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Master Declaration of Covenants, Conditions and Restrictions
Mission Heights COAL 90-058

**MASTER DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
COAL 90-058 - MISSION HEIGHTS**

This Master Declaration of Covenants, Conditions, and Restrictions is made on the date shown below by West Templeton Partners LLC, a California Limited Liability Company, hereinafter referred to as "Declarant."

RECITAL

Declarant is the Owner of certain real property located in the Community of San Miguel, County of San Luis Obispo, State of California, more particularly described as Parcels 1 through 120 of COAL 90-058 recorded June 15, 1993 in Book 50, Page 94 of Parcel Maps in the office of the County Recorder of said County a.k.a. "Mission Heights." Declarant has established a general plan, hereinafter set forth, for the subdivision, improvement and development of the Project, and each and every Parcel therein, and any additional real property that may be annexed to this Declaration, and desires to secure the harmonious and uniform development of the Project in accordance with said plan.

NOW, THEREFORE, Declarant hereby declares that the Project be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied, repaired, maintained and improved subject to the following covenants, conditions and restrictions, all of which are a furtherance of a common plan for the subdivision and improvement of the Project and sale of the subdivision interests therein, and which are established for the purpose of enhancing and protecting the value, desirability and attractiveness of the Project. All of the covenants, conditions and restrictions herein set forth shall run with the land and shall be binding on all parties having or acquiring any right, title or interest in the Project, or any part thereof, and shall be for the benefit of each Parcel Owner of any portion of the Project or any interest therein and shall inure to the benefit of and be binding upon each successor in interest of such Parcel Owners.

**ARTICLE I
Definitions**

The following terms shall have the following meanings whenever used in this Declaration, unless expressly stated herein.

1.1 Articles: The Articles of Incorporation is for the creation of the Homeowners Association and any amendments thereto.

1.2 Assessment: That portion of the cost of maintaining, improving, repairing, operating and managing the Project (more particularly described in Article IV of this Declaration) which is to be paid by each Parcel Owner as determined by the Association.

1.3 Board: The Board of Directors of the Association, hereinafter referred to as "Board."

1.4 Bylaws: The Bylaws of the Association, hereinafter referred to as "Bylaws".

1.5 Common Areas: The Common Areas, (hereinafter referred to as "Common Area Facilities"). The Association shall be responsible to maintain, replace and construct any improvements.

1.5(a) Drainage basins, drainage basin landscaping, drainage basin fencing, perimeter walls, landscaping and all the improvements; and

1.5(b) The landscape improvements located in the County right-of-way adjacent to Mission Street more particularly described in attached exhibit; and

1.5(c) Streets: The interior streets as delineated on the Parcel Map shall be maintained by the Association until completion of construction of the streets and off-site improvements, if any, and acceptance of such streets and off-site improvements into the county-maintained road system by the County of San Luis Obispo.

1.6 Community/County/State: The Community of San Miguel, County of San Luis Obispo and State of California.

1.7 Declarant: West Templeton Partners LLC, a California Limited Liability Company, its successor, assigns and heirs, hereinafter referred to as the "Declarant".

1.8 Declaration of Annexation and Supplement Restrictions: The Declaration of Annexation and Supplemental Restrictions is a document that delineates the real property, to be annexed into the Master Declaration of Covenants, Conditions and Restrictions, and said Declaration of Annexation (as to Phase I, described in Article I, Section 1.11(a) of this Declaration) shall be recorded concurrent with the Master Declaration, and may from time to time be amended, modified or supplemented, hereinafter referred to as

the "Declaration of Annexation" The subsequent Declaration of Annexation will record delineating the Parcels described in said Declaration of Annexation and Supplement Restrictions and in Article I, Section 1.11(b) of this Declaration.

1.9 Documents: The Declarant, its successors, assigns and heirs shall provide copies of all recorded and unrecorded management documents as listed below to the Association and all Members not less than thirty (30) days but not more than ninety (90) days after the close of the first interest in the subdivision: (1) covenants, conditions and restrictions with any amendments and (2) bylaws, and (3) articles of incorporation, and (4) tract map, and (5) filed notices of completion or evidence of financial guarantees for the completion of the Common Area Facilities and (6) any insurance policies for the benefit of the Association, and (vii) pro-forma budget.

1.10 Homeowners' Association: Mission Heights Homeowners' Association, a non-profit mutual benefit corporation, its successors and assigns, hereinafter referred to as "Association."

1.11 Marketing Phasing: Shall consist of two (2) residential phases (along with Common Area Facilities as described in Article I, Section 1.5 of this Declaration) and all improvements in accordance with the development plan and conditions of approval set forth by the County. The Declarant has submitted the development plan and conditions of approval for substantial conformance to the Department of Real Estate, hereinafter referred to "Phase or Phases", more particularly described as follows:

1.11(a) Phase I shall consist of fifty (50) residential Parcels more particularly described as Parcels 1 through 41 and Parcels 54 through 62, inclusive.

1.11(b) Phase II shall consist of sixty-eight (68) residential Parcels more particularly described as Parcels 42 through 53 and Parcels 63, 64, 66, 68 through 87 and 89 through 120, inclusive.

1.12 Master Declaration: The Master Declaration of Covenants, Conditions and Restrictions, hereinafter referred to as "Declaration," and may from time to time be amended, modified or supplemented.

1.13 Member: Every person or entity owning a Parcel therein, and said Parcel is subject to assessments and the Owner shall be a Member of the Association, along with the duties, obligations and rights to use the Common Area Facilities.

1.14 Mortgage: A mortgage or deed of trust of record encumbering a Parcel. The term "Mortgagee" shall include the beneficiary under a deed of trust and any guarantor or insurer of a mortgage. A "First Mortgagee" is one having priority as to all other Mortgagees encumbering the same subdivision interest.

1.15 Owner: The record Owner(s), if more than one, including Declarant. "Owner" shall also include a contract purchaser who is in possession of a Parcel. An "Owner" does not include persons or entities that hold a beneficial interest in a Parcel merely as security for the performance of a financial obligation. The term for Owner(s) is hereinafter referred to as "Parcel Owner."

1.16 Parcel/Map: There are one hundred eighteen (118) Residential Parcels in Planned Development for COAL 90-058 and exclusive easement(s).

1.17 Project: The real property hereto and incorporated by reference, subject to this Declaration, divided or to be divided into Residential Parcels and Common Area Facilities easement(s), together with all improvements, installations and plantings now or hereafter constructed or installed in this Project.

1.18 Single Family: One or more persons, each related to each other by blood, marriage or legal adoption, or a group of not more than four (4) persons not so related, maintaining a common household.

ARTICLE II

Description of the Project, Division of Property and Creation of Property Rights

2.1 Description of the Project: This Project is a common interest subdivision, which consists of both Residential Parcels and Common Area Facilities with mutually beneficial easements and improvements thereon.

2.2 Division of Property:

2.2(a) Parcels: Each of the Parcels is separately shown, numbered and delineated on the parcel map.

2.2(b) Exclusive Easement(s): County shall grant an exclusive easement(s) to the Association for the purpose of maintaining the improvements as set forth in Article I, Section 1.5 of this Declaration.

2.2(c) Non-exclusive Easement: Each Parcel shall have appurtenant to it a non-exclusive easement for ingress and egress over the Common Area Facilities for pedestrian use only and is subject to the rights of the Association to improve, repair, or maintain the common facilities. Each non-exclusive easement shall be appurtenant to the respective Parcel and shall pass with the title to the Parcel.

2.2(d) The Declarant shall reserve to himself an easement of limited duration, for common driveway purposes, for drainage and encroachment purposes and for ingress to and egress from the common areas facilities for the purpose of completing improvements thereon and/or for the performance of necessary

repair work and, in the subdivision Project, for entry onto adjacent property in connection with the development of the overall Project.

2.3 Rights of Entry and Use: The access and utility easements shall be subject to the following rights of entry and use:

2.3(a) The right of the Association's agent to enter to cure any violation of this Declaration, or the Bylaws, provided that the Parcel Owner has received notice as required by the Bylaws, except in the case of an emergency, and if the Parcel Owner has failed to cure the violation or take steps necessary to cure the violation within thirty (30) days after the finding of a violation by the Association.

2.3(b) The access rights of the Association to maintain repair or replace improvements on property located in the easement area, if any.

2.3(c) The rights of the Parcel Owners, the Association, and the Declarant to install maintain, repair or replace utilities.

2.3(d) The rights of the Declarant during the construction period.

2.3(e) The rights of the Parcel Owners to make improvements or alterations authorized by Civil Code Section 1360(a)(2).

2.4 Conveyance of the Common Area Facilities to the Association: The Common Area Facilities are hereby established as described in Article I, Section 1.5 of this Declaration. The conveyance of common area facilities is as follows:

2.4(a) The Declarant shall hereby grant exclusive easements as described in Article I, Sections 1.5(a) and 1.5(c) to Mission Heights Homeowners Association and said easements shall be free and clear of any monetary encumbrances.

2.4(b) The County of San Luis Obispo shall issue an encroachment permit as described in Article I, Section 1.5(b) to Mission Heights Homeowners Association and said encroachment permit shall be free and clear of any monetary encumbrances.

2.5 Right of Declarant to Modify Plan of Development: Declarant hereby reserves the right to modify, amend, change, or eliminate altogether, the plan of development described in Article I, Section 1.5 of this Declaration. Any change or modification of the general plan of development shall require the consent or acceptance by the Department of Real Estate.

ARTICLE III

Association, Administration, Membership and Voting Rights

3.1 Association shall own and manage the Common Area Facilities: the Association in accordance with its Bylaws shall manage The Common Area Facilities. All Parcel Owners hereby covenant and agree that the administration of the Project shall be in accordance with the provisions of this Declaration, Articles and Bylaws.

3.2 Membership: The Parcel Owner shall automatically, upon becoming the Owner of a Parcel, be a Member of the Association, and shall remain a Member thereof until such time as the Ownership ceases for any reason, at such time the membership in the Association shall automatically cease. Membership shall be appurtenant to and may not be separated from Ownership of a Parcel. Membership shall be held in accordance with the Articles and Bylaws of the Association.

3.3 Transferred Membership: Membership in the Association shall not be transferred, encumbered, pledged, or alienated in any way, except upon sale or encumbrance of the parcel to which it is appurtenant, and then only to the purchaser, in the case of a sale, or mortgagee, in the case of an encumbrance of such parcel. On any transfer of title to an Owner's Parcel, including a transfer on the death of an Owner, membership passes automatically with the title to the transferee.

A mortgagee does not have membership rights until it obtains title to the Parcel by foreclosure or deed in lieu of foreclosure. Any attempt to make a prohibited transfer is void. No Member may resign his/her membership. On notice of a transfer, the Association shall record the transfer in its books.

3.4 Membership Classes and Voting Rights: The Association shall have two (2) classes of voting memberships.

Class A: Class A Members shall be all of the Parcel Owners with the exception of the Declarant and shall be entitled to one (1) vote for each Parcel owned. When more than one person holds an interest in any Parcel, all such persons shall be Members. The vote for such Parcel shall be exercised as they may among themselves determine, but in no event shall more than one vote be cast with respect to any Parcel.

Class B: Class B Members shall be the Declarant and shall be entitled to vote as follows:

Voting shall be the same as for Class A members, except that Class B members may triple their vote for each Parcel owned.

The Class B memberships shall cease and be converted to Class A memberships equal the total votes outstanding either of the following events, whichever occurs earlier.

(i) When the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B Membership; or

(ii) On a prescribed date which is not later than the second anniversary of the first conveyance of a subdivision interest in this Project.

Any action by the Association which must have the approval of the Members before being undertaken shall require the vote or written assent of a majority of each class of membership during the time that there are two (2) outstanding classes of membership. Where the vote or written assent of each class of membership is required, any requirement that the vote of the Declarant be excluded is not applicable. After the conversion of Class B membership to Class A membership, any provision herein requiring the approval of Members other than the Declarant, shall mean the vote or written assent of a majority of the total voting power of the Association (including Declarant's vote(s) and the vote or written assent of a majority of the total voting power of Members other than the Declarant. Voting rights attributable to Parcels shall not vest until the Association has levied Assessments against those Parcel Owners. The only exception to this provision shall be Section 9.12, of Article IX of this Declaration entitled "Special Provisions Relating to Enforcement of Declarant's Obligation to Complete Common Area Facilities Improvements" where as the Board in accordance with the Bylaws and this Declaration may take action.

