deemed automatically extended for successive periods of twenty-one (21) years, unless an instrument executed by a majority of the voting power of the

Association shall be recorded, cancelling and terminating this Declaration.

11.2 Amendment. Subject to the provisions of Section 7.7, this Declaration may be amended or terminated in whole or part as to all or any part of the Development by a written instrument duly executed by the following and recorded in the Office of the County Recorder of San Luis Obispo County:

(a) As to all or any part of the Development at the time all is owned by Declarant, such amendment may be executed by Declarant alone;

(b) After the sale of the first Lot in the development, such amendment shall be executed by the following:

[i] A fifty-one percent (51%) majority of the voting power of the Association; and

[ii] A fifty-one percent (51%) majority of the voting power of the Association other than Declarant.

(c) Notwithstanding the foregoing: (a) the voting power required to amend a specific provision shall not be less than the percentage of affirmative votes required for action to be taken under that provision; and (b) while Declarant controls one-fourth (1/4) or more of the voting power of the Association, no amendment or termination of this Declaration shall be valid without the prior consent of the California Real Estate Commissioner, if required under applicable law.

ARTICLE XII

Protection of Mortgagees

12.1 Mortgage Permitted. Any Owner may encumber his lot with a mortgage.

12.2 Subordination. Any lien created or claimed under the provisions of this Declaration is expressly made subject to and subordinate to the rights of any first mortgage that encumbers all or a portion of the Development, or any Lot, made in good faith and for value, and no such lien shall in any way defeat, invalidate, or impair the obligation or priority of such mortgage unless the mortgagee expressly subordinates his interest, in writing, to such lien.

12.3 Distribution of Insurance and Condemnation Proceeds. No Lot Owner, or any other party, shall have priority over any right of first mortgagees of Lots pursuant to their mortgages in

case of a distribution to Lot Owners of insurance proceeds or condemnation awards for losses to or taking of Lots or Common Area. Any provision to the contrary in this Declaration or in the Bylaws or other documents relating to the Project is to such extent void. All applicable fire and all physical loss or extended coverage insurance policies shall contain loss payable clauses acceptable to the affected mortgagees naming the mortgagees, as their interests may appear.

12.4 Foreclosure. If any Lot is encumbered by a first mortgage made in good faith and for value, the foreclosure of any lien created by any provision set forth in this Declaration for assessments, or installments of assessments shall not operate to affect or impair the lien of the first mortgage. On judicial foreclosure of the first mortgage, the lien for assessments, or installments that has accrued up to the time of foreclosure, shall be subordinate to the lien of the mortgage, with the foreclosure-purchaser taking title to the Lot free of the lien for assessments or installments that has accrued up to the time of the foreclosure sale. On taking title to the Lot, the foreclosure-purchaser shall only be obligated to pay assessments or other charges levied or assessed by the Association after the foreclosure-purchaser acquired title to the Lot. The subsequently levied assessments or other charges may include previously unpaid assessments provided all Owners, including the foreclosure-purchaser, and his successors and assigns, are required to pay their proportionate share as provided herein.

12.5 Non-Curable Breach. Any mortgagee who acquires title to a Lot by foreclosure or by deed-in-lieu of foreclosure shall not be obligated to cure any breach of this Declaration that is non-curable or of a type that is not practical or feasible to cure.

12.6 Loan to Facilitate. Any mortgage given to secure a loan to facilitate the resale of a Lot after acquisition by foreclosure or by a deed-in-lieu of foreclosure or by assignment-in-lieu of foreclosure shall be deemed to be a loan made in good faith and for value and entitled to all of the rights and protection of this Section.

12.7 Right to Furnish Information. Any mortgagee may furnish information to the Board concerning the status of any mortgage, and the same shall not be construed by the mortgagee as a violation of his right of privacy or confidentiality.

12.8 Conflicts. In the event of any conflict between any of the provisions of this Section 12 and any other provisions of this Declaration, the provisions of this Section 12 shall control.

ARTICLE XIII

Enforcement of Bond for Completion of Common Facilities

13.1 With regard to any bond for completion of the Common Area facilities (hereinafter "Bond") which provides for the Association as obligee, the following provisions shall apply:

13.1.1 The Board of Directors of the Association shall consider and vote on the question of action by the Association to enforce the obligations under the Bond with respect to any improvement for which a Notice of Completion has not been recorded within sixty (60) days after the completion date specified for that improvement in the Planned Construction Statement appended to the Bond. If the Association has granted an extension in writing for the completion of any Common Area improvement, the Board of Directors shall consider and vote on the aforesaid question if a Notice of Completion has not been recorded within thirty (30) days after the expiration of the extension.

