

Cost Implications for Managing New Developments with New CC&Rs
Sample Provisions of New CC&Rs
(underline for emphasis and edited for convenience)

Interior Damage

With the exception of any casualty or damage covered by insurance kept by the Association, restoration and repair of any damage to the interior of any individual Unit, including all fixtures, cabinets and improvements thereon, together with restoration and repair of all interior paint, wall coverings and floor coverings, must be made by and at the individual expense of the Owner of the Unit so damaged. If a determination to rebuild the Properties after partial or total destruction is made, as provided in this Article, such interior repair and restoration shall be completed as promptly as practical and in a lawful and workmanlike manner, in accordance with plans approved by the Design Review Committee as provided in this Declaration.

Warranties

The Board shall comply with the terms of any warranty in favor of the Association for any equipment or facilities within the Association Property or Common Area. The Association acknowledges that certain warranties require the Association to maintain certain maintenance contracts in effect and, to the extent the Board discontinues such maintenance contracts, the effectiveness of the warranty may be impaired or eliminated.

Maintenance Manuals

The Association shall maintain at the offices of the Association a copy of the Owner Maintenance Manual provided by Declarant to the Owners and shall make available to every Owner upon request a copy of the Owner Maintenance Manual for the Owners' Residential Units. The Association shall have the right to charge the requesting Owner a fee for the copying of such Owner Maintenance Manual. The Association shall also comply with provisions of the Association Maintenance Manual provided by Declarant to the Association. The Board may, from time to time, make appropriate revisions to the Owner Maintenance Manual and the Association Maintenance Manual based on the Board's review thereof, to update such manual to provide for maintenance according to current industry practices so long as such changes do not reduce the useful life or functionality of the items being maintained. Owners shall distribute the Owner Maintenance Manual and any updates to the Owner Maintenance Manual to successor owners.

Inspection of the Community

The Association shall regularly inspect, maintain and repair the Association Property, including without limitation, the landscaping, drainage and irrigation systems serving or within the Association Property. The Association shall comply with the requirements of

any the Association Maintenance Manual. The Association shall also inspect for any misaligned sprinklers or blocked drainage systems which could cause water damage to the Community. The Association shall employ the services of such experts and consultants as are necessary to assist the Association in performing its duties hereunder and follow any recommendations contained in the Association Maintenance Manual. The inspections required to be conducted by the Board under this Article shall take place at least annually. The inspectors shall provide written reports of their inspections to the Association and, if requested by the Declarant, to the Declarant promptly following completion thereof. If requested by Declarant, Declarant shall be invited to attend any such inspections. The written reports shall identify any items of maintenance or repair which either require current action by the Association or will need further review and analysis. Such written reports shall specifically include a review of all irrigation and drainage systems on the Community. The Board shall report the contents of such written reports to Declarant (if not already provided by the inspector directly) so requested by Declarant and to the Members of the Association at the next meeting of the Members following receipt of such written reports or as soon thereafter as reasonably practicable and shall include such written reports in the minutes of the Association meeting. The Board shall promptly cause all matters identified as requiring attention to be maintained, repaired, or otherwise pursued in accordance with prudent business practices and the recommendations of the inspectors and shall keep a record of all such matters in the Board's minutes. Should such inspection require the inspection of any Residential Unit, there is hereby created a non-exclusive easement in favor of the Association, and its officers, agents, employees and independent contractors, to conduct such inspections and to provide such maintenance, repair and replacement, provided that entrance is made at reasonable hours and with at least three (3) days advance notice to the Owner, except in case of emergency. Any damage to any structure, landscaping or other improvements caused by the Association, or any of its officers, agents, employees or independent contractors, while performing such maintenance, repair or replacement work shall be repaired by the Association at its sole cost and expense.

DECLARANT'S VETO

Definitions. As used in this Declaration, the following terms shall be defined as set forth in this Section.

Commercial Sales Period. Commercial Sales Period means the period beginning on the Recordation hereof and ending at the time Declarant has made an initial sublease or sale of all Condominiums within the Properties, which shall be the Close of Escrow of the last such initial sublease or sale. Declarant shall promptly notify the Board in writing that such Close of Escrow has occurred.

Construction Defect Claims Period. The Construction Defect Claims Period means the period beginning on the date the Sales Period expires and ending on the tenth (10th) anniversary of such date.

Sales Period. Sales Period means the period beginning on the Recordation hereof and ending upon the later to occur of (A) the date on which the Commercial Sales Period expires or (B) the earlier to occur of the following: (i) the date on which Declarant has made an initial sale of all the condominium units in the Residential Project, which shall be the date on which close of escrow occurs with respect to the last such initial sale or (ii) two (2) years from the date of Recordation of this Declaration.

Actions Subject to Declarant's Veto

Declarant shall have the right to veto actions taken by the Association (whether by action of the Board or vote of the Members), during the times and otherwise on and subject to the conditions set forth in this Section.