ARTICLE IV

Maintenance and Assessments

4.1 Creation of the Lien and Personal Obligation of Assessments: The Declarant, for each Parcel within the Project, hereby covenants, and each Parcel Owner by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, covenants and agrees:

4.1(a) to pay to the Association annual assessments or charges, and special assessments for the purposes permitted herein, such assessments to be established and collected as hereinafter provided; and

4.1(b) to allow the Association to enforce any assessment lien established hereunder by non-judicial proceedings under a power of sale or by any other means authorized by law. The annual and special assessments, together with interest, late charges, collection costs and reasonable attorneys' fees, shall be a charge on the Parcel and shall be a lien upon the Parcel against which each assessment is made, the lien to become effective upon recordation of a notice of delinquent assessment. Each such assessment together with interest, late charges, collection costs and reasonable attorneys' fees, shall be the personal obligation of the person who was the Parcel Owner at the time the assessment was due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by him. No Parcel Owner shall be exempt from liability for payment of assessments by waiver of the use or enjoyment of any of the Common Area Facilities or by abandonment of the Owner's Parcel.

4.2 Purpose of Assessments: The assessments levied by the Association shall be exclusively to promote the economic interests, recreation, health, safety and welfare of all the residents in the Project, and to enable the Association to perform its obligation hereunder.

4.3 Assessments:

4.3(a) Annual Assessments: The Board shall not expend funds designated as reserved funds for any purpose other than those purposes set forth in Section 1365.5 of the Civil Code.

The annual assessment shall include a portion for reserves in such amounts as the Board in its discretion considers appropriate to meet the costs of future repair, replacement or additions to the major improvements and fixtures that the Association is obligated to maintain and repair. Reserve funds shall be deposited in a separate account and the signatures of at least two (2) persons who shall either be Members of the Board or one officer who is not a Member of the Board and a Member of the Board shall be required to withdraw monies from the reserve account. Reserve funds may not be expended for any purpose other than repairing, replacing or adding to the major improvements or fixtures that the Association is obligated to maintain without the consent of the Parcel Owners or the Board.

4.3(b) Special Assessments: The Board may not levy special assessments without first complying with the provision set forth in Section 1366 of the Civil Code.

4.4 Restrictions on Annual or Special Assessments: The Board may not levy any assessments without complying with the provisions of Section 1366 of the Civil Code. For purposes of this Section 4.4, a "quorum" means more than fifty percent (50%) of the Members of the Association. Any meeting of the Association for purposes of complying with this Section 4.4 shall be conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3 of Division 2 of Title 1 of the California Corporations Code and

Section 7613 of the California Corporations Code. The Board may increase annual assessments by up to twenty percent (20%) over the annual assessment of the immediately preceding fiscal year only if the Board has complied with the provisions of California Civil Code Section 1365(a), which provisions are set forth in Section 8.7.D.(1) of the Bylaws or has obtained the approval of such an increase by the Members.

Notwithstanding the foregoing, the Board, without Membership approval, may increase annual assessments or levy special assessments necessary for emergencies pursuant to Civil Code Section 1366. The governing body shall not expend funds designated as reserve funds for any purpose other than those purposes set forth in Section 1365.5 of the Civil Code.

This Section 4.4 incorporates the statutory requirements of Civil Code Section 1366. If this section of the Civil Code is amended in any manner, this Section 4.4 automatically shall be amended in the same manner without the necessity of amending this Declaration.

4.5 Notice and Quorum for Any Action Authorized Under Section 4.4: Any action authorized under Sections 4.4, which requires a vote of the membership, shall be taken at a meeting called for that purpose. Written notice of regular and special meetings shall be given to Members by the governing body by any means, which is appropriate given the physical setup of the Project. This notice shall be given not less than ten (10) nor more than ninety (90) days before the date of any meeting at which Members are required or permitted to take any action. The notice shall specify the place, day and hour of the meeting and, in the case of special meetings, the nature of the business to be undertaken. The action may also be taken without a meeting pursuant to the provisions of California Corporation Code Section 7513.

4.6 Division of Assessments: All assessments, both annual and special, shall be levied equally among the Parcels except as provided in Section 4.3. Annual assessments shall be collected on a monthly basis unless the Board otherwise directs. Special assessments may be collected in one (1) payment or periodically, as the Board shall direct.

4.7 Date of Commencement of Annual Assessments; Due Dates: The annual assessments shall commence as to all Parcels covered by this Declaration on the first day of the month following the first conveyance of a Parcel to an individual Owner under authority of the California Department of Real Estate Public Report.

Subject to the provisions of Section 4.3 hereof, the Board shall fix the amount of the annual assessments against each Parcel and send written notice thereof to every Parcel Owner not less than forty-five (45) days nor more than sixty (60) days prior to the start of the fiscal year, provided that failure to comply with the foregoing shall not affect the validity of any assessment levied by the Association. The Board shall establish the due dates. The Association shall, on demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Parcel have been paid. Such a certificate shall be conclusive evidence of such payment.

4.8 Effect of Nonpayment of Assessments: Any assessment not paid within fifteen (15) days after the due date shall be delinquent, shall bear interest at the rate of twelve percent (12%) per annum commencing thirty (30) days after the due date until paid, and shall incur a late payment penalty in an amount to be set by the Board from time to time, not to exceed the maximum permitted by applicable law.

4.9 Transfer of Parcel by Sale or Foreclosure: Sale or transfer of any Parcel shall not affect the assessment lien. However, the sale of any Parcel pursuant to exercise of a power of sale or judicial foreclosure of a first mortgage shall extinguish the lien of such assessments (including attorneys' fees, late charges, or interest levied in connection therewith) as to payments which became due prior to such sale or transfer (except for Assessment liens recorded prior to the mortgage). No sale or transfer shall relieve such Parcel from liability for any assessments thereafter becoming due or from the lien thereof.

Notwithstanding any other provision contained in this Declaration, the Board may increase assessments necessary for emergency situations as pursuant to Civil Code Section 1366.

Where the mortgagee of a first mortgage of record or other purchaser of a Parcel obtains title to the same as a result of Foreclosure of any such first mortgage, such acquirer of title, his successor and assigns, shall not be liable for the assessment by the Association chargeable to such Parcel which became due prior to the acquisition of title to such Parcel by such acquirer (except for assessment liens recorded prior to the mortgage).

No amendment of the preceding sentence may be made without the consent of the Parcel Owners to which at least sixty-seven percent (67%) of the votes are allocated, and the consent of Eligible Mortgage Holders holding first mortgages on the Parcels comprising fifty-one percent (51%) of the Parcels subject to first mortgages. The unpaid share of such assessments shall be deemed to be Common Expenses collectible from all of the Parcel Owners including such acquirer and his successors or assigns.

If a Parcel is transferred, the grantor shall remain liable to the Association for all unpaid assessments against the Parcel through and including the date of the transfer. The grantee shall be entitled to a statement from the Association dated as of the date of the transfer, setting forth the amount of the unpaid assessments against the Parcel to be transferred, and the Parcel so transferred shall not be subject to a lien for unpaid assessments in excess of the amount set forth in the statement, provided, however, that the grantee shall be liable for any such assessments that become due after the date of the transfer.

4.10 Priorities; Enforcement; Remedies: If the Association adopts or has adopted a policy imposing any monetary penalty, including any fee, on any Parcel Owner for a violation of the governing documents or rules of the association including any monetary penalty relating to the activities of a guest or invitee of a Parcel Owner, the board shall adopt and distribute to each member, by personal delivery or first-class mail a schedule of the monetary penalties that may be assessed for those violations, which shall be in accordance with authorization for Parcel Owner discipline contained in this document, Bylaws and Articles. The Board shall not be required to distribute any additional schedules for monetary penalties unless there are changes from the schedule that was adopted and distributed to the members in accordance with California Civil Code Section 1393(g).

If an Assessment is delinquent, the Board shall notify the Parcel Owner in writing, by either personal delivery or first-class mail, at least ten (10) days before the meeting (meeting as stated in Article VI, Section 6.2 and Section 6.5 of the Bylaws). The notification shall contain the date, time and place of the meeting, the nature of alleged violation for which a member may be disciplined, and a statement that the Parcel Owner has a right to attend and address the board at the meeting. The Board shall meet in executive session if requested by the Parcel Owner being disciplined in accordance with California Civil Code Section 1393(h) Section 1367.1(a)(4) and Section 1367.1(c)(1). The Board shall provide the Parcel Owner a written notification of the disciplinary action, (if any) by either personal delivery or first-class mail, within fifteen (15) days following the action. A disciplinary action shall not be effective against a Parcel Owner unless the Board fulfills the requirements set forth in California Civil Code Section 1393(g) and Section 1393(h).

If the Parcel Owners continues to be delinquent the Board shall notify the Parcel Owner in writing by personally deliver or by first class mail thirty (30) days before recording a lien against the delinquent Parcel Owner prior and superior to all other liens except: (1) all taxes, bonds, assessments, and other levies which, by law, would be superior thereto; and (2) the lien or charge of any first mortgage of record (meaning any recorded mortgage or deeds of trust with first priority over other mortgages or deeds of trust) made in good faith and for value. The notification shall contain a 14-point boldface type, if printed, or in capital letters, if typed: "IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION", in accordance with California Civil Code Section 1367.1(a)(1) and Section 1367.1(f).

The amount of the assessment, plus any costs of collection, late charges, attorney's fees, and interest assessed in accordance with California Civil Code Section 1366 which said notice of delinquent assessments to be filed and recorded at the office of County Recorder of San Luis Obispo County, California which will state the amount of the assessment and other sums imposed with the description of the Parcel against which the assessment and other sums are levied, the name of the record Owner, and the name and address of the trustee authorized by the Association to enforce the lien of sale. Any officer of the Association or any management agent retained by the Association in accordance with California Civil Code Section 1367.1(d) shall sign the notice.

The Association may not voluntarily assign or pledge the Association's right to collect payments or assessments, or to enforce or foreclose a lien to a third party, except when the assignment or pledge is made to a financial institution or lender chartered or licensed under federal or state law, when acting within the scope of that charter or license, as security for a loan obtained by the Association; however, the foregoing provision may not restrict right or ability of the association to assign any unpaid obligations of a former Parcel Owner to a third party for the purposes of collection, in accordance with California Civil Code Section 1367.1(g).

An assessment lien may be enforced in any manner permitted by law, including sale by the court, sale by trustee designated in the notice of delinquent assessment, or sale by a trustee substituted pursuant to California Code of Regulations Section 2934(a). Any sale conducted by the trustee shall be conducted in accordance with the provisions of Sections 2924, 2924b, 2924c and 2924f of the California Code of Regulations applicable to the exercise of powers of sale in mortgages and deeds of trust, including any successor statutes thereto, or in any other manner provided by law. Nothing herein shall preclude the Association from bringing an action directly against a Parcel Owner for breach of personal obligation to pay

assessments, in accordance with California Civil Code Section 1367.1(d) Section 1367.1(e) and Section 1367.1(g).

Fines and penalties for violation of restrictions are not "Assessments" and are not enforceable by assessment lien.

The Association, acting on behalf of the Parcel Owners, shall have the power to bid for the Parcel at foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. If the purchase of a Parcel would result in a five- percent (5%) or greater increase in assessments, the purchase shall require the vote or written consent of a majority of the total voting power of the Association, including a majority of Members other than the Declarant. During the period the Association, following foreclosure owns a Parcel:

(i) no right to vote shall be exercised on behalf of the Parcel:

(ii) no Assessment shall be assessed or levied on the Parcel; and

(iii) each other Parcel shall be charged, in addition to its usual assessment, its share of the assessment that would have been charged to such Parcel had it not been acquired by the Association as a result of foreclosure.