13.1.2 A special meeting of Members for the purpose of voting to override a decision by the Board of Directors not to initiate action to enforce the obligation under the Bond or on the failure of the Board to consider and vote on the question shall be held. The meeting shall be held not less than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of Directors of a petition for such a meeting signed by Members representing five percent (5%) or more of the total voting power of the Association.

13.1.3 A vote by Members of the Association other than the Declarant at the special meeting called for the purpose set forth in Section 13.1.2 above, shall be required.

13.1.4 A vote of the majority of the voting power of the Association residing in Members other than the Declarant to take action to enforce the obligations under the Bond shall be deemed to be the decision of the Association and the Board of Directors shall thereafter implement that decision by initiating and pursuing appropriate action in the name of the Association.

ARTICLE XIV

FHA and VA Approval

So long as there is a Class B membership, the following shall require prior approval of FHA and VA; any action which may affect the basic organization of the Association or the common area (i.e., merger, consolidation or dissolution of the

Association); dedication, conveyance or mortgage of the common area; annexation of additional properties not in accordance with the Federal Housing Administration and Veterans Administration approved General Plan for the project, or amendment of this Declaration, as previously approved.

ARTICLE XV

Lot Maintenance Easements

15.1 Party Walls.

15.1.1 General Rules of Law to Apply. Each wall which is built as a part of the original construction of the Units within the Project and placed on the dividing line between the Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto. The term "structural wall" means a portion of a party wall, which is a part of a residential Unit structure or garage, so that one or both sides of the wall are part of the interior of a structure (each side of a structural wall which is part of the interior of a structure will be referred to herein as "the interior of the structural wall").

15.1.2 Ownership and Use. Each party wall or portion thereof shall be owned by the Owner of the Lot on which the wall or portion thereof is located. Notwithstanding the ownership of the walls, all walls of the type defined herein as party walls shall constitute party walls in which the adjoining Owners shall have the rights, benefits, burdens and obligations provided herein. Subject to the provisions of Section 8.3 herein, each Lot Owner shall maintain in good state of repair the side of each party wall facing his Lot and shall do nothing which may alter, damage, impair or tend to alter, damage or impair the structural integrity of the wall. The Owner of a Lot adjoining a party wall shall not drive any nails, screws, bolts or other objects into the party wall to a depth which causes the same to protrude out the other side.

15.1.3 Sharing of Repair and Maintenance. If any party wall is damaged or destroyed through the act of a Lot Owner, whose Lot adjoins such wall, or any of his family, guests or agents (whether such act is negligent or otherwise culpable), so as to deprive the other adjoining Lot Owner or Owners of the full use and enjoyment of such wall, then the first of the aforementioned Owners shall forthwith proceed to rebuild and repair the same to as good condition as formerly existed, without cost to the adjoining Owner or Owners.

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In the event that one or more Owners shall fail to repair any party wall as hereinabove specified, the Association shall have the right to repair such wall. The costs thereof shall be a special assessment upon the Lot or Lots of the Owners who are responsible therefor under the provisions of this section.

15.1.4 Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the costs of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

15.1.5 Weatherproofing. Notwithstanding any other provisions of this Section, an Owner who by his negligent or wilful act, causes the party wall to be exposed to the elements shall bear the whole costs of furnishing the necessary protection against such elements.

15.1.6 Other Changes. In addition to meeting the requirements of this Section and of any building code or similar regulations or ordinances, any Owner proposing to modify, make additions to or rebuild his residence in any manner which requires alteration to any party wall, shall first obtain the written consent of the adjoining Owner and of the Architectural Review Committee.

15.1.7 Right to Contribution Runs with Land. The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors in title.

15.1.8 Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Section, such party shall choose an arbitrator, and such arbitrators shall choose one additional arbitrator, and the decision of said arbitrators shall be by a majority of all the arbitrators and shall be final and conclusive upon the parties.

15.1.9 Easement for Ingress and Egress. There is specifically reserved upon each structural party wall Lot (servient tenement) for the benefit of the adjoining structural party wall Lot (dominant tenement) an easement for ingress and egress from the dominant tenement Owner to pass to the servient tenement to perform such work during daylight hours as may be necessary or advisable in connection with the maintenance, repair or restoration of the dominant tenement party wall, structural wall or structure of which the party wall is a part.

ARTICLE XVI

City of San Luis Obispo as A Third
Party Beneficiary

16.1 City of San Luis Obispo. The Owners of all Lots subject to these covenants, conditions and restrictions recognize that proper maintenance of the common area is for the benefit of all citizens of the City of San Luis Obispo ("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 Association.

