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RECORDING REQUESTED BY
COMMONWEALTH LAND TITLE CO

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

THIRD LAGUNA HILLS MUTUAL
c/o O'Melveny & Myers
610 Newport Center Drive, Suite 1700
Newport Beach, California 92660-6429
Attention: Louise D. Hay

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RECORDED IN OFFICIAL RECORDS
OF ORANGE COUNTY, CALIFORNIA

-320 PM MAY 10 '88

Lee A. Branch COUNTY
RECORDER

AMENDED AND RESTATED DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS

(Mutual No. 73)

AMENDED AND RESTATED
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

This Amended and Restated Declaration, dated as of April 11, 1988, is made with reference to the following Recitals.

R E C I T A L S

A. On March 18, 1977, Rossmoor Corporation, a California corporation ("Declarant"), recorded that certain Declaration of Covenants, Conditions and Restrictions in Book 12110, Pages 111-146, inclusive, and re-recorded on March 24, 1977, in Book 12116, Pages 1347-1382, inclusive, both in the of Official Records of Orange County, California (the "Original Declaration"). The Original Declaration encumbers certain improved real property in the County of Orange, State of California, more particularly described in Exhibit A attached hereto (the "Property"). In accordance with the "Plan" (as hereinafter defined), Declarant has developed and subdivided the Property as a condominium project containing ninety-six (96) "Units" (as hereinafter defined). As of the date hereof, Declarant owns no "Condominium" (as hereinafter defined) or other interest in the Property.

B. Pursuant to Article XI of the Original Declaration, the Original Declaration may be amended by recordation of a written instrument signed and acknowledged by the president and secretary of Third Laguna Hills Mutual, a California nonprofit mutual benefit corporation, successor by merger to Laguna Hills Mutual No. 73, a California nonprofit corporation, and containing a certification by such officers that the amendment has been approved by the vote or written consent of at least three-fourths (3/4ths) of such "Record Owners" (as defined in the Original Declaration). By this Amended and Restated Declaration, at least three-fourths (3/4ths) of the Record Owners desire to amend and restate all of the terms and provisions of the Original Declaration in order to establish an amended common scheme and plan for the use, enjoyment, repair, maintenance, restoration and improvement of the "Project" (as hereinafter defined) and the interests therein, conveyed or reserved, and for the payment of assessments and other expenses pertaining thereto.

C. The Project is located within and is one of a number of residential developments comprising the planned development commonly known as "Leisure World Laguna Hills." Leisure World Laguna Hills has been developed in phases and the residential developments which comprise Leisure World

88-218158

Laguna Hills, including the Project, were each originally developed and continue to provide housing to senior citizens. The number of dwelling units within Leisure World Laguna Hills, including the Units within the Project, is 12,736, including 6,323 cooperative apartments and 6,413 condominiums. Accordingly, Leisure World Laguna Hills and the Project constitute a "senior citizen housing development" (as defined in Section 51.3(c)(3) of the California Civil Code) in which the qualifying age for a "Qualifying Resident" (as hereinafter defined) is 55 years or older.

NOW, THEREFORE, with reference to the foregoing Recitals, the undersigned do, in accordance with and pursuant to the provisions of Article XI of the Original Declaration, hereby declare that the real property included in the Project and the Project as shown on the Plan are and shall be held, conveyed, encumbered, leased and used subject to the following amended and restated uniform restrictions, covenants, conditions and equitable servitudes. The amended and restated restrictions set forth herein shall run with the real property included within the Project, shall be binding upon all persons having or acquiring any interest in such Project or any part thereof, shall inure to the benefit of every portion of such Project and any interest therein shall inure to the benefit of and be binding upon each successor in interest of each Owner, and may be enforced by any Owner, or his successors in interest, or by the Mutual.

ARTICLE I

Definitions

Unless the context otherwise requires:

1. "Approval" of the Foundation, the Mutual, the Board or the Architectural Control Committee means prior written approval.
2. "Architectural Control Committee" means the committee appointed pursuant to Article X.
3. "Articles" means the articles of incorporation of the Mutual, and any amendments thereto.
4. "Assessments" includes, without limitation, Carrying Charges, Reimbursement Assessments and Special Assessments or any other charge authorized by law which may be levied by the Board.