After acquiring title to the Parcel at foreclosure sale and following notice and publication, the Association may execute, acknowledge and record a deed conveying title to the Parcel and said conveyance shall be binding on the Owner(s), successors, heirs and all other parties.

The provisions above do not apply to charges imposed against a Parcel Owner consisting of reasonable late payment penalties for delinquent assessments and/or charges to reimburse the Association for the loss of interest and for costs reasonably incurred in connection with collecting the delinquent assessments. Any payments made by the Parcel Owner toward the debt setforth: (a) shall first be applied to the assessments owed, and, only after the assessments owed are paid in full shall the payments be applied to the fees and costs of collection, attorney's fees, late charges, or interest, (b) when Parcel Owner makes a payment, the Parcel Owner may request a receipt and the Board shall provide a mailing address for overnight payment of assessments, in accordance with California Civil Code Section 1367.1(b).

A Parcel Owner other than the delinquent Parcel Owner may submit a written request to meet with the Board to discuss a payment plan for the debt noticed in accordance with California Civil Code Section 1367.1(c)(2)

If the Board has determined that the recordation of lien against a Parcel Owner was in error, the Board shall within twenty-one (21) calendar days, record or cause to be recorded in the Office of County Recorder of San Luis Obispo County a lien release or notice of rescission and provide the Parcel Owner with a declaration that the lien filing or recording was in error and a copy of the lien release or notice of rescission, in accordance with California Civil Code Section 1367.1(i). If the Board should fail to comply with this section, it shall prior to recording a lien, recommence the required notice process and any costs associated with recommencing the notice process shall be borne by the Association and not by the Parcel Owner, in accordance with California Civil Code Section 1367.1(j).

The Board may temporarily suspend voting rights of a Member who is in default in payment of any assessment, after notice and hearing, as provided in the Bylaws.

The provisions above do not apply if the Board has determined that the unpaid assessment was paid on time, and a statement shall be delivered to the Parcel Owner that he/she is not liable to pay the charges, interest, and costs of collection, in accordance with California Civil Code Section 1367.1(a)(3).

The Declarant advises that the Board and Members of the Association research the particulars of California Civil Code Section 1367.1 before commencing with the above aforementioned procedures.

4.11 Unallocated Expenses: In the event that any taxes are assessed against the Common Area Facilities, or personal property of the Association, rather than against the Parcels, said taxes shall be included in the assessments made under the provisions of Section 4.1 and, if necessary, a special assessment may be levied against the Parcels in an amount equal to said taxes, to be paid in two (2) installments thirty (30) days prior to the due date of each tax installment.

4.12 Review of Financial Records: The Board shall review on at least a quarterly basis a current reconciliation of the Association's operating and reserve accounts, the current year's actual reserve revenues and expenses compared to the current year's budget and an income and expense statement for the Association's operating and reserve accounts. In addition, the Board shall review the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts. For the purposes herein, "reserve accounts" shall mean monies that the Board has identified for use to defray the future repair or replacement of, or additions to, those major components, which the Association is obligated to maintain. The Association shall comply with Title 6 of the California Civil Code, a.k.a. Davis Sterling Act, which may be amended from time to time.

ARTICLE V

Duties and Powers of the Association

5.1 Duties of the Association: The Association shall have the obligation to maintain, repair and replace all those portions of the Common Area Facilities more particularly described in Article I, Section 1.5 of this Declaration which is outside of residential structures in the Project.

5.2 Apportionment of Maintenance and Repair Costs: For purposes of the apportioning the costs of maintenance, replacement and repair, each Parcel Owner shall be equally responsible for all costs of maintenance and repair of the Common Area Facilities. Such costs shall be paid from assessments to the Association. The Association may raise such assessments when necessary to cover such costs.

5.3 The Responsibility of the Association: The maintenance and repair shall not extend to repair or replacement arising out of or caused by the willful or negligent act or neglect of a Parcel Owner or his guests, tenants or invitees, or the Parcel Owner's pets, the cost of which is not covered by the insurance carried by the Association. The responsible Parcel Owner shall make such repairs, provided the Board approves of the person actually making the repairs and the method of repairs. If the responsible Parcel Owner fails to take the necessary steps to make repairs within a reasonable period of time under the circumstances, the Association shall make the repairs and charge the cost of repairs to the responsible Parcel Owner, which cost shall bear interest at the rate of twelve percent (12%) per annum, but no greater than the maximum rate authorized by law, until paid in full. If a Parcel Owner disputes his/her responsibility for repairs, the Parcel Owner shall be entitled to notice and a hearing as provided in the Bylaws before any charge may be imposed.

5.3(a) Landscaping Maintenance:

5.3(a)(1) Tree Trimming: The Association shall not trim native trees, if any, within the boundaries of the Common Area Facilities, unless it can be shown that such tree(s) poses a safety hazard. If any such trimming is done, it shall not be done during the dry months of June, July, August and September, unless absolutely unavoidable. If trimming is necessary, the Association agrees to consult arborist or apply accepted arborist's techniques when removing limbs. Unless a hazardous or unsafe situation exists, trimming shall be done only during the winter for deciduous species.

5.3(a)(2) The Association shall maintain all trees, if any, shrubs, groundcovers, turf, irrigation systems, located within common areas facilities consistent with the original subdivision improvement plans and specifications. While landscaping the Common Area Facilities, the Association shall incorporate drought-tolerant plants and native plant species.

5.3(a)(3) Fire Protection: The Association shall be obligated to maintain the Common Area Facilities in a fire safe condition.

5.3(b) Drainage Facilities Maintenance: The Association shall maintain the following improvements until such time the County of San Luis Obispo has formed a drainage basin assessment district.

5.3(b)(1) Fencing: Fencing located in the drainage basins shall be maintained in the manner as originally designed or improved upon as installed by the Declarant.

5.3(b)(2) Drainage Basins: The Basins shall be maintained in the manner as originally designed or improved upon as installed by the Declarant.

5.3(b)(3) Landscaping: Landscaping shall be maintained for perimeter screening and erosion control as installed by the Declarant.

5.3(c) Perimeter walls and earthen berms if any shall be maintained in the manner as originally designed and as installed by the Declarant. Said walls shall be six feet tall and shall be along the property line adjacent to the elementary school and adjacent to the San Miguel Winery and along Mission Street property frontage.

5.3(d) Streets: The interior streets as delineated on the Parcel Map shall be maintained in the manner as originally installed by the Declarant until such time as the County of San Luis Obispo accepts the streets and off-site improvements.

5.3(e) Insurance: The Association shall maintain a policy or policies of insurance as required by this Declaration.

5.3(f) Discharge of Liens: The Association shall discharge by payment, if necessary, any lien against the Common Area Facilities, and charge the costs thereof to the Member or Members responsible for the existence of the lien, after notice and a hearing, as provided by the Bylaws.

5.3(g) Assessments: The Association shall fix, levy, collect and enforce assessments as set forth in Article IV of this Declaration.

5.3(h) Payment of Expenses: The Association shall pay all expenses and obligations incurred by the Association in the conduct of its business including, without limitation, all licenses, taxes or governmental charges levied or imposed against the property of the Association.

5.3(i) Enforcement: The Association shall enforce this Declaration.

5.4 Powers: In addition to the powers enumerated in its Bylaws, or elsewhere provided herein, and without limiting the generality hereof, the Association shall have the following powers:

5.4(a) Utility Service: The Association shall have the authority, but not the obligation, to obtain, for the benefit of all of the Parcels, all water, gas and electric service, refuse collection, janitorial or CATV.

5.4(b) Easements: The Association shall have the authority, by a document signed and approved by two-thirds (2/3) of the total voting power of the Association other than the Declarant, to grant easements, in addition to those shown on the map, if any, where necessary for utilities, cable television and sewer facilities, if any, over the Common Area Facilities to serve the Common Areas.

5.4(c) Manager: The Association shall have the authority to employ a manager or other persons and to contract with independent contractors or managing agents to perform all or any part of the duties and responsibilities of the Association, except for the responsibility to levy fines, impose discipline, hold hearings, file suit, record or foreclose liens or make capital expenditures provided that any contract with a firm or person appointed as a manager or managing agent shall not exceed a one (1) year term and shall provide for the right of the Association to terminate the same for cause on thirty (30) days written notice or without cause or payment of a termination fee on ninety (90) days written notice.

5.4(d) Adoption of Rules: The Association or the Board may adopt reasonable rules not inconsistent with this Declaration relating to the use of the Common Area Facilities thereon.

5.4(e) Access: For the purpose of performing construction, maintenance or emergency repair for the benefit of the Common Area Facilities, the Association's agents or employees shall have the right to enter any portion of the Common Area Facilities at reasonable hours.

5.4(f) Assessments, Liens and Fines: The Association shall have the power to levy and collect Assessments in accordance with the provisions of Article IV hereof. The Association may impose fines or take disciplinary action against any Parcel Owner for failure to pay Assessments or for violation of any provision of the Project Documents and unrecorded rules and regulations adopted by the Board or the Association. Penalties may include, but are not limited to fines, temporary suspension of voting rights or other appropriate discipline, provided the Member is given notice and a hearing as provided in the Bylaws before imposition of any fine or disciplinary action.

The Association may not cause a forfeiture or abridgement of a Parcel Owner's right to full use and enjoyment of his own Parcel on account the Parcel Owner's failure to comply with provisions of the governing instruments or of duly-enacted rules of operation for common areas except by the following as set forth in Regulation 2792.26(a):

- (i) Judgement of a court, or
- (ii) A decision arising out of arbitration, or
- (iii) On account of a foreclosure, or
- (iv) Sale under a power of sale for failure of the Parcel Owner to pay assessments duly levied by the Association.

The Board shall provide in writing a statement showing the amount of any delinquent assessments levied against a Parcel Owner in this Project. The statement shall be current showing late charges, interest and fees for collections pursuant to Civil Code Section 1367.

Annexation of real property to the existing subdivision which was not in the original proposed annexation of the phased development submitted for the consent or acceptance by the Department of Real Estate with the application for a public report for the first phase shall require the vote or written assent of not less than 66 2/3% of the total votes residing in the Association members other than the Declarant, in accordance with Regulation 2792.27(a).

5.4(g) Enforcement: The Association shall have the authority to enforce this Declaration.

5.4(h) Acquisition and Disposition of Property: The Association shall have the power to acquire (by gift, purchase or otherwise) own, improve, build upon, operate, maintain, convey, sell, lease, transfer or otherwise dispose of real or personal property in connection with the affairs of the Association. Any transfer of property shall be by document signed or approved by two-thirds (2/3) of the total voting power of the Association, which shall include two-thirds (2/3) of the Members other than the Declarant, or where the two (2) class voting structure is still in effect, two-thirds (2/3) of the voting power of each class of Members.

5.4(i) Loans: The Association shall have the power to borrow money, and, only with the assent by vote or written consent of two-thirds (2/3) of the total voting power of the Association, which shall include two-

thirds (2/3) of the Members other than the Declarant, or where the two (2) class voting structure is still in effect, two-thirds (2/3) of the voting power of each class of Members, to mortgage, pledge, deed in trust, or hypothecate any or all of its real property and personal property as security for money borrowed or debts incurred.

5.4(j) Dedications: The Association shall have the power to dedicate or transfer all or any part of the Common Area Facilities 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 shall be effective unless an instrument has been signed or approved by two-thirds (2/3) of the total voting power of the Association, which shall include two-thirds (2/3) of the Members other than the Declarant, or where the two (2) class voting structure is still in effect, two-thirds (2/3) of the voting power of each class of Members, agreeing to such dedication, sale or transfer.

5.4(k) Contracts: The Association shall have the power to contract for goods and/or services for the Common Area Facilities and interests or for the Association, subject to the limitations set forth in the Project Documents.

A contract may not exceed three (3) years that is terminable by the Association after no longer than one (1) year without cause, penalty or other obligation upon ninety (90) days written notice of termination to the other party.