16.1.1 In the event the City determines that the Association has not adequately maintained the common area, then the City may give written notice to the Association, which notice shall contain the date of a 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 common area. Any and all costs incurred by the City in so maintaining such common area shall be a lien against the maintenance fund and the property subject to assessment, and shall be the personal obligation of the members of the Association.

16.1.2 The City shall have the right to inspect the site at mutually-agreed-upon times to assure that the conditions of the covenants, conditions and restrictions and the final map are being met.

16.2 Approval of City Regarding Amendments. No amendment of this Declaration shall be effective without the prior approval of the City Council of the City of San Luis Obispo, which affects any provisions hereof required by the City of San Luis Obispo (Article V, Sections 5.2 (e) and (h) and Article XVI).

ARTICLE XVII

Architectural Review Committee

17.1 Organization. There shall be an Architectural Review Committee consisting of three (3) persons.

17.2 Designation of Members and Terms of Office.

17.2.1 Initial Members. The initial members of the Architectural Review Committee shall be appointed by Declarant. The Declarant shall designate said members prior to the conveyance of the first Lot to a Public Purchaser. Such designation shall be reflected in the Minutes of the Association. Each of said members shall serve for a term of one (1) year unless they have resigned or been removed from office and the terms of all Architectural Committee members appointed thereafter shall be one (1) year. Any new member appointed to replace a member who has resigned or been removed shall serve such member's unexpired term.

17.2.2 Appointment and Removal. The Declarant reserves to itself the power to appoint a majority of the members of the Architectural Review Committee until ninety percent (90%) of the Lots within Islay Pointe Villas have been sold or until the fifth anniversary of the date of issuance of the original public report for Islay Pointe Villas, whichever occurs first. After one (1) year from the date of issuance of the original public report for Islay Pointe Villas, the Board shall have the power to appoint one (1) member to the Architectural Review Committee until ninety percent (90%) of the Lots within Islay Pointe Villas have been sold or until the fifth anniversary of the date of issuance of the original public report for Islay Pointe Villas, whichever occurs first. Thereafter, the Board shall have the power to appoint all of the members of the Committee. Members appointed to the Architectural Review Committee by the Board shall be from the membership of the Association. Exercise of right of appointment and removal, as set forth herein, shall be evidenced by the specification of the Minutes of the Board of each new Architectural Review Committee member or alternate member appointed and each member or alternate replaced or removed from the Committee.

17.2.3 Resignations. Any member or alternate member of the Architectural Review Committee may at any time resign from the Committee upon written notice delivered to Declarant or to the Board, whichever then has the right to appoint members.

17.2.4 Vacancies. Vacancies on the Architectural Review Committee, however caused, shall be filled by the Declarant or the Association, whichever then has the power to appoint members. In the event that a vacancy has not been filled within two (2) months, an interim appointment may be made by the remaining members of the Committee.

17.3 Duties. It shall be the duty of the Architectural Review Committee to consider and act upon such proposals or plans submitted to it pursuant to the terms hereof, to adopt Architectural Committee Rules, to perform other duties delegated to it by the Association, and to carry out all other duties imposed upon it by this Declaration.

17.4 Meetings. The Architectural Review Committee shall meet from time to time as necessary to properly perform its duties hereunder. The vote or written consent of any two (2) members shall constitute an act by the Committee unless the unanimous decision of its members is otherwise required by this Declaration. The Architectural Review Committee shall keep and maintain a record of all actions taken by it at such meeting or otherwise. The members of the Architectural Review Committee shall be entitled to reimbursement for reasonable expenses incurred by them in the performance of any Committee function.

17.5 Architectural Committee Rules. The Architectural Review Committee may, from time to time and in its sole discretion, adopt, amend and repeal, by unanimous vote, rules and regulations to be known as "Architectural Committee Rules". Said Rules shall interpret and implement and provisions hereof by setting forth the standards and procedures for Committee review and guidelines for grading, placement of driveways, parking areas and buildings, structures of all kinds, and landscaping; provided, however, that said Rules shall not be in derogation of the minimum standards required by this Declaration.

17.6 Application for Approval of Improvements. Any Owner, except the Declarant and its designated agents, proposing to perform any work of any kind whatever which requires the prior approval of the Architectural Review Committee pursuant to this Declaration, shall apply to such Committee for approval by notifying the Committee of the nature of the proposed work with such information as the Committee may require, including but not limited to three (3) copies of (1) a plot plan of the Lot showing the location of all existing and proposed improvements; (2) elevation drawings; and (3) the Owner's proposed construction schedule. The Architectural Committee may require that the application for approval in connection with any improvement to be constructed be accompanied by an inspection fee in an amount not to exceed one hundred dollars (\$100.00) in the event that the Committee deems that outside consultants are necessary to review plans or otherwise inspect the proposed improvements.