5. "Board" means the Board of Directors of the Mutual, who shall be elected as provided in the By-Laws.

6. "Building" means any structure in the Common Area which contains one or more Units.

7. "By-Laws" means the by-laws of the Mutual, and any amendments thereto.

8. "Carrying Charges" means the amount to be paid by each Owner to the Mutual for common expenses and reserves as provided in Article IX hereof.

9. "Common Area" means all of that portion of the Project not within a Unit shown on the Plan, together with all improvements thereto.

10. "Community Facilities" means all real and personal property which is now or hereafter owned by the Foundation for the use and benefit of the Owners.

11. "Condominium" means an equal undivided interest in common with the other Owners within the Project in the Common Area, together with a separate interest in a Unit, and all other right, title and interests which may be appurtenant thereto.

12. "Co-occupant" means a person who resides with a Qualifying Resident and satisfies the standards set forth in Section 3 of Article II.

13. "Davis-Stirling Common Interest Development Act" means Section 1350 through Section 1372, inclusive, of the California Civil Code and all amendments thereto hereafter enacted or any successor statute of California law.

14. "Declarant" means Rossmoor Corporation, a California corporation or a successor in interest to the entire Project and Related Projects as opposed to an Owner as Owner is hereinafter defined.

15. "Eligible Mortgage Holder" means the holder of a first Mortgage who has provided a written request to the Mutual to be notified of any proposed amendment or action described in Section 9 of Article XII or Section 2 of Article XIV. Such notice must contain the address of the encumbered Condominium.

16. "Eligible Insurer or Guarantor" means a guarantor or insurer of any first Mortgage who has provided a

written request to the Mutual to be notified of any proposed amendment or action described in Section 9 of Article XII. Such notice must contain the address of the insured or guaranteed Condominium.

17. "FHLMC" means the Federal Home Loan Mortgage Corporation (also known as The Mortgage Corporation) created by Title II of the Emergency Home Finance Act of 1970, and any successors to such corporation.

18. "FNMA" means the Federal National Mortgage Association, a government-sponsored private corporation established pursuant to Title VIII of the Housing and Urban Development Act of 1968, and any successors to such corporation.

19. "Foundation" means the Golden Rain Foundation of Laguna Hills, a California non-profit mutual benefit corporation, its successors and assigns.

20. "GNMA" means the Government National Mortgage Association administered by the United States Department of Housing and Urban Development, and any successor to such association.

21. "Governing Documents" mean these Restrictions, the Articles, the By-Laws and the Rules.

22. "Limited Common Area" means any portion of the Common Area designated as such on the Plan as provided in Article VII.

23. "Manager" or "Managing Agent" means the person, firm or corporation employed by the Mutual pursuant to Article IV, Section 2, clause (c), and delegated duties, powers or functions of the Mutual pursuant to Article IV, Section 5.

24. "Member" means each person entitled to membership in the Mutual as provided in the Articles and By-Laws.

25. "Mortgage" means a mortgage or deed of trust encumbering a Condominium. "Mortgagor" includes mortgagors, trustors under deeds of trust, and Owners of Condominiums subject to Mortgages. "Mortgagee" includes mortgagees, trustees and beneficiaries of deeds of trust, and the holders of indebtedness secured by Mortgages.

26. "Mutual" means Third Laguna Hills Mutual, a California non-profit mutual benefit corporation, the

successor by merger to Laguna Hills Mutual No. 73, or any successor or assign to Third Laguna Hills Mutual, whether by way of consolidation, merger, transfer or otherwise.

27. "Notice and Hearing" means ten (10) days' written notice to a Resident mailed or delivered to the Unit in which the Resident resides, and informal hearing before the Board at which such Resident shall have an opportunity to be heard and, at such Owner's sole cost and expense, to be represented by counsel, if such Owner so elects. The hearing shall be private unless the Resident requests in writing a public hearing.