5.4(l) Delegation: The Association, the Board and the Officers of the Association shall have the power to delegate their authority to a manager employed by the Association, provided that the Board shall not delegate its responsibility:

5.4(l)(1) to make expenditures for capital additions or improvements chargeable against reserve funds;

5.4(l)(2) to conduct hearings concerning compliance by a Parcel Owner or his tenant, lessee, guest, or invitee with the Declaration, Bylaws, or rules and regulations promulgated by the Board;

5.4(l)(3) to make a decision to levy monetary fines, impose special assessments against individual Parcels, temporarily suspend an Owner's rights as a Member of the Association, or otherwise impose discipline;

5.4(l)(4) to make a decision to levy regular or special assessments; or

5.4(l)(5) make a decision to bring suit, record a claim of lien, or institute foreclosure proceedings for the default in payment of assessments.

5.4(m) Security: The Association shall have the power, but not the obligation, to contract for security services for the Common Area Facilities.

5.4(n) Appointment: The Association, or the Board acting on behalf of the Association, has the power to appoint or designate a trustee to enforce assessment liens by sale as provided in Article IV, Section 4.10 of this Declaration and in the Civil Code Section 1367(b).

5.4(o) Other Powers: In addition to the powers contained herein, the Association may exercise powers granted to a nonprofit mutual benefit corporation under California Corporations Code Section 7140.

5.4(p) Dispute Resolution: This Declaration shall authorize, but not require, the Board to perform any act reasonably necessary to satisfy any civil claim or action through dispute resolution proceedings such as mediation, binding arbitration, or non-binding arbitration as described in Article IX, Section 9.15 of this Declaration. This Declaration shall authorize, but does not require the Board to perform the following:

5.4(p)(1) Providing, or in good faith to provide, one hundred twenty (120) days advance notice of the Board's intent to initiate action with a detailed explanation of the claim to every Member and person(s) who is a party of the civil action provided that notice can be given:

(i) more than the one hundred twenty (120) days prior to the expiration of statute of limitations, and

(ii) without prejudice to the Board's right to enforce the Bylaws and Declaration, and no notice need be given prior to the filing of an action in small claims court or an action solely to enforce assessment obligations.

5.4(p)(2) Prior to initiating an action solely for declaratory relief or injunctive relief to enforce this Declaration, or for declaratory relief or injunctive relief to enforce this Declaration in conjunction with a monetary damage claim not in excess of five thousand dollars (\$5,000), to endeavor to submit the matter to dispute resolution in compliance with the provisions of 1354(b) of the Civil Code.

5.4(p)(3) Immediately after initiating any action, making reasonable effort, in good faith to meet and confer with all parties concerning appropriate processes for resolving the action, including available dispute resolution proceedings; concerning appropriate process for avoiding or reducing costs or losses by the parties associated with the action; providing an opportunity to cure any alleged defect(s) in Common Area Facilities or common facilities which is the basis for said action; and providing for the scope of discovery, if any, to be conducted prior to the inception of any dispute resolution procedure.

5.4.(p)(4) Participation, in good faith in dispute resolution actions, such as non-binding or binding arbitration or mediation shall be considered or agreed upon as to any civil action. All parties to such dispute resolution actions shall share the costs reasonably incurred by the Association.

5.4.(p)(5) As a prerequisite to initiating any action, to conduct inspections, maintain inspection records, exhaust applicable casualty insurance maintained by the Association, provide an opportunity to cure, meet with Members, or obtain the consent of the Members.

5.4.(p)(6) Except in compliance with the provisions of Section 1354(b) of the Civil Code, to submit claims of any kind to binding or non-binding dispute resolution procedures.

5.4.(q) Access: The Association shall have the right to enter upon privately-owned subdivision interest (residential parcel) adjoining the common area facilities as necessary in connection with the construction, maintenance or emergency repairs for the benefit of the common area facilities, in accordance with Regulation 2792.21(a)(9).

5.5 Commencement of Association's Duties and Powers: When the formal creation of the Association by evidence of the election of the Board or not more than six (6) months after the close of the first escrow of a subdivision interest or when fifty-one (51%) percent of the Parcels have been conveyed in this Project, which ever occurs first. From and after the date of creation of the Association, the Association shall assume all duties, powers, and Declarant shall be relieved of any further liability therefor. Until one or all of the above has taken place, the Declarant, its successor, assigns and heirs shall have all duties and powers of the Association as described herein, including all rights of consent and approval.

ARTICLE VI

Utilities

6.1 Easements for Utilities and Maintenance: Easements over and under the Project for the installation, repair, and maintenance of electric, telephone, waste, gas, and sanitary sewer lines and facilities, heating and air conditioning, cable or television antenna lines, drainage facilities, walkways, and landscaping as shown on the Parcel Map and as may be hereafter required or needed to service the Project, are hereby reserved by the Declarant and its successors and assigns, until completion of construction of the Project and sale of Parcels, under authority of a public report, and thereafter are reserved by and for the benefit of the Association and its Members, together with the right to grant and transfer the same.

6.2 Association's Duties: The Association shall maintain all utility facilities located in the Common Area Facilities except for those facilities maintained by the utility companies, public, private, or municipal and those maintained by the Parcel Owners as described in Article V of this Declaration. The Association shall pay all charges for utilities supplied to the Project, except those metered or charged separately to the Parcels.

ARTICLE VII

Use Restrictions

Use of the Project and each Parcel therein shall be restricted in accordance with the following provisions in addition to all other covenants, conditions and restrictions herein contained.

7.1 Land Use and Building Type: No Parcel shall be used except for residential purposes by the Parcel Owners, their tenants, and social guests and no commercial trade business shall be conducted therein, except a Residential Parcel may be used as a combined residence and executive or professional office by the Parcel Owner thereof, so long as such use does not interfere with the quiet use and enjoyment by other Residential Parcel Owners of their Parcels. In addition, the Declarant, their successors and assigns, shall have the right to use any Parcel or Parcels in the Project which are owned by the Declarant for the purpose of model home site(s) and sales office during construction and until the last Parcel is sold by the Declarant or until four (4) years from the date of closing of the first sale on the Project.

7.2 Exemption: Notwithstanding Article II, Section 2.1 of this Declaration, the Declarant, its successors and assigns, may use the Project and Parcels for models and model sites, advertising and other purposes incidental and necessary for completion of construction and sale and leasing purposes; provided however, that Declarant shall not unreasonably interfere with any Parcel Owner's use or enjoyment of his/her Parcel.

7.3 Trees, Shrubs and Plantings: Residential Parcel Owners obligation and responsibilities: Each Residential Parcel Owner shall have the obligation and responsibility to adhere to the following restrictions:

7.3(1) It is the responsibility of each Parcel Owner in this Project to maintain their landscaping in a neat and clean condition on his/her Parcel. Any replacement or modification to original landscaping shall be consistent with the original landscaping and the overall landscaping design of the Project, with special care

taken to incorporate drought resistant plants. At no time shall a Parcel Owner modify the landscaping that changes the contour or fills in any portion of the drainage facility on his/her Parcel.

7.3(2) No plants or seeds infected with noxious insects or diseased plants shall be brought, grown, or maintained within the Project.

7.3(3) Tree Trimming: The Parcel Owner shall not trim any of the native trees within the boundaries of his/her Parcel unless it can be shown that such tree(s) poses a safety hazard or it is determined by a certified arborist that trimming will improve the health of the tree. If any such trimming is done, it shall not be done during the dry months of June, July, August and September, unless absolutely unavoidable. If trimming is necessary, the Parcel Owner agrees to consult an arborist and/or apply accepted arborist techniques when removing limbs. Unless a hazardous or unsafe situation exists, trimming shall be done only during the winter for deciduous species. This condition includes the maintenance and care for street trees located on his/her Parcel, if any, as setforth in this section.

7.3(4) Fire Protection: All Parcel Owners shall have the obligation to maintain his/her Parcel in a fire safe condition. It is advisable that the Parcel Owner contacts the fire protection agency for particular requirements he or she may need to comply with this restriction.

7.3(4)(a) Buyers are hereby placed on notice that the provision of fire, water or wastewater services to Parcels within this Project may require a levy of fees per Parcel per month and or annually on a square footage basis. The Buyers/Parcel Owners are advised to contact the County of San Luis Obispo Auditor/Controller's office for more detailed information.

7.4 Nuisance:

7.4(1) Buyers/Parcel Owners are hereby-placed on notice that the San Miguel sewage treatment plant operation may periodically generate noticeable odors.

7.4(2) No Parcel Owner, family members, visitors, assigns or successors shall dispose of any noxious, illegal, toxic or hazardous material such as gasoline, used motor oil, kerosene, cleaning solvents or pesticides or seriously offensive activities on his/her Parcel, or in any part of the Project.

7.4(3) No Parcel Owner shall conduct themselves in a manner which may be or may become a serious annoyance, nuisance or which in any way interferes with the quite enjoyment of an Owner's Parcel.

7.5 Temporary Structures, Boats, Commercial Vehicle and Recreational Vehicle Restrictions: No structure of a temporary character, trailer, camper, mobile home, recreational vehicle, boat, inoperable automobile, or similar equipment shall be permitted to remain on any Parcel or within the Common Area Facilities. The Association shall enforce the no parking rule of vehicles as it pertains to the Common Area Facilities. No truck larger than a 3/4-ton shall be parked on the Project other than delivery trucks or moving vans making deliveries. No noisy or smoky vehicles shall be operated on the Project. No unlicensed motor vehicles shall be operated on the Project.

7.6 Animals: No animals, reptiles, rodents, birds, fish, livestock, or poultry shall be kept in or on any Parcel or elsewhere within the Project except for domestic dogs, cats, fish, and birds inside bird cages. A total of three (3) such animals per Parcel may be kept as household pets. No such animals shall be kept, bred, or raised for commercial purposes. No more than three (3) dogs may be kept at any one time on a Parcel except that puppies born of these animals may be kept in addition to the foregoing number for a period of no more than three (3) months following their birth. No more than three (3) cats may be kept on a Parcel at any one time, except for kittens born of these animals and as described in the preceding sentence for puppies. Parcel Owner(s), their family members, guests, invitees, and tenants bringing or keeping a pet on a his/her Parcel shall be financially liable to other Parcel Owners, their family members, guests, invitees, and tenants for medical fees for persons injured and/or for damage to property caused by their pet(s). All dogs must be on a leash when outside their master's Parcel. Owners shall be responsible for any and all damages caused by his animals on or about the Project, and shall remove any excrement deposited anywhere on the Project by his/her animals. It is prohibited for any pet or any domestic animal(s) to damage any of the vegetation or to interfere with the natural wildlife and landscaping over, under or across the Common Area Facilities. The Common Area Facilities shall remain in its natural condition for retaining native vegetation and wildlife.

7.7 Drilling Prohibited: No oil drilling, oil development operations, oil refining, quarrying, or mining operations of any kind shall be permitted on or in this Project, and no oil wells, tanks, tunnels or mineral excavations or shafts shall be permitted on the surface or within five hundred (500) feet below the surface. No derrick or other structure designed for use in boring for oil, or natural gas shall be erected, maintained, or permitted.

7.8 Trash Removal: All rubbish, trash and garbage shall be regularly removed from the Parcels and shall not be allowed to accumulate thereon. Trash, garbage and rubbish shall be kept only in sanitary containers and shall be screened from view so that they are not visible from the street or any other Parcel.

It is prohibited to dump any landscaping materials, trash, garbage, or other debris on over or across the Common Area Facilities. The clean up and costs of clean up for such an infraction shall be the sole responsibility and obligation of the Parcel Owner violating this restriction, and said Parcel Owner shall be obligated to clean up and/or pay the clean up costs for any family member, visitor, or friend who has violated this restriction.

7.9 Antennas: No satellite dish measuring more than 30" in diameter, radio, amateur radio, telephone, television receiving or transmitting antenna, or external apparatus shall be installed on any Parcel in this Project in a manner that makes it visible from the Common Area Facilities nor from the streets within or adjacent to the Project or that can be seen above the roof line of the home on said Parcel, except as expressly approved by the Board and as provided in Civil Code Section 1376.

7.10 Vehicle Repair & Parking: No trailer, camper, mobile home, boat, commercial vehicle, recreational vehicle, truck (other than standard size pickup truck or standard size van), inoperable automobile, or similar equipment shall be permitted to remain on any area within the Project, other than on a temporary basis. Commercial vehicles shall not include sedans (or standard size vans or pickup trucks) which are used both for business and personal use, provided that any signs or markings of commercial nature vehicles shall be unobtrusive and inoffensive as determined by the Board. No noisy or smoky vehicles shall be operated on the Project. No unlicensed motor vehicles shall be operated on the Project.