17.7 Basis for Approval of Improvements. The Architectural Review Committee shall grant the requested approval only if:

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(1) The Owner shall have strictly complied with the provisions of Section 17.6 above; and

(2) The Architectural Review Committee shall find that the plans and specifications conform to this Declaration, and to the Architectural Review Committee Rules in effect at the time such plans were submitted to such Committee; and

(3) The members of the Committee in their sole discretion determine that the proposed improvements would be compatible with the design and aesthetic standards of Islay Pointe Villas and the purposes of this Declaration as to location with respect to topography and finished grade elevations.

17.8 Form of Approval. All approvals given under paragraph 17.7 shall be in writing; PROVIDED, HOWEVER, that any request for approval which has not been rejected within thirty (30) days from the date of submission thereof to the Architectural Review Committee shall be deemed approved.

17.9 Proceeding with Work. Upon receipt of approval from the Committee pursuant to paragraph 17.8 above, the Owner shall, as soon as practicable, satisfy all conditions thereof and diligently proceed with the commencement and completion of all installations, construction, grading and excavations pursuant to said approval.

17.9.1 Said commencement to be, in the case of initial landscaping, within 90 days from the date of such approval.

17.9.2 Said commencement to be, in all other cases, within six months from the date of such approval.

If the Owner shall fail to comply with this paragraph 17.9, any approval given pursuant to paragraphs 17.7 and 17.8 shall be deemed revoked unless the Architectural Review Committee, upon written request of the Owner made prior to the expiration of said commencement periods, extends the time for such commencement. No such extension shall be granted except upon a finding by the Committee that there has been no change in the circumstances upon which the original approval was granted.

17.10 Failure to Complete Work. The Owner shall in any event complete the installations, construction, grading and excavations of any improvements within 90 days after commencing the work, if initial landscaping, and within one year after commencing the work on all other improvements except, and for so long as, such completion is rendered impossible or would result in great hardship to the Owner due to strikes, fires, national

emergencies, natural calamities or other supervening forces beyond the control of the Owner or his agents. If Owner fails to comply with this paragraph, the Committee shall notify the Board of such failure, and the Board shall proceed in accordance with the provisions of paragraph 17.11 below as though the failure to complete the improvement were a noncompliance with approved plans.

17.11 Inspection of Work. Inspection of work and correction of defects therein shall proceed as follows:

17.11.1 Upon the completion of any construction of any improvements, or upon the completion of any other work for which approved plans are required under this Article, the Owner shall give written notice thereof to the Architectural Review Committee.

17.11.2 Within sixty (60) days thereafter the Architectural Review Committee, or its duly authorized representatives, may inspect such improvement to determine whether it was installed, constructed, reconstructed, altered or refinished to substantial compliance with the approved plans. If the Committee finds that such work was not done in substantial compliance with the approved plans, it shall notify the Owner in writing of such noncompliance within such sixty (60) days period, specifying particulars of noncompliance and shall require the Owner to remedy such noncompliance.

17.11.3 If upon the expiration of thirty (30) days from the date of such notification, the Owner shall have failed to remedy such noncompliance, the Committee shall notify the Board in writing of such failure. The Board shall then set a date on which a hearing before the Board shall be held regarding the alleged noncompliance. The hearing date shall be not more than thirty (30) days nor less than fifteen (15) days after notice of the noncompliance is given to the Board by the Committee. Notice of the hearing date shall be given at least ten (10) days in advance thereof by the Board to the Owner, the Architectural Review Committee and, in the discretion of the Board, to any other interested party.

17.11.4 At the hearing, the Owner, the Architectural Review Committee and, in the Board's discretion, any other interested person may present information relevant to the question of the alleged noncompliance. After considering all such information, the Board shall determine whether there is a noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. If a noncompliance exists, the Board shall require the Owner to remedy or remove the same within a period of not more than forty-five (45) days from

the date of the Board ruling. If the Owner does not comply with the Board ruling within such period or within any extension of such period as the Board, in its discretion may grant, the Board, at its option, may either remove the noncomplying improvement or remedy the noncompliance and the Owner shall reimburse the Association for all expenses incurred in connection therewith upon demand. If such expenses are not promptly repaid by the Owner to the Association, the Board shall levy a reimbursement assessment against such Owner pursuant to paragraph 6.3 hereof.

17.11.5 If for any reason the Committee fails to notify the Owner of any noncompliance within sixty (60) days after receipt of said notice of completion from the Owner, the improvement shall be deemed to be in accordance with said approved plans.

