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MEMO

TO: Board of Directors for Villas at Blackberry Run Homeowners Association, Inc.

FROM: Michael A. Rome Attorney at Law

RE: Explanation of Relationship Between Master Association and Neighborhood Association.

Dear Board:

The basic principle regarding the relationship between a master and neighborhood association is that the master is primary, and the neighborhood association is secondary. This means the covenants and assessments related to the neighborhood association are <u>in addition to</u> those of the master association. The general exception are the Bylaws for a neighborhood association, since it usually has control over its operating procedures, including the election of Board members.

The above model is difficult for some owners to understand because they feel that their primary identification is with the neighborhood, and only secondarily with the master subdivision.

Summary: Based upon the below Analysis of Governing Documents, following is a list that outlines the legal relationship between the Master Association (Seven Hills) and the Neighborhood Association (VBBR):

- 1. *Primary & Secondary Covenants*. As is typical, the covenants for Seven Hills are considered primary, and therefore the covenants for VBBR are considered 'in addition to' the covenants for the Master Association. In addition, owners are obligated to pay assessments to both Seven Hills and VBBR.
- 2. Maintenance of Neighborhood Common Areas. Under the covenants for the Master Association, VBBR is responsible for maintaining its own common property within the neighborhood. It is also responsible for any areas that physically adjoin the neighborhood, such as those surrounding the entrance. (In addition to common property, certain right-of-way or green areas are considered a part of the "Common Responsibility" for VBBR.)

- 3. *VBBR Assessments*. The expenses incurred for maintaining the Neighborhood common areas are paid from the assessments levied by VBBR. In addition, assessments would also cover such items as; insurance, utility costs, accounting, and legal expenses.
- 4. Enforcement by Seven Hills of VBBR Maintenance. The Seven Hills Board can require VBBR to take a specific action in connection with its obligations and responsibilities. If the Neighborhood Association does not comply, the Master Association can take the required action, and specially assess the owners in VBBR for the costs.
- 5. *Take Over of Maintenance by Master Association*. The Master Association can take over maintenance of VBBR, if the maintenance by the Neighborhood Association is not being done up to a reasonable standard.
- 5. Seven Hills Option of Voting Representative for VBBR. The Master Association has the option of creating a process, so that a representative for the Neighborhood Association would make the decision on how to cast the votes for all the owners in VBBR. This would not constitute a right to vote on the Board for Seven Hills, and applies only when an owner vote is required in relationship to the Master Association; such as election of directors, amendments to governing documents, and special assessments.
- 6. Advisory Neighborhood Committee. The Board for the Master Association has the ability to create a Neighborhood Committee, which would be advisory in nature...except for any powers that might be given to it by the Master Board.
- 7. VBBR Control Over Its Own Bylaws. The Bylaws for the Master Association do not exert any control over the Bylaws for VBBR. The Neighborhood Association is only required to follow the procedures in its own Bylaws.

ANALYSIS OF GOVERNING DOCUMENTS FOR SEVEN HILLS & VBBR

The details of how a master and neighborhood interact are not set by statute, but instead are contained in the governing documents. In order to understand the relationship, it is necessary to examine the governing documents for both associations; especially the covenants.

I. MASTER ASSOCIATION-SEVEN HILLS-COVENANTS.

5.2. Maintenance of Neighborhood Property. The Neighborhood association is responsible for maintaining the Area of Common Responsibility located within or adjacent to the Neighborhood This may include, without limitation, the costs of maintaining any signage, entry features, right-of-way, and greenspace between the Neighborhood and adjacent public roads, private streets within the Neighborhood, and lakes or ponds within the Neighborhood, regardless of ownership.... Expenses are paid through assessments levied by the Neighborhood association, which are in addition to the Master association assessments.

6.4. Neighborhoods, Voting Members, and Voting Groups.

(a) Neighborhoods.

(i) The Master Board may amend the covenants to redesignate Neighborhood boundaries with the consent of the Owners of a majority of Units in the affected Neighborhoods.

- (ii) Units within a Neighborhood will be subject to additional Neighborhood covenants, in addition to the Master covenants.
- (iii) The Master Association can take over maintenance of a Neighborhood if it is not up to standards.
- (b) <u>Voting Members</u>. The Master Association has the option of creating a process whereby a representative for each Neighborhood, called a Voting Member, may make the decision to cast all of the votes for the Unit owners in the Neighborhood. If such a process exists, Voting Members are elected by the Neighborhood owners. (Voting Members only represent the Neighborhood for votes required by the owners, and the Voting Member does not have a vote on the Master Board.)
- (c) Voting Groups. Only applied when there was still a Developer.

7.8. Powers Related to Neighborhood Committees and Neighborhood Associations.

- (i) If the Master Board decides to create a Neighborhood Committee, it has control over the committee just like any other type of committee formed by the Master Board.
- (ii) The Master Board can require a Neighborhood Association to take a specific action in connection with its obligations and responsibilities. If the Neighborhood Association does not comply, the Master Association can take the required action, and specially assess the owners in the Neighborhood association for the costs.
- II. MASTER ASSOCIATION-SEVEN HILLS-BYLAWS.
- **5.2.** <u>Neighborhood Committees</u>. If a Neighborhood does not form an association, the owners in the Neighborhood may elect a committee to serve in an advisory capacity to the Board of the Master Association regarding the Neighborhood's issues and needs.
- III. NEIGHBORHOOD ASSOCIATION-VILLAS AT BLACKBERRY RUN COVENANTS.
- **3.3** <u>Master Association</u>. All owners in VBBR acknowledge that they are also members of the Master Association, and are subject to the governing documents for Seven Hills. If the Master Board decides to create Voting Members/Voting Delegates, the President of BBR Association shall be the primary Voting Member, and the Secretary shall serve as the alternate.
- **4.11 Master Association.** (Article IV regarding Assessments)

Owners in BBR acknowledge that assessments levied by VBBR are in addition to the assessments levied by the Master Association. Also, owners will be responsible for paying the Master assessments directly to Seven Hills.

IV. NEIGHBORHOOD ASSOCIATION-VILLAS AT BLACKBERRY RUN-BYLAWS. (There are no references to the Master association in the Bylaws for BBR.)