7.11 Unobstructed Access: All streets, driveways, private utility easements, sidewalks, entries and passages shall remain unobstructed and shall not be used for any purposes other than ingress and egress and other intended uses.

7.12 Combustible Materials: No combustible materials, such as gasoline, kerosene, cleaning solvents and other flammable liquids shall be stored on any Parcel; provided however, that reasonable amounts in metal containers may be stored in storage or garage areas. The disposal of said materials shall not be allowed on any Parcel and no storage tanks may be installed anywhere on the Project.

7.13 Outside Laundering and Drying: No exterior clothesline shall be erected or maintained, unless screened from view from the street or any other residence in the Project, and there shall be no exterior drying or laundering of clothes on balconies, patios, porches, or other outside areas.

7.14 Machinery and Equipment: No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Parcel except such machinery or equipment as is usual and customary in connection with the use, maintenance or construction of a private residence.

7.15 Partition of Parcels: There shall be no subdivision or partitions of any of the Parcels, nor shall any Parcel Owner seek any partition or subdivide thereof, nor shall any Parcels be combined for subsequent resubdivision.

7.16 Site Improvement and Design Criteria: Each Parcel Owner, their successors and heirs shall comply with the following design criteria and improvement restrictions:

7.16(1) Replacement of all fences and/or walls on each Parcel in this Project shall conform to the original fencing and/or walls installed by the Declarant.

7.16(1)(a) Fences and/or walls bordering more than one Parcel: It will be the obligation and responsibility of the Parcel Owners to share equally the costs of maintenance, repair or replacement said shared fencing and/or walls.

7.16(1)(b) Fences shall not extend into the front setback beyond the front of the individual dwelling.

7.16(1)(c) Fences adjacent to the pedestrian connection between La Purisma Court and San Juan Bautista Street shall be limited to six (6) feet on one side and three (3) feet on the opposite side.

7.16(2) Mechanical Equipment: All mechanical equipment, including utility meters, shall be located or screened in such a manner that they are not visible from any street.

7.16(3) Woodburning Appliances: All woodburning appliances such as fireplaces and/or stoves shall be listed for 7.5-gr/hr maximum particulate emission, based on EPA standards.

7.16(4) No Parcel Owner shall drill a well of any kind on his/her Parcel nor shall a private water supply system be permitted on any Residential Parcel that was not originally installed by the Declarant.

7.16(5) Maintenance of Improvements: Each Parcel of a Parcel shall be responsible for maintaining the structures located upon his Parcel, including the equipment and fixtures in the structure and its walls, roof, ceilings, windows and doors in a clean, sanitary, workable and attractive condition. Each Parcel Owner is further required to maintain the grounds and landscaping within his/her Parcel. All landscaping shall be neatly trimmed; property cultivated and maintained in a neat and orderly condition and in a manner

designated to enhance its appearance. Each Parcel Owner shall also maintain all porches, patios, decks, balconies or other additions or improvements built or maintained on his/her Parcel.

7.16(6) Roofing Materials: Roof coverings shall be a Class A roofing material as defined by the Uniform Building Code. Building exteriors and/or siding is to be of a non-combustible material.

7.16(7) Drainage Facilities: All Parcel Owners shall maintain any drainage facilities located on his/her Parcel. At no time may a Parcel Owner fill in or change the contour of the drainage facilities installed by the Declarant, nor shall the drainage facilities be used to dispose of toxic and hazardous material such as gasoline, used motor oil, kerosene or cleaning solvents. Any toxic and hazardous materials shall be disposed of in a manner that protects the environment.

7.16(7)(a) No Parcel Owner shall use the drainage facilities over, under, on and across Common Area Facilities for the purpose to dispose of toxic and/or hazardous material such as gasoline, used motor oil, kerosene or cleaning solvents. Any toxic and hazardous materials shall be disposed of in a safe manner as to protect the environment.

7.16(7)(b) The clean up and costs of clean up for such infractions stated above shall be the sole responsibility and obligation of the Parcel Owner violating this restriction, and said Parcel Owner shall be obligated to clean up and/or pay the clean up cost for any family member, visitor or friend who has violated this restriction.

7.16(8) No Parcel Owner shall erect, construct or install a tent, shack, basement, garage, or outbuilding at any time to be used on his/her Parcel as a residence either temporarily or permanently.

7.17 Right to Lease: Any Parcel Owner who wishes to lease his/her Parcel must meet each and every one of the following requirements, and the lease will be subject to these requirements whether they are included within the lease or not:

(i) All leases must be in writing;

(ii) No more than one single family shall occupy said residents as defined in Article I, Section 1.18 of this document.

(iii) The lease must be for the entire Parcel and not merely parts thereof, unless the Parcel Owner remains in occupancy;

(iv) No lease shall be for a period of less than thirty (30) days;

(v) All leases shall be subject in all respects to provisions of the Declaration, the Bylaws, and all rules and regulations adopted by the Board; and

(vi) All Parcel Owners who lease their Parcel shall promptly notify the Secretary of the Association in writing of the names of all tenants and members of the tenant's family occupying such Parcel and shall provide the Secretary of the Association with a complete copy of the lease. All Parcel Owners leasing their Parcel shall promptly notify the Secretary of the Association of the address and telephone number where such Parcel Owner can be reached. [FNMA 609.03]

7.17(1) Any failure of a tenant to comply with the Declaration, Bylaws and the Association rules and regulations, shall be in default under the lease, regardless of whether the lease so provides. In the event of any such default, the Parcel Owner immediately shall take all actions to cure the default including, if necessary, eviction of the tenant.

7.17(2) If any tenant is in violation of the provisions of this Declaration, Bylaws, or rules and regulations of the Association, the Association may bring an action in its own name and/or in the name of the Parcel Owner to have the tenant evicted and/or recover damages. If the Court finds that the tenant is violating, or has violated any of the provisions of the Declaration, Bylaws or rules and regulations, the Court may find the tenant guilty of unlawful detainer notwithstanding the fact that the Parcel Owner is not the plaintiff in the action, and/or the tenant is not otherwise in violation of tenant's lease. For purposes of granting an unlawful detainer against the tenant, the Court may assume that the Parcel Owner or person in whose name the contract (the lease or rental agreement) was made was acting for the benefit of the Association. The remedy provided by this subsection is not exclusive and is in addition to any other remedy or remedies, which the Association has. If permitted by present or future law, the Association may recover all its costs, including court costs and reasonable attorney's fees incurred in prosecuting the unlawful detainer action.

7.17(3) The Association shall give the tenant and Parcel Owner notice in writing of the nature of the violation of the Declaration, Bylaws or rules and regulations and twenty (20) days from the mailing of the notice in which to cure the violation before the Association may file for eviction.

7.17(4) Each Parcel Owner shall provide a copy of the Declaration, Bylaws and all rules and regulations of the Association to each tenant of his Parcel. By becoming a tenant, each tenant agrees to be bound by the Declaration, Bylaws and rules and regulations of the Association, and recognizes and accepts the right

and power of the Association to evict a tenant for any violation by the tenant of the Declaration, the Bylaws or the rules and regulations of the Association.

7.18 Liability of Owners for Damage to the Common Area Facilities: The Parcel Owners shall be liable to the Association for all of the damage to the Common Area Facilities and improvements to the extent described in Article V, Section 5.3 of this Declaration.

7.19 Sports Apparatus: It is prohibited to place any sport apparatus, such as portable basketball back boards, tether-ball or fixed sport apparatus on any portion of the Common Area Facilities nor on the streets within this Project.

7.20 Signs: No sign of any kind shall be displayed to the public view on any Parcel except one (1) professional sign of not more than one (1) square foot, one (1) sign of not more than five (5) square feet advertising the property for sale or rent, or signs used by the builder to advertise the property during the construction and sales period or signs used in support of political candidates in accordance with state and local law.

ARTICLE VIII

Architectural Control

8.1. Architectural Requirement: No building, landscaping or appurtenance of any kind shall be erected, placed or altered on any Parcel in a manner that is inconsistent with the original architecture of the Project. This shall include harmony of external design and material with existing structure and as to location with respect to topography and finish grade elevation.

The Architectural Control Committee shall not restrict or prohibit the installation or use of a solar energy systems except that it may adopt reasonable restrictions which do not significantly increase the cost of the system or significantly decrease its efficiency or specified performance, or which allow for an alternative system of comparable cost, efficiency, and energy conservation benefits.

Plans and specifications showing the nature, kind, shape, color, size, materials and location of such improvements, alterations, etc., shall be submitted to the Board or Architectural Control Committee for approval as to the quality of workmanship and design and harmony of external design with existing structures, and as to location in relation to surrounding structures, topography and finish grade elevation. No permission or approval shall be required to repaint in accordance with the Declarant's original plans and specifications. No permission or approval shall be required to repaint in accordance with a color scheme previously approved by the Committee or Board, or to rebuild in accordance with plans and specifications previously approved by the Committee or by the Board.

8.2 Architectural Control Committee Action: The Architectural Control Committee shall consist of three (3) members. Declarant may appoint all of the original members of the Committee and all replacements until the first anniversary of the issuance of the original final public report for the Project. The Declarant reserves to itself the power to appoint a majority of the members to the Committee until ninety percent (90%) of all the Parcels in the Project have been sold or until the fifth anniversary of the issuance of the final public report, whichever occurs first. After one (1) year from the date of the issuance of the original public report, the Board shall have the power to appoint one (1) member to the Architectural Control Committee until ninety percent (90%) of all the subdivision interests in the overall Project have been sold or until the fifth anniversary date of the original issuance of the final public report, whichever occurs first. Thereafter the Board shall have the power to appoint all members to the Architectural Control Committee. A majority of the Architectural Control Committee may designate a representative to act for it. In the event of death or resignation of any member of the Committee, the successor shall be appointed by the person, entity or group which appointed such member until Declarant no longer has the right to appoint any member to the Committee, and thereafter the Board shall appoint such successor. Neither the members nor the Committee nor its designated representatives shall be entitled to any compensation for services performed pursuant hereto. In the event the committee fails to approve or disapprove plans and specifications within thirty (30) days after the same have been submitted to it, approval will not be required and the related covenants shall be deemed to have been fully complied with. Approval of plans by the Committee or the Board, shall in no way make the Committee or its members or the Board or its members responsible or liable for the improvements built after approval of the plans and the Parcel Owner whose plans are approved shall defend, indemnify and hold the Committee and the Board harmless for any and all liability arising out of such approval.

8.3 Liability: Neither the committee nor any member thereof shall be liable to any Parcel Owner or to any other party, for any damages, loss or prejudice suffered or claim on account of (a) the approval or disapproval of any plans, drawings specification or (b) the construction or performance of any work,

whether or not pursuant to approved plans, drawings and specifications provided. It shall be presumed that the Committee or individual members thereof have acted in good faith based on actual knowledge that he/she possessed.

8.4 Approval Required: Except to the extent reasonably necessary for the construction, reconstruction or alteration of any improvement for which the Parcel Owner has obtained approved plans pursuant to this Section, no excavation or fill which would be visible from neighboring Parcels shall be created or undertaken and no change in the natural existing drainage for surface water shall be made and no structures of any type, whatsoever, shall be constructed or altered until and unless the Parcel Owner of such Parcel first obtains the approval therefore from the committee, as herein provided, and such Parcel Owner otherwise complies with all the provision of this Section.

8.5 Procedure: Any Parcel Owner proposing to construct, reconstruct, refinish or alter any part of the exterior or any improvements on or within his residence Parcel or perform any work which may alter the Declarant's original development and design plan shall submit a complete set of improvement and design plans to the review committee for approval prior to the filing for the necessary permits from the local building and planning department. Within fifteen (15) days after submittal of said improvement plans the review committee shall schedule a pre-planning meeting with the Parcel Owner, during which the following design guidelines shall be discussed: property boundaries; easements and building envelopes; architectural theme and special site considerations, total proposed land use; and construction schedules. If the review committee fails to approve or disapprove within thirty days after the plans have been submitted for review, approval will not be required and the related covenants shall be deemed in compliance with this Declaration.