17.12 Waiver. The approval by the Architectural Review Committee of any plans, drawings or specifications for any work done or proposed, or for any other matter requiring the approval of the Committee under these Restrictions, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification or matter subsequently submitted for approval.

17.13 Estoppel Certificates. Within thirty (30) days after written demand is delivered to the Architectural Review Committee by any Owner, and upon payment to the Association of a reasonable fee (as fixed from time to time by the Association), the Committee shall prepare and deliver an estoppel certificate, executed by any two (2) of its members, certifying (with respect to any Lot of said Owner) that as of the date thereof either (a) all improvements made and other work done upon or within said Lot comply with this Declaration, or (b) such improvements or work do not so comply in which event the certificate shall also identify the noncomplying improvements or work and set forth with particularity the basis of such noncompliance. Any purchaser from the Owners, or from anyone deriving any interest in said Lot through him, shall be entitled to rely on said certificate with respect to the matters therein set forth, such matters being conclusive as between the Association, Declarant and all Owners and such persons deriving any interest through them.

17.14 Liability. Neither the Architectural Review Committee nor any member thereof shall be liable to the Association or to any Owner for any damage, loss or prejudice suffered or claimed on account of (a) the approval or disapproval of any plans, drawings and specifications, whether or not defective, (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings and specifications, (c) the development of any property within Islay Pointe Villas or (d) the execution and filing of an estoppel

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the date of the Board ruling. If the Owner does not comply with the Board ruling within such period or within any extension of such period as the Board, in its discretion may grant, the Board, at its option, may either remove the noncomplying improvement or remedy the noncompliance and the Owner shall reimburse the Association for all expenses incurred in connection therewith upon demand. If such expenses are not promptly repaid by the Owner to the Association, the Board shall levy a reimbursement assessment against such Owner pursuant to paragraph 6.3 hereof.

17.11.5 If for any reason the Committee fails to notify the Owner of any noncompliance within sixty (60) days after receipt of said notice of completion from the Owner, the improvement shall be deemed to be in accordance with said approved plans.

17.12 Waiver. The approval by the Architectural Review Committee of any plans, drawings or specifications for any work done or proposed, or for any other matter requiring the approval of the Committee under these Restrictions, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification or matter subsequently submitted for approval.

17.13 Estoppel Certificates. Within thirty (30) days after written demand is delivered to the Architectural Review Committee by any Owner, and upon payment to the Association of a reasonable fee (as fixed from time to time by the Association), the Committee shall prepare and deliver an estoppel certificate, executed by any two (2) of its members, certifying (with respect to any Lot of said Owner) that as of the date thereof either (a) all improvements made and other work done upon or within said Lot comply with this Declaration, or (b) such improvements or work do not so comply in which event the certificate shall also identify the noncomplying improvements or work and set forth with particularity the basis of such noncompliance. Any purchaser from the Owners, or from anyone deriving any interest in said Lot through him, shall be entitled to rely on said certificate with respect to the matters therein set forth, such matters being conclusive as between the Association, Declarant and all Owners and such persons deriving any interest through them.

17.14 Liability. Neither the Architectural Review Committee nor any member thereof shall be liable to the Association or to any Owner for any damage, loss or prejudice suffered or claimed on account of (a) the approval or disapproval of any plans, drawings and specifications, whether or not defective, (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings and specifications, (c) the development of any property within Islay Pointe Villas or (d) the execution and filing of an estoppel

certificate pursuant to Section 17.14, whether or not the facts therein are correct; PROVIDED, HOWEVER, that such member has acted in good faith on the basis of such information as may be possessed by him. Without in any way limiting the generality of the foregoing, the Architectural Review Committee, or any member thereof, may, but is not required to, consult with or hear the views of the Association or any Owner with respect to any plans, drawings, specifications or any other proposal submitted to the Committee.

ARTICLE XVIII

Dispute Notification and Resolution Procedures

18.1 Dispute Notification and Resolution Procedure (Declarant Disputes). Any disputes between the Association, or any Owners, and the Declarant or any Director, Officer, Partner, Employer, Subcontractor or agent of the Declarant relating to this Declaration, the use or condition of the Property, and/or the construction and installation of any improvements located thereon shall be subject to the following provisions:

18.1.1 Notice. Any person with a claim against the Declarant or any Director, Officer, Partner, Employer, subcontractor or agent thereof (collectively the "Declarant" for purposes of this section) shall notify the Declarant in writing of the claim, which shall describe the nature of the claim and the proposed remedy (the "Claim Notice").