(a) *Change in Design; Design Review.* At any time during the Sales Period, Declarant shall have the right to veto any action taken by the Association that would alter the general, overall architectural design of the Properties or the Association Common Area, ... or any amendment to the provisions of this Declaration governing such alterations; provided that Declarant shall not exercise its veto right pursuant to this Section 6.6.2(a) unless Declarant has determined in its good faith business judgment, that the proposed action or amendment could reasonably be expected to (i) render the quality, condition, appearance or marketability of the Project Buildings or any portion thereof inconsistent with those of a first-class residential, commercial or mixed-use project ...or (ii) violate or contradict any requirements known to Declarant that have been issued by the Redevelopment Agency. Declarant's veto rights pursuant to this Section shall terminate and be of no further force and effect upon expiration of the Sales Period.

Design Review Committee. At any time during the Sales Period, Declarant shall have the right to veto the adoption of any supplement, amendment or restatement to the Design Standards, all decisions of the Design Review Committee, any decisions made by the Board following appeal of a matter initially reviewed by the Design Review Committee, any decision to terminate the Design Review Committee and any amendment to the provisions of this Declaration governing the scope or exercise of the Design Review Committee's authority; provided that Declarant shall not exercise its veto right pursuant to this Section unless Declarant has determined, in its good faith business judgment, that the proposed action could reasonably be expected to (i) render the quality, condition, appearance or marketability of the Project Buildings or any portion thereof inconsistent with those of a first-class project, or (ii) violate or contradict any requirements known to Declarant that have been issued by the Redevelopment Agency. Declarant's veto rights pursuant to this Section shall terminate and be of no further force and effect upon expiration of the Sales Period.

Rules and Regulations. At any time during the Commercial Sales Period, Declarant shall have the right, acting in its sole discretion, to veto the adoption of any supplement, amendment or restatement to the Rules and Regulations that could reasonably be expected to adversely impact Declarant's ability to sell Units and the units in the Residential Project at prices and otherwise on terms that are consistent with Declarant's

marketing plans and projects, which may change from time to time, and which determination shall be made by Declarant in its sole discretion exercising good faith judgment...Declarant's veto rights under this Section, except as excluded above, shall terminate and be of no further force and effect upon expiration of the Sales Period.

Additional Maintenance Obligations. At any time during the Commercial Sales Period, Declarant shall have the right, acting in its reasonable discretion, to veto the designation, adoption or undertaking of additional maintenance obligations by the Association. Declarant's veto rights under this Section shall terminate and be of no further force and effect upon the expiration of the Commercial Sales Period.

Maintenance Guidelines. At any time during the Construction Defect Claims Period, Declarant shall have the right, acting in its sole discretion, to veto the adoption, modification or waiver of any Architectural Guidelines and/or Maintenance Guidelines or any parts or provisions thereof, any maintenance manual in effect with respect to the Properties or the Project Buildings, or the amendment of any provisions of this Declaration governing the same...Declarant's veto rights under this Section shall terminate and be of no further force and effect upon expiration of the Construction Defect Claims Period.

Permitted Uses. At any time during the Sales Period, Declarant shall have the right to veto any consent granted by the Board allowing use of the Properties or any portion thereof for a purpose or in a manner not expressly permitted or in a manner prohibited pursuant to this Article; provided that Declarant shall not exercise its veto right pursuant to this Section unless Declarant has determined, in its good faith business judgment, that the proposed action or amendment could reasonably be expected to (i) render the quality, condition, appearance or marketability of the Project Buildings or any portion thereof inconsistent with those of a first -class residential, commercial or mixed-use... Declarant's veto rights pursuant to this Section shall terminate and be of no further force and effect upon expiration of the Sales Period.

Amendments

At any time during the Commercial Sales Period, Declarant shall have the right, in its sole discretion to veto any proposed amendments to this Declaration, except for amendments expressly covered by other subsections of this Section. Declarant's veto rights pursuant to this Section shall terminate and be of no further force and effect upon expiration of the Commercial Sales Period.

DECLARANT'S BOARD SEAT

To facilitate Declarant's exercise of its rights, at all times between the Recordation hereof and expiration of the Construction Defect Claims Period, Declarant shall hold a seat on the Board ("Declarant's Board Seat") in order to enable Declarant to become aware of proposed actions by the Association (whether by the Board or the Members) and exercise Declarant's veto rights provided in this Section. Declarant shall be entitled

to attend all regular and special meetings of the Board, to receive all notices, correspondence or other documents delivered to Board members (including minutes of regular and special meetings) and all notices, correspondence or other documents under which matters are submitted to the Members or to the Design Review Committee for a vote pursuant to this Declaration. Any action taken by the Board or the Association that is subject to Declarant's rights under this Section without complying with the notice and other requirements of this Section shall be null and void. Declarant's Board Seat shall be non-voting, i.e., holding Declarant's Board Seat shall not entitle Declarant to vote on any matter presented to the Board or to the Members for a vote, except to the extent that such matter falls within one or more of the provisions of the Section above, in which event Declarant shall have the right to exercise its Declarant's veto, as and to the extent permitted under that Section. Declarant's absence or presence at a meeting with respect to the Declarant's Board Seat shall not be considered for purposes of determining the presence of a quorum under the Governing Documents.