8.6 Governmental Approval: Before commencement of any alteration or improvements approved by the Architectural Control Committee, the Parcel Owner shall comply with all the appropriate governmental laws and regulations. Approval by the Committee does not satisfy the appropriate approvals that may be required by the County of San Luis Obispo Planning or any governmental entity with the appropriate jurisdiction.

ARTICLE IX

General Provisions

9.1 Enforcement: The Association, or any Parcel Owner, shall have the right, but not the obligation, to enforce any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens, and charges now or hereinafter imposed by the provisions of this Declaration, the Articles and Bylaws, and in such action shall be entitled to recover reasonable attorneys' fees as are ordered by the Court. Failure by the Association, or by any Parcel Owner to enforce any covenant, condition or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

9.2 Invalidity of Any Provision: Should any provision of this Declaration be declared invalid or in conflict with any law of the jurisdiction where this Project is located, the validity of all other provisions and portions hereof shall remain unaffected and in full force and effect.

9.3 Term: The term of this Declaration and the Declaration of Annexations is for thirty years from the date of recordation and shall run with the land. The term shall automatically renewed for successive periods of ten (10) years, unless an instrument consistent with Article IX, Section 9.4 of this Declaration and is recorded the year preceding the beginning of each successive period of ten (10) years, agreeing to changes in whole or in part, or to terminate the same.

9.4 Amendments: Prior to the close of escrow on the sale of the first Lot, Declarant alone may amend this Declaration. After sale of the first Lot this Declaration may be amended in the following manner: This Declaration may be amended if the two class voting structure is in effect in the Association, with the vote or written assent of a prescribed percentage of voting power of each class of membership or a prescribed percentage of a quorum of members of each class. If the two class voting structure was provided for in this Declaration, but is no longer in effect because of the conversion of one class to the other, this Declaration may be amended with the vote or written assent of a majority of the total voting power of the Association which is at least a bare majority and not more than seventy-five (75%) percent and at least the bare majority of the votes of the members other than the Declarant and, if required, the consent of the California Department of Real Estate, in accordance with Section 2792.24(a)(1)-(2) of California Code of Regulations.

To amend a specific clause or provision in this Declaration, at least a bare majority of the votes of members other than the Declarant. The percentage of the voting power necessary to amend a specific clause or provision shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause as set forth in Regulation 2792.24(a)(2).

The approval of at least a bare majority of each class of Lot Owners, based on one (1) vote for each Member, shall be required to amend any provision of this Declaration or Bylaws which establishes, provides for, governs or regulates any of the categories listed in Article IX, Section 9.5.d of this Declaration, in accordance with Section 2792.24(a) of California Code of Regulations.

Any amendment or addition to the Declaration or Bylaws regarding any of the foregoing subjects shall not be considered material and need not be approved by Eligible Holders if the amendment or addition is solely for the purposes of correcting technical errors or for clarification. Any Eligible Holder who receives a written request to approve an addition or amendment and who does not deliver or have its response postmarked within thirty (30) days of the date contained within the written request shall be deemed to approve the addition or amendment. All notices or other communications made pursuant hereto shall be in writing and shall be deemed properly delivered, given or served when (1) personally delivered against receipt copy; or (2) mailed by certified or registered mail, postage prepaid, return receipt requested, in either case (1) or (2) to the parties at their last known address.

Any other provision of this Declaration may be amended by the approval of each class of Lot Owners; provided however, no provision of this Declaration which provides for a vote of more than fifty-one percent (51%) may be amended by a vote less than the percentage specified in the section to be amended.

Any amendment to this Declaration shall be effective upon the recordation in the office of the County Recorder of San Luis Obispo County as "Official Records" of an instrument executed by the President and Secretary of the Association which sets forth the terms of the amendment and a statement which certifies that the required percentage of Lot Owners have approved the amendment.

Notwithstanding any other provision of this Declaration, no amendment, change, modification, or termination of the conditions, covenants, and restrictions of this Declaration regarding the following provisions shall be effective for any purposes until approved in writing by the Director of Planning and Building of the County of San Luis Obispo: (a) regulation of land use; (b) maintenance of the Common Area Facilities as to Article V, Section 5.3, (c) Article VII, Section 7.16 (fencing restriction) (d) dissolution of the Association; (e) and that relate to any of the Conditions of Approval for COAL 90-058 a.k.a. "Mission Heights."

9.5. Rights of First Lenders: No breach of any of the covenants, conditions and restrictions herein contained, nor the enforcement of any lien provisions herein, shall render invalid the lien of any first mortgage on any Parcel made in good faith and for value, but all of said covenants, conditions and restrictions shall be binding and effective against any Parcel Owner whose title is derived through foreclosure or trustee's sale, or otherwise. Notwithstanding any provision in the Project Documents to the contrary, first lenders shall have the following rights:

9.5(a) Copies of Project Documents: The Association shall make available to Parcel Owners and first lenders, and to holders, insurers and guarantors of any first mortgage, current copies of the Declaration, Bylaws, Articles, or other rules concerning the Project, and the books, records, and financial statements of the Association. "Available" means available for inspection and copying, upon request during normal business hours or under other reasonable circumstances. The Board may impose a fee for providing the foregoing which may not exceed the reasonable cost to prepare and reproduce the requested documents.

9.5(b) Audited Statements: Any holder of a first mortgage shall be entitled, on written request, to have an audited financial statement for the immediately preceding fiscal year prepared at their expense if one is not otherwise available. Such statement shall be furnished within a reasonable time following such request.

9.5(c) Notice of Action: On written request to the Association, identifying the name and address of the eligible mortgage holder or eligible insurer or guarantor, and the Parcel number or address, such eligible mortgage holder or eligible insurer or guarantor will be entitled to timely written notice of action:

9.5(c)(1)(i) Any condemnation loss or any casualty loss which affects a material portion of the Project or any Parcel on which there is a first mortgage held, insured or guaranteed by such eligible mortgage holder, insurer or guarantor, as applicable;

9.5(c)(1)(ii) Any default in performance of obligations under the Project Documents or delinquency in the payment of assessments or charges owed by an Parcel Owner subject to a first mortgage held, insured or guaranteed by such eligible mortgage holder, which remains accrued for a period of sixty (60) days;

9.5(c)(1)(iii) Any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association; and

9.5(c)(1)(iv) Any proposed action which would require the consent of a specified percentage of eligible mortgage holders. The Association shall discharge its obligation to notify eligible mortgage holders, insurers

or guarantors by sending written notices required herein to such parties at the address given on the current request for notice.

9.5(d) Consent to Action:

9.5(d)(1) Except as provided by statute or by other provision of the Project Documents in case of substantial destruction or condemnation of the Project and further excepting any reallocation of interests in the Common Area Facilities which might occur pursuant to any plan of expansion or development contained in the original Project Documents:

9.5(d)(1)(i) The consent of Parcel Owners to which at least sixty-six and two-thirds percent (66 2/3%) of the votes in the Association are allocated and the approval of eligible mortgage holders holding mortgages on Parcels which have at least fifty-one (51%) of the votes of Parcels subject to eligible holders of mortgages shall be required to terminate the legal status of the Project as a planned development Project.

9.5(d)(1)(ii) The consent of the Parcel Owners to which at least sixty-six and two-thirds percent (66 2/3%) of the votes in the Association are allocated and the approval of eligible mortgage holders holding mortgages on Parcels which have at least fifty-one percent (51%) of the votes of the Parcels subject to eligible holders of mortgages, shall be required to add or amend any material provisions of the Project Documents which establish, provide for, govern or regulate any of the following: (1) voting; (2) assessments, assessment liens or subordination of such liens; (3) reserves for maintenance, repair, or replacement of the Common Area Facilities; (4) insurance or fidelity bonds; (5) rights of use to the Common Area Facilities; (6) responsibility for maintenance and repair of several portions of the Project; (7) expansion or contraction of the Project or withdrawal of Parcels to or from the Project, except as provided in paragraph 9.5(d)(1)(i) above; (8) boundaries to any Parcel; (9) the interests in the general or exclusive use Common Area Facilities; (10) convertibility of Parcels into Common Area Facilities or of Common Area Facilities into Parcels; (11) leasing of Parcels; (12) imposition of any right of first refusal or similar restriction on the right of a Parcel Owner to sell, transfer or otherwise convey his/her Parcel; (13) any provisions which are for the express benefit of mortgage holders, eligible mortgage holders, or eligible insurers or guarantors of first mortgages on Parcels.

9.5(d)(1)(iii) An addition to or amendment to such document shall not be considered material if it is for correcting a technical error or for clarification only. An eligible mortgage holder who receives written request to approve additions or amendments who does not deliver or post to the requesting party a negative response within thirty (30) days shall be deemed to have approved such request, provided the notice has been delivered to the mortgage holder by certified or registered mail return receipt requested.

9.5(d)(2) Unless the holder of at least two-thirds (2/3) of the first mortgages, based on one vote for each mortgage or deed of trust owned, or two-thirds (2/3) of the Parcel Owners, other than the Declarant, of the individual Parcels in the Project have given their prior written approval, the Association and/or the Parcel Owners shall not be entitled to:

9.5(d)(2)(i) By act or omission seek to abandon or terminate the Project, or abandon, partition, subdivide, encumber, sell or transfer the Common Area Facilities or property owned directly or indirectly by the Association. The granting of easements for public utilities or other public purposes consistent with the intended use of such property shall not be deemed a transfer within the meaning of this clause, except the abandonment or termination provided by law in the case of substantial destruction by fire or other casualty or in the case of taking by condemnation or eminent domain; or

9.5(d)(2)(ii) Change the method of determining the obligations, assessments or dues or other charges which may be levied against a Parcel Owner; or

9.5(d)(2)(iii) By act or omission, change, waiver or abandon any scheme of regulations or enforcement thereof, pertaining to the architectural design, or the exterior maintenance of the Common Area Facilities, if any, or the upkeep of landscaping in the Common Area Facilities; if any, or

9.5(d)(2)(iv) Fail to maintain fire and extended coverage on insurable Association's common area facility improvements on a current replacement cost basis in an amount not less than one-hundred percent (100%) of the insurable value, based on current replacement costs; or

9.5(d)(2)(v) Use hazardous insurance proceeds for losses to Association's Common Area Facilities other than the repair, replacement or reconstruction of such Common Area Facilities.

9.5(e) Right of First Refusal: The Declaration contains no provisions creating a right of first refusal, but should any such right be created in the future, such rights shall not impair the rights of any first lender to: (1) foreclose or take title to a Parcel pursuant to remedies provided in the mortgage; or (2) accept a deed or assignment in lieu of foreclosure in the event of default by the mortgagor; or (3) sell a Parcel acquired by the mortgagee.

9.5(f) Contracts: Any agreement for the professional management of the Project, or any other contract providing for services of the developer, sponsor or builder, may not exceed one (1) year. Any agreement, or contract, including a management contract entered into prior to the passage of control to the Board of Directors of the Association to Parcel purchasers must provide for the termination by either party for cause on thirty (30) days written notice or without cause and without payment of a penalty on ninety (90) days written notice.

9.5(g) Reserves: Association dues or charges shall include an adequate reserve of funds for maintenance, repairs, replacement of those improvements which the Association is obligated to maintain that must be replaced on a periodic basis, and the assessments therefor shall be payable in regular installments rather than by special assessments, except as provided for in Article IV Sections 4.4, and 4.6 of this Declaration.

9.5(h) Priority of Liens: Each holder of a first mortgage lien on a Parcel, who obtains title to a Parcel by virtue of foreclosure of the mortgage or any purchaser at a Foreclosure sale under a first trust deed will take the Parcel free of any claims for unpaid assessments and fees, late charges, fines or interest levied in connection therewith, against the Parcel which accrue prior to the time such holder takes title to the Parcel, except for claims for a prorated share of such assessments or charges to all Parcels including the mortgaged Project, and except for assessment liens recorded prior to the mortgage.