18.1.2 Right to Inspect and Right to Corrective Action. Within a reasonable period after receipt of the Claim Notice, which period shall not exceed 60 days, the Declarant and the Claimant shall meet at a mutually acceptable place within the Development to discuss the claim. At such meeting or at such other mutually-agreeable time, Declarant and Declarant's representatives shall have full access to the Property that is subject to the claim for the purposes of inspecting the Property. The parties shall negotiate in good faith in an attempt to resolve the claim. If the Declarant elects to take any corrective action, Declarant and Declarant's representatives and agents shall be provided full access to the Development to take and complete corrective action.

18.1.3 Non-Binding Mediation. If the parties cannot resolve the claim pursuant to the procedures described in subsection 18.1.2 above, the matter shall be submitted to non-binding mediation pursuant to the mediation procedures adopted by the American Arbitration Association or any successor thereto or to any other entity offering mediation services that is

acceptable to the parties. 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. Prior to accepting any appointment, the prospective mediator shall disclose any circumstances likely to create a presumption of bias or prevent a prompt commencement of the mediation process.

Within ten days of the selection of the mediator, each party shall submit a brief memorandum setting forth its position with regard to the issues that need to be resolved. A party's pre-mediation memorandum may not be disclosed by the mediator to the other party without the consent of the party submitting the same. The mediator shall have the right to schedule a pre-mediation conference and all parties shall attend unless otherwise agreed. The mediation shall be commenced within ten days following the submittal of the memorandum and shall be concluded within 15 days from the commencement of the mediation unless the parties mutually agree to extend the mediation period. The mediation shall be held in San Luis Obispo County, California, or such other place as is mutually acceptable to the parties.

The mediator shall have discretion to conduct the mediation in the manner in which the mediator believes is most appropriate for reaching a settlement of the dispute. The mediator is authorized to conduct joint and separate meetings with the parties and to make oral and written recommendations for settlement. Whenever necessary, the mediator may also obtain expert advice concerning technical aspects of the dispute, providing the parties agree and assume the expenses of obtaining such advice. The mediator does not have the authority to impose a settlement on the parties.

Prior to the commencement of the mediation session, the mediator and all parties to the mediation shall execute an agreement pursuant to California Evidence Code Section 1152.5(c) or successor statute in order to exclude the use of any information, testimony, admission or evidence produced or made at or in connection with the mediation and any subsequent dispute resolution forum, including, but not limited to, court proceedings or arbitration hearings. Pursuant to California Evidence Code Section 1152.5(a), the agreement shall specifically state:

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Evidence of anything said or of any admission made in the course of the mediation is not admissible evidence, and disclosure of any such evidence shall not be compelled in any civil action in which, pursuant to law, testimony can be compelled to be given. Unless the document provides otherwise, no document prepared for the purpose of, or in the course of, or pursuant to, the mediation, or copy thereof, is admissible in evidence; and disclosure of any such document shall not be compelled, in any civil action in which, pursuant to law, testimony can be compelled to be given.

Persons other than the parties, their representatives and the mediator may attend mediation sessions only with the permission of the parties and the consent of the mediator. Confidential information disclosed to a mediator by the parties or by witnesses in the course of the mediation shall not be divulged by the mediator, without the consent of the disclosing party. All records, reports, or other documents received by the mediator while serving in such capacity shall be confidential. There shall be no stenographic record of the mediation process.

The expenses of witnesses for either party shall be paid by the party producing such witnesses. All other expenses of the mediation, including required traveling and other expenses of the mediator, and the expenses of any witnesses, or the cost of any proofs or expert advice produced at the direct request of the mediator, shall be borne equally by the parties unless they agree otherwise.

18.1.4 Judicial Reference. If the parties cannot resolve the claim pursuant to the procedures described in subsection 18.1.3 above, prior to the commencement of any litigation in any court of competent jurisdiction, the parties shall submit the claim to general judicial reference pursuant to California Code of Civil Procedure Sections 638(1) and 641 - 645 or any successor statutes thereto. The parties shall cooperate in good faith to ensure that all necessary and appropriate parties are included in the judicial reference proceedings. Declarant shall not be required to participate in the judicial reference proceeding unless it is satisfied that all necessary and appropriate parties will participate.

The general referee shall have the authority to try all issues, whether of fact or law, and to report a statement of decision. The parties shall use the procedures adopted by the

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American Arbitration Association for judicial reference (or any other entity offering judicial reference dispute resolution procedures as may be mutually acceptable to the parties), provided that the following rules and procedures shall apply in all cases unless the parties agree otherwise:

18.1.4.1 The proceedings shall be heard in the county in which the Development is located;

18.1.4.2 The referee must be a retired judge or an attorney with substantial experience in relevant real estate matters;

18.1.4.3 Any dispute regarding the selection of the referee shall be resolved by the entity providing the reference services or, if no entity is involved, by the court with appropriate jurisdiction;

18.1.4.4 The referee may require one or more pre-hearing conferences;

18.1.4.5 The parties shall be entitled to discovery, and the referee shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge;

18.1.4.6 A stenographic record of the hearing shall be made, provided that the record shall remain confidential except as may be necessary for post-hearing motions and any appeals;

18.1.4.7 The referee's statement of decision shall contain findings of fact and conclusions of law to the extent applicable; and

18.1.4.8 The referee shall have the authority to rule on all post-hearing motions in the same manner as a trial judge.

18.1.5 **Litigation.** If the Association and/or Owner has complied with the requirements of subsections 18.1.1, 18.1.2, 18.1.3 and 18.1.4 above and the Declarant denies any responsibility for the claim, accepts only partial responsibility, accepts responsibility but the parties cannot in good faith agree on an appropriate remedy or the Declarant has elected not to participate in the judicial reference proceeding because all necessary and appropriate parties will not participate, the Association and/or Owner may bring an action in any court of competent jurisdiction to resolve the dispute. The Association and each Owner covenants that each shall forbear from

commencing any litigation against the Declarant without complying with the procedures described in subsections 18.1.1, 18.1.2, 18.1.3 and 18.1.4 above. If the Association or any Owner breaches the foregoing covenant, Declarant may obtain an appropriate order compelling the Association and/or Owner to comply with the procedures described in subsections 18.1.1, 18.1.2, 18.1.3 and 18.1.4. The procedures set forth in subsections 18.1.1, 18.1.2, 18.1.3 and 18.1.4 above shall not apply to any action taken by the Association against Declarant for delinquent assessments, which shall be governed by Article VI, or in any action involving any common area completion bonds, which shall be governed by the provisions of Article XIII. Furthermore, nothing herein shall prevent the Association or any Owner from commencing any legal action which in the good faith determination of the Board or Owner is necessary to preserve any Association's or Owner's rights under any applicable statute of limitations, provided that the Association or Owner shall taken no further steps in prosecuting the action until it has complied with the procedures described in subsections 18.1.1, 18.1.2, 18.1.3 and 18.1.4.

18.1.6 Miscellaneous. Notwithstanding any other provision herein to the contrary, in any dispute between the Association and/or any Owner and the Declarant, each party shall bear its own attorneys fees.

Any and all communications by and between the parties, whether written or oral, which are delivered by the parties or their attorneys or other representatives in an effort to settle the matter shall be considered communications undertaken in the course of effecting a settlement or compromise as such shall not be admissible as an admission on the part of any party or any representative or agent of that party to be utilized for any such purpose in any action or proceeding.

Nothing herein shall be considered to reduce or extend any applicable statute of limitation.

ARTICLE XIX

Notice of Significant Legal Proceedings

19.1 Notice of Significant Legal Proceedings. Notwithstanding anything herein to the contrary, the Board shall not institute any significant legal proceeding, including any arbitration or judicial reference proceeding, against any person without providing the Members of the Association with at least 30 days prior written notice of the Association's intention to institute legal proceedings. The notice shall describe the

purpose of the proceeding, the parties to the proceeding, the anticipated cost to the Association (including attorneys' fees) in processing the proceeding, the source of funds to process the proceeding (reserves or special or regular assessments), and suggested information that should be disclosed to third parties, such as prospective purchasers and lenders, while the proceeding is being prosecuted. For purposes herein, "significant legal proceeding" shall mean any legal proceeding in which it reasonably could be anticipated that any of the following events could occur:

19.1.1 the levy of a special assessment to fund all or any portion of the costs of the proceeding;

19.1.2 the expenditure of funds from the Association's reserves in connection with the proceeding in an amount in excess of five percent (5%) of the then current reserves;

19.1.3 the amount of the claim is in excess of \$25,000; or

19.1.4 the action could have a material adverse effect on the ability to sell and/or refinance the lots within the Development during the period the proceeding is being prosecuted.

Notwithstanding the foregoing, the notice shall not be required to commence and pursue any action to collect delinquent assessments as described in Article VI or to enforce any common area completion bond as described in Article XIII. Furthermore, if the Board in good faith determines that there is insufficient time to provide prior notice to the Members as required herein prior to the expiration of any applicable statute of limitations or prior to the loss of any other significant right of the Association, the Board may take the necessary steps to commence the proceeding to preserve the rights of the Association, provided that as soon as is reasonably practical thereafter, and not later than 30 days following the commencement of the proceeding, the Board shall provide the Members with notice as required herein.