9.5(i) Distribution of Insurance or Condemnation Proceeds: No Parcel Owner, or any other party shall have priority over any rights of first lenders pursuant to their mortgages in the case of a distribution to Parcel Owners of insurance proceeds or condemnation awards for losses to or the taking of the Common Area Facilities.

9.5(j) Restoration or Repair: Any restoration or repair of the Project, after a partial condemnation or damage due to an insurable hazard, shall be performed substantially in accordance with the Declaration and the original plans and specifications, unless other action is approved by eligible mortgage holders holding mortgages on Parcels which have at least fifty-one percent (51%) of the votes of Parcels subject to Eligible Holder Mortgages.

9.5(k) Termination: Any action to terminate the legal status of the Project after substantial destruction or a substantial taking in condemnation of the Project must require the approval of eligible mortgage holders holding mortgages on Parcels which have at least fifty-one (51%) of the votes of Parcels subject to eligible holder mortgages, and the consent of Parcel Owners to which at least sixty-seven (67%) of the votes of the Association are allocated.

9.5(l) Reallocation of Interests: No reallocation of interests in the Common Area Facilities resulting from a partial condemnation or partial destruction of the Project may be affected without the prior approval of eligible mortgage holders holding mortgages on all remaining Parcels whether existing in whole or in part, and which have at least fifty-one percent (51%) of the votes of such remaining Parcels subject to Eligible Holder Mortgages.

9.5(m) Termination of Professional Management: When professional management has been previously required by any eligible mortgage holder or eligible insurer or guarantor, whether such entity became an eligible mortgage holder or eligible insurer or guarantor at that time or later, any decision to establish self management by the Association shall require the prior consent of Parcel Owners to which at least sixty-seven percent (67%) of the votes in the Association are allocated and the approval of eligible mortgage holders holding mortgages on fifty-one percent (51%) of the votes of Parcels subject to Eligible Holder Mortgages.

9.5(n) Payment of Taxes or Insurance by Lenders: First lenders may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Area Facilities and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for such Common Area Facilities and first lenders making such payment provided that said lenders have given notice to the Association prior to the making of such payments and the Association has failed to pay the same.

9.6 Owner's Right and Obligation to Maintain and Repair: Except for those portions of the Project which the Association is required to maintain and repair, each Parcel Owner shall, at his sole cost and expense, maintain and repair his Parcel and shall maintain the landscaping within his/her Parcel in good condition.

9.7 Insurance; Damage or Destruction:

9.7(1) Insurance: The Association shall obtain and maintain the following insurance:

9.7(1)(i) If available and affordable, a comprehensive general liability policy insuring the Association, and its agents, against any liability due to the use of the Common Area Facilities or any other Association

owned or maintained property; the amount of general liability insurance which the Association shall carry at all times as required by California Civil Code Section 1365.7.

9.7(1)(ii) Worker's compensation insurance to the extent required by law (or such greater amount as the Board deems necessary); the Association shall obtain a Certificate of Insurance naming it as an additional insured in regard to worker's compensation claims from any independent contractor who performs any service for the Association, if the receipt of such a certificate is practicable and affordable. The Association will not enter an agreement and/or contract with any contractor(s) or sub-contractor(s) to perform any service for the Association which has not provided a Certificate of Insurance as evidences of current worker's compensation insurance for all employees and all persons representing said contractor(s) and sub-contractors.

9.7(1)(iii) Fidelity Bonds or Insurance covering officers, directors and employees that have access to Association funds;

9.7(1)(iv) Flood insurance if the Project is located in an area designated by the appropriate governmental agency as a special flood hazard area;

9.7(1)(v) Officers and Directors liability insurance;

9.7(1)(vi) Such other insurance as the Board in its discretion considers necessary or advisable; and

The amount, term and coverage of any policy required hereunder, (including the type of endorsements, the amount of deductible, the named insured, the loss payees, standard mortgage clauses and notices of changes or cancellations and the insurance company rating) shall satisfy the minimum requirements imposed for this type of Project by the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC") or any successor thereto. If the FNMA or the FHLMC requirements conflict, the more stringent requirement shall be met. If the FNMA or the FHLMC do not impose requirements on any policy required hereunder, the term, amount, and coverage of any such policy shall be no less than that which is customary for similar policies on similar Projects in the area.

Each Parcel Owner appoints the Association or any insurance trustee designated by the Association to act on behalf of the Parcel Owners in connection with all such insurance matters arising from any insurance policy maintained by the Association, including without limitation, representing the Parcel Owners in any proceeding, negotiation, settlement or agreement.

Any insurance maintained by the Association shall contain "Waiver of Subrogation" as to the Association and its officers, directors, Members, the Parcel Owners, (including Declarant) Mortgagees, and if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. The Association shall periodically and not less than every three- (3) years review all insurance policies maintained by the Association to determine the adequacy of the coverage and to adjust the policies accordingly.

The Association, and its Directors and Officers, shall have no liability to any Owner or mortgagee if, after a good faith effort and after reasonable inquiry under the standard of care of an ordinary prudent person, it is unable to obtain the liability insurance required hereunder, because the insurance is no longer available or, if available, can be obtained only at a cost that the Board in its sole discretion determines is unreasonable under the circumstances, or the Members fail to approve any Assessment increase needed to fund the insurance premiums. In such event, the Board immediately shall notify each Member or any mortgagee entitled to notice that the liability insurance would not be obtained or renewed.

9.7(2) Damage or Destruction: If the Project improvements are damaged or destroyed by fire or other casualty, the improvements shall be repaired or reconstructed substantially in accordance with the original as-built plans and specifications, modified as may be required by applicable building codes and regulations in force at the time such repair or reconstruction and subject to such alterations or upgrades as may be approved by the Architectural Control Committee, unless either of the following occurs: (1) the cost of repair or reconstruction is more than fifty percent (50%) of the current replacement costs of all Common Area Facilities improvement; available insurance proceeds are not sufficient to pay for at least eighty-five percent (85%) of the costs of such repairs or reconstruction, and three-fourths (3/4) of the total voting power of the Association residing in Members and their First Lenders vote against such repair and reconstruction; or (2) available insurance proceeds are not sufficient to substantially repair or reconstruct the improvements within a reasonable time as determined by the Board, a special assessment levied to supplement the insurance fails to receive the requisite approval, if such approval is required, and the Board, without the requirement of approval by the Parcel Owners, is unable to supplement the insurance by borrowing on behalf of the Association sufficient funds to enable the improvements to be substantially repaired or reconstructed within a reasonable time.

If the improvements are to be repaired or reconstructed and the cost of the repair or reconstruction is in excess of twenty-five percent (25%) of the current replacement cost of all the Common Area Facilities improvements, the Board shall designate a construction consultant for the repair and reconstruction, and any borrowings by the Association for the repair or reconstruction shall be deposited with a commercial lending institution experienced in the disbursement of construction loan funds, the "Depository", as selected by the Board. Funds shall be disbursed in accordance with the normal construction loan practices of the Depository that require as a minimum that the construction consultant certify within ten (10) days prior to any disbursement substantially the following:

9.7(2)(i) That all the work completed as of the date of such request for disbursement has been done in compliance with the approved plans and specifications;

9.7(2)(ii) That such disbursement request represents monies which either have been paid by or on behalf of the construction consultant, the general contractor or architect and/or are justly due to the contractors, subcontractors, materialmen, engineers, or other persons (whose names and addresses shall be stated) who have rendered or furnished certain services or materials for the work and giving a brief description of such services and materials and the principal subdivisions or categories thereof and the respective amounts paid or due to each of said persons in respect thereof and stating the progress of the work up to the date of said certificate;

9.7(2)(iii) That the sum then requested to be disbursed plus all of the sums previously disbursed does not exceed the cost of the work insofar as actually accomplished up to the date of such certificate;

9.7(2)(iv) That no part of the cost of the services and materials described in the foregoing paragraph (1) has been or is being made the basis for the disbursement of any funds in any previous or then pending application; and

9.7(2)(v) That the amount held by the depository, after payment of the amount requested in the pending disbursement request, will be sufficient to pay in full costs necessary to complete the repair or reconstruction. If the cost of repair or reconstruction is less than twenty-five percent (25%) of the current replacement cost of all the Common Area Facilities improvements, the Board shall disburse the available funds for the repair and reconstruction under such procedures as the Board deems appropriate under the circumstances.

The repair or reconstruction shall commence no later than ninety (90) days after the date of such damage or destruction and shall be completed no later than one hundred and eighty (180) days after commencement of construction, subject to delays that are beyond the control of the party responsible for making repairs.

If the failure to repair or reconstruct results in a material alteration of the use of the Project from its use immediately preceding the damage or destruction as determined by the Board (a material alteration shall be conclusively presumed if repair or reconstruction costs exceed twenty-five percent (25%) of the current replacement costs of all Common Area Facilities improvements), the Project shall be sold in its entirety under such terms and conditions as the Board deems appropriate. If any Parcel Owner or First Lender disputes the Board's determination as to material alteration, the dispute shall be submitted to arbitration pursuant to the rules of the American Arbitration Association, and the decision of the arbitrator(s) shall be conclusive and binding on all Parcel Owners and their mortgages.

9.8 Limitation of Restriction on Declarant: Declarant is undertaking the work of construction of Residential Parcels and incidental improvements on the subject Project. The completion of that work and the sale, rental, and other disposal of said Parcels are essential to the establishment and welfare of said Project as a residential community. In order that said work may be completed and said Project be established as fully occupied residential community as rapidly as possible, nothing in this Declaration shall be understood or construed to:

9.8(a) Prevent the Declarant, its general contractor, or subcontractors from working on the Project or any Parcel, whatever is reasonably necessary or advisable in connection with the completion of said work, provided such activities are consistent with all County imposed conditions of approval and mitigation measures for COAL 90-058; or

9.8(b) Prevent the Declarant or its representative from erecting, constructing, and maintaining on the Project, except upon Parcels owned by others, such structures as may be reasonable and necessary for the conduct of its business of completing said work and establishing said Project as a residential community and of disposing of the same in Parcels by sale, lease or otherwise; or

9.8(c) Prevent the Declarant from conducting on the Project, except upon Parcels owned by others, its business of completing said work and of establishing a plan of minimum Ownership and of disposing of the Project as Parcels by sale, or otherwise, including use of one or more Parcels as a sales office after the close

of escrow on the first sale of a Parcel; such use of a Parcel after the close of the first escrow shall require payment of a reasonable rental fee, by the Declarant to the Association; or

9.8(d) Prevent the Declarant from maintaining such signs on the Project, except upon the Parcels owned by others, as may be necessary for the sale, lease or disposition thereof.

The foregoing rights of the Declarant shall terminate upon sale of the Declarant's entire interest in the Project, or three (3) years after the date of recordation of the deed of the first Parcel to be sold in the Project, whichever occurs first.

9.8(e) Subject the Declarant to the architectural control provisions for construction of improvements on this Project.

So long as Declarant, its successors or assigns, owns one or more of the Parcels established and described herein, Declarant, its successors and assigns, shall be subject to the provisions of this Declaration. Declarant shall make reasonable efforts to avoid disturbing the use and enjoyment of their Parcels, and the Common Area Facilities, by Parcel Owners, while completing any work necessary to said Parcels or Common Area Facilities.

9.9 Termination of Any Responsibility of Declarant: In the event the Declarant shall convey all of his rights, title and interest in and to the Project to any partnership, individual or individuals, or corporation or corporations, then and in such event, Declarant shall be relieved of the performance of any further duty or obligation hereunder and such partnership, individual or individuals, corporation or corporations, shall be obligated to perform all such duties and obligations of the Declarant.

9.10 Owner's Compliance: Each Parcel Owner, or occupant of a Parcel shall comply with the provisions of this Declaration, and to the extent they are not in conflict with this Declaration, Articles, Bylaws, Association Rules, decisions and resolutions of the Association or the Board, as from time to time lawfully amended. Failure to comply with any such provisions, decisions, or resolutions shall be grounds for an action: (1) for recovery of costs for damages; (2) for injunctive relief; (3) for costs and attorney's fees; or (4) for any combination of the foregoing.