ARTICLE XX

Master Community Association

Declarant proposes to develop this project along with other adjoining properties as a Master Planned Community for residential and related uses. The "adjoining properties" are currently known as Phases 3, 4, 5 and 6 of Tract No. 1750, City

of San Luis Obispo, County of San Luis Obispo, State of California. Declarant has determined that it may be desirable, for the efficient preservation of the values and amenities in the Master Planned Community, to create a separate corporation under the Nonprofit Mutual Benefit Corporation Law of the State of California to which would be delegated and assigned the powers of (1) owning, maintaining and administering the Master Planned Community Association Property such as, but not limited to, the railroad buffer area and the storm drain detention basins for the benefit of its Members and authorized guests, (2) administering and enforcing the Restrictions to be created under a Master Declaration, and (3) collecting and disbursing the assessments and charges to be created under the Master Declaration.

Declarant would cause such corporation, the Members of which would be the respective Owners of Lots and Units in the Master Planned Community, to be formed for the purpose of exercising such functions.

Declarant intends to establish a balanced community and to develop and convey all of the Properties pursuant to a general plan for the maintenance, care, use and management of the Properties, and subject to certain protective covenants, conditions, restrictions, rights, reservations, easements, equitable servitude, liens and charges, all running with the Properties.

Declarant may at any time or from time to time, add this project to a Master Planned Community covered by a Master Declaration by recording a Notice of Annexation of Territory and Supplemental Declaration with respect to this project. If the Notice of Annexation and Supplemental Declaration for the proposed annexation under this Section is not recorded prior to the third anniversary of the original issuance of the Final Subdivision Public Report issued by the Department of Real Estate for the first phase of development of this project, then such annexation shall further require the vote or written consent of at least two-thirds (2/3rds) of the voting power of the Association Members.

Upon recordation of a Notice of Annexation and Supplemental Declaration, this project shall be added to and made a part of a Master Planned Community subject to a Master Declaration. The project shall be held, conveyed, hypothecated, encumbered, leased, occupied, built upon or otherwise used, improved or transferred in whole or in part, subject to a Notice of Annexation and Supplemental Declaration and a Master Declaration.

Upon recordation of a Notice of Annexation and Supplemental Declaration, the Owners of Lots in this Project shall automatically become Members of a Master Association.

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Upon recordation of a Notice of Annexation and Supplemental Declaration, the rights and obligations of all Owners of Lots in the Project with respect to assessments shall be the same as the rights and obligations of all Owners of Lots then affected by a Master Declaration. Any annual Common Assessments provided for in a Master Declaration shall commence as to each Lot in this Project on the first day of the first month following the month in which the first close of escrow occurs for the sale of a residential Lot in this project or on the first day of the first month following the recordation of a Notice of Annexation and Supplemental Declaration.

IN WITNESS WHEREOF, the foregoing instrument was subscribed the day and year first above written.

FARM ROAD - SAN LUIS L.P., a California
Limited Partnership

BY: Farm Road - San Luis General
Partner, L.P., a California Limited
Partnership, General Partner

BY: Hearthstone Advisors, Inc., a
California Corporation,
General Partner

By [Signature]
Title: Senior Vice President

By [Signature]
Title: Senior Vice President

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

No. 5807

State of California

County of Los Angeles

On May 30, 1995 before me, V.A. Weglowski

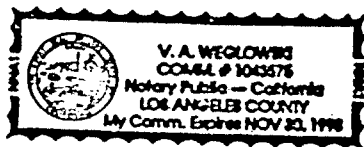
DATE

NAME, TITLE OF OFFICER - E.G. "JANE DOE, NOTARY PUBLIC"

personally appeared Peter Zakar and Mark A. Porath

NAME(S) OF SIGNER(S)

☒ personally known to me - OR - ☐ 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.



WITNESS my hand and official seal.

V.A. Weglowski
SIGNATURE OF NOTARY

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

DESCRIPTION OF ATTACHED DOCUMENT

- ☐ INDIVIDUAL
☐ CORPORATE OFFICER

TITLE(S)

TITLE OR TYPE OF DOCUMENT

- ☐ PARTNER(S) ☐ LIMITED
☐ GENERAL

- ☐ ATTORNEY-IN-FACT
☐ TRUSTEE(S)
☐ GUARDIAN/CONSERVATOR
☐ OTHER: _____

NUMBER OF PAGES

DATE OF DOCUMENT

SIGNER IS REPRESENTING:
NAME OF PERSON(S) OR ENTITY(ES)

SIGNER(S) OTHER THAN NAMED ABOVE