All agreements and determinations lawfully made by the Association in accordance with the voting percentages established in this Declaration, Articles and Bylaws, shall be deemed to be binding on all Parcel Owners, their successors and assigns.

9.11 Notice: Any notice permitted or required by the Declaration, Articles or Bylaws may be delivered either personally or by mail. If delivery is by mail, it shall be deemed to have been delivered seventy-two (72) hours after a copy of the same has been deposited in the United States mail, first class or registered, postage prepaid, addressed to the person to be notified at the current address given by such person to the Secretary of the Board, or addressed to the Parcel of such person if no address has been given to the Secretary.

9.12 Special Provisions Relating to Enforcement of Declarant's Obligation to Complete Common Area Facilities Improvement: Where the Project includes Common Area Facilities improvements which have not been completed prior to the close of escrow on the sale of the first Parcel, and where the Association is the obligee under a bond or other agreement, hereinafter referred to as "bond", to secure performance of the commitment of the Declarant to complete said improvements, the Board 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 filed 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 given an extension in writing for the completion of any Common Area Facilities improvements, the Board shall consider and vote on the aforesaid question if a notice of completion has not been filed within thirty (30) days after the expiration of the extension. A special meeting of the Members of the Association for the purpose of voting to override a decision by the Board not to initiate an action to enforce the obligations under the bond or on the failure of the Board to consider and vote on the question shall be held not less than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of a petition for such a meeting signed by Members representing five percent (5%) or more of the total voting power of the Association. At such special meeting a vote of majority of the Members of the Association other than the Declarant shall be required to take action to enforce the obligation under the bond and a vote of a majority of the voting power of the Association, excluding the Declarant, shall be deemed to be the decision of the Association, and the Board shall thereafter implement this decision by initiating and pursuing appropriate action in the name of the Association.

On satisfaction of the Declarant's obligation to complete the Common Area Facilities improvements, the Association shall acknowledge in writing that it approves of the release of the bond and shall execute any other documents as may be necessary to effect the release of the bond. The Association shall not condition

its approval of the release of the bond on the satisfaction of any conditions other than the Common Area Facilities improvements as described on the planned construction statement. Any dispute between the Declarant and the Association regarding the completion of the Common Area Facilities shall be submitted to binding arbitration under the commercial rules of the American Arbitration Association and the prevailing party shall be entitled to recover costs, including reasonable attorney's fees.

9.13 Fair Housing: It is prohibited by law for the Declarant or any individual Parcel Owner to either directly or indirectly, forbid or restrict the conveyance, encumbrance, leasing, mortgaging or occupancy of his Parcel to any person of a specified race, gender, adulthood, marital status, color, religion, ancestry, physical handicap or national origin.

9.14 FHA/DVA Approval: So long as the Federal Housing Administration (FHA) or Department of Veterans Affairs (DVA) has jurisdiction over any loan secured by a Deed of Trust on any Parcel and as long as there is Class Membership, the following actions shall require the prior approval of the FHA or the DVA: dedication of Common Area Facilities; or any amendment to this Declaration. In the event the above said agencies, or its designated representative, fails to approve or disapprove within thirty (30) days after the amendment has been submitted, approval will not be required and the related covenants shall be deemed to have been fully complied with.

9.15 Disputes: The Declarant, Parcel Owner or the Association may resolve disputes in one of the two following manners:

9.15(a) Resolution of Disputes: If the parties involved agree to arbitration on a case by case basis; otherwise, the matters will be settled at law or in equity. If the parties freely choose to enter arbitration the following described procedure shall be used: In case of any claim or dispute between the Declarant, its builder, general contractor, or broker, or their agents or employees, on the one hand, and the Association or any Parcel Owner(s) on the other hand, which claim or dispute relates to the rights and/or duties of the parties under this Declaration, or relates to the design or construction of the Common Area Facilities in this Project. The procedure shall be as follows: The aggrieved party or parties shall notify the other party or parties in writing. When Declarant receives such a notice, it shall promptly respond with an investigation, inspection, meeting, discussion, or other action reasonably appropriate to the circumstances. Appropriate action shall include, without limitation, prompt communication with the aggrieved party or parties, and a proposed course of action to resolve the problem. All parties involved in the matter shall negotiate in a good faith attempt to resolve amicably the problem. If the parties are unable to resolve the problem within a reasonable period of time (not to exceed ninety (90) days after the first notice of claim or dispute) the matter shall be submitted to binding arbitration pursuant to the rules of the American Arbitration Association, provided that if the dispute or claim involves a sum not in excess of the jurisdictional limit of small claims court, the Parcel Owners shall have the option of taking the matter to small claims court in lieu of binding arbitration.

9.15(b) Alternative Dispute Resolution: A contractual provision requiring arbitration of a dispute or claim between a Parcel Owner and Declarant, or a provision in this Declaration requiring arbitration of a dispute or claim between the Association and the Declarant, shall provide that the arbitration will be conducted in accordance with California Real Estate Law Regulation 2791.8.

9.15(b)(1) The Declarant shall advance the necessary fees to initiate the arbitration, with the costs and fees, including ongoing costs and fees to be paid as agreed by the parties, but if the parties cannot agree with the costs and fees to ultimately be borne as determined by the arbitrator;

9.15(b)(2) for administration of the arbitration by a neutral and impartial person or persons;

9.15(b)(3) The appointment of the neutral and impartial individual(s) to serve as arbitrator(s) and said arbitrator(s) to be appointed within a specified period of time, which in no event shall be more than sixty (60) days from the administrator's receipt of a written request from a party to arbitrate the claim or dispute. The selection of the arbitrator shall be in compliance with Section 1297.121 of the California Code of Civil Procedure and said arbitrator may be challenged pursuant to Section 1297.124 of the California Code of Civil Procedure.

9.15(b)(4) the venue of the arbitration shall be in the county where the Project is located unless the parties agree to some other location.

9.15(b)(5) commencement of the arbitration shall be in a prompt and timely manner in accordance with (1) the rules of the arbitration, or if the rules do not specify a date by which the arbitration must commence, then (2) a date as agreed to by the parties, and if they cannot agree, (3) a date determined by the arbitrator(s);

9.15(b)(6) the arbitration shall be conducted in accordance with rules and procedures, which are reasonable and fair to the parties.

9.15(b)(7) conclusion of the arbitration shall be in a prompt and timely manner.

9.15(b)(8) the arbitrators shall provide all recognized remedies available in law or equity for any cause of action that is the basis of the arbitration. The parties may authorize the limitation or prohibition of punitive damages.

9.15(b)(9) If a contractual agreement is needed provision may require reference in accordance with the Code of Civil Procedure Sections 638 through 645.1, of a dispute or claim between a homeowner or homeowners association and the Declarant.

9.16 Number, Gender: The singular and plural number and masculine, feminine and neuter gender shall each include the other where the context so requires.

9.17 No Warranty of Enforceability: While Declarant has no reason to believe that any of the restrictive covenants contained in this Declaration are or may be invalid or unenforceable for any reason or to any extent, Declarant makes no warranty or representation as to the present or future validity or enforceability of any such restrictive covenant. Any Parcel Owner in the Project in reliance on one or more or such restrictive covenants shall assume all risks of the validity and enforceability thereof and, by acquiring the Parcel agrees to hold Declarant harmless therefrom.

9.18 Easements Reserved and Granted: Any easements referred to in this Declaration and on the Parcel Map shall be deemed reserved or granted, or both reserved and granted, by reference to this Declaration and Parcel Map in a deed to any Parcel.

9.19 Annexation: Additional Parcels will be annexed to this Project and shall be subject to this Declaration.

9.19(a) Additions by Declarant. Declarant shall develop or cause to be developed the additional Parcels as described in Article I, Section 1.5 (Common Area Facilities), Section 1.15 and Section 1.11 (Marketing Phases) of this Declaration. Declarant may annex such additional real property and bring such real property within the development plan and scheme of this Declaration. The additional Parcels shall conform to the specific development plan, with the consent or acceptance by the California Department of Real Estate as evidenced by the issuance of a public report for the first phase of the Project. Such annexation has complied with the provisions set forth in the California Administrative Code prior to the close of the first escrow of a subdivision interest or within the first six months after the issuance of the public report for the first phase, but after the close of the first escrow of a subdivision interest in the first phase the approval by vote or written consent of the membership of the Association so long as there is a Class B membership outstanding and/or, thereafter by the vote or written consent of the membership entitled to exercise not less than two-thirds (2/3) of the voting power residing in Members other than Declarant. Upon obtaining the requisite approval pursuant to this section, the Declarant who desires to annex into this Project shall be subject to the jurisdiction of the Association and shall file for recordation a Declaration of Annexation, as more particularly described in Article IX, Section (9.19.c) below.

9.19(b) Procedure for Annexation: In addition to any required approval by the Members, the Declaration of Annexation shall prescribe the following: (1) describe that portion of the additional Parcels to be annexed; and (2) specify that all of the covenants, conditions and restrictions of this Declaration shall apply to the annexed additional Parcels in the same manner as if it were originally covered by this Declaration; and (3) the Declaration of Annexation may also impose any additional covenants, conditions and restrictions on the additional Parcels that are necessary to include the Parcels in the Project and to reflect differences in nature, if any, of the improvements to be constructed on the Additional Parcels and satisfactory evidence that no proposed annexation will result in an overburdening of common facilities; and (4) no Declaration of Annexation shall diminish the covenants, conditions and restrictions established by this Declaration nor shall it discriminate between the Parcel Owners in the Project; and (5) no Declaration of Annexation shall alter or change the development plan or scheme created by this Declaration nor shall it affect the provisions hereof as covenants running with the land as equitable servitude.

9.19(c) Effect of Annexation: After complying with the procedures for annexation and upon the commencement of assessments for a Planned Development in the annexation Parcels, Owners of said Parcels in the annexation Parcels shall be Members, and shall be subject to this Declaration and entitled to use all common areas facilities in the Project. No proposed annexation will cause a substantial increase of assessments against existing Parcel Owners, which was not disclosed in the public report under which pre-existing Parcel Owners purchase their interests. The Association shall reallocate the regular assessments so as to assess each for a proportionate share of the total expenses of the Project.

9.19(d) Amendment: Declarant has the right, at its sole option, to amend a Declaration of Annexation by executing and recording an amendment which is consistent with this Section of Declaration, as long as no Parcel in the additional Parcels has been conveyed to an Owner.

9.19(e) The Declarant shall provide all recorded and unrecorded management documents as listed below to the Association and all Members not less than thirty (30) but not more than ninety (90) after the annexation of additional phases into the subdivision which are applicable to that phase: (1) covenants, conditions and restrictions with any amendments and annexations, and (2) bylaws, and (3) articles of incorporation, and (4) Parcel map, and (5) filed notices of completion or evidence of financial guarantees for the completion of the Common Area Facilities, and (6) any insurance policies for the benefit of the Association, and (7) pro-forma budget. All the above items shall be delivered at the office of the Association or at such place the Board prescribed. The obligation to deliver the documents shall apply to any documents obtained by the Declarant no matter when obtained, provided, however, such obligation shall terminate upon the earlier of (1) the conveyance of the land subdivision interest covered by the subdivision public report or (2) three years after the expiration of the most recent public report, on the subdivision.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has executed this Declaration this 8th day of July, 2004

West Templeton Partners LLC,
a California Limited Liability Company

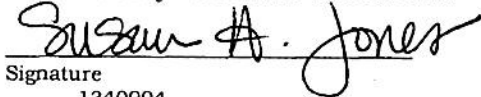
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a California Corporation, its Manager

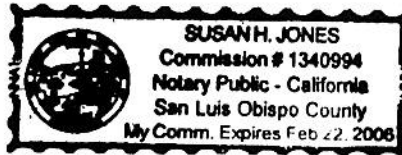

Dennis A. Moresco, President

State of California
County of San Luis Obispo

On this 8th day of July, 2004 before me, SUSAN H. JONES, Notary Public personally appeared Dennis A. Moresco 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(ies) upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and Official Seal


Signature
1340994
Commission Number
FEBRUARY 22, 2006
Expiration Date



ABOVE RESERVED FOR OFFICIAL NOTARY SEAL