28. "Owner" means the person or persons, partnership or corporation, and the successors and assigns of each of the foregoing, in whom title to a Condominium is vested, as shown by the official records of the Office of the County Recorder of Orange County, California. "Owner" does not include a Mortgagee or any other person having an interest in a Condominium merely as security for the performance of an obligation.

29. "Plan" means that certain Condominium Plan and any amendments thereto for Lots 1, 2 and 3 of Tract 8098, which Plan was recorded March 18, 1977, in Book 12110, Pages 130-146, inclusive, as Document No. 26046, re-recorded on March 24, 1977, in Book 12116, Pages 1366-1382, inclusive, as Document No. 33413, and re-recorded on May 11, 1977, in Book 12189, Pages 698-714, inclusive, as Document No. 26047, all in the Official Records of Orange County, California.

30. "Project" means the condominium project on the Property as shown in the Plan.

31. "Qualifying Resident" means any person who resides in a Condominium and either (i) is at least fifty-five (55) years of age and satisfies the standards set forth in Section 2 of Article II, or (ii) on December 31, 1984 had the right to and did reside in such Condominium.

32. "Reimbursement Assessments" means a charge against each Owner and his or her Condominium for the purpose of reimbursing the Mutual for any costs incurred by the Mutual on behalf of any individual Owner. Reimbursement Assessments may also be levied by the Mutual for purposes of collecting any monetary penalties which may be imposed by the Mutual against any Owner or Resident who fails to comply with the provisions of any of the Governing Documents, including, without limitation, the determinations of the Architectural Control Committee.

33. "Related Project" means a condominium project located within Leisure World Laguna Hills with respect to which (i) the Mutual is designated as the management body therefor with powers, duties and responsibilities substantially similar to those set forth in these Restrictions and (ii) the declaration of covenants, conditions and restrictions therefor authorizes the Mutual to collect funds from owners within such condominium project and to expend such funds for, among other purposes, the maintenance, repair, replacement, operation and improvement of the Common Area and similar property within other Related Projects.

34. The word "reside" means to live in a Condominium for sixty-one (61) days or more, whether or not consecutive, in any twelve (12) months' period.

35. "Resident" means the Qualifying Resident and each Co-occupant who resides in the same Unit.

36. "Restrictions" means this Amended and Restated Declaration of Covenants, Conditions and Restrictions, as the same may be hereafter amended from time to time.

37. "Rules" means rules of the Mutual adopted from time to time by the Board.

38. "Shortfall" shall have the meaning ascribed thereto in Section 1 of Article XIII hereof.

39. "Special Assessments" means the amount to be paid by each Owner to the Mutual for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, restoration, repair or replacement of a capital improvement within the Common Area or Limited Common Area, including fixtures and personal property related thereto, incurred pursuant to Article IV, Section 8, or Article XIII or the cost of any other action or undertaking on behalf of the Mutual.

40. "Unit" means that portion of any Condominium which is not owned in common with other Owners, and which is designated as a Unit in the Plan. The boundaries of a Unit are as designated in Section 1371 of the California Civil Code, provided that all doors and windows of a Unit and all fixtures, and utility installations located within a Unit including without limitation hot water heaters, space heaters and kitchen, bathroom and lighting fixtures, shall be a part of each Unit, provided further that exterior soffits and furred down ceilings shall not be a part of such Unit. Whenever, within twenty (20) years after conveyance of the first

88-218158

Condominium in the Project, a Building is built substantially in conformity with the original plans therefor as reflected by the Unit boundaries shown on the Plan for such Project, the boundaries of all Units within such Building shall thereafter be as described in the second sentence of this paragraph and the boundaries of the Common Area shall be altered correspondingly.

41. "Vote" means the vote of the Members entitled to exercise voting power at a duly held or regular or special meeting of the members of the Mutual, unless otherwise provided.

ARTICLE II

Residency Restrictions

The Condominiums shall be occupied only as follows:

1. No person may reside in a Condominium without the prior written approval of the Board. Application for residency shall be made on a form prescribed by the Board. An applicant may seek to reside in a Condominium as a Qualifying Resident or, if another person is applying for (or already has been approved for) residency as a Qualifying Resident, as a Co-occupant. No person shall be approved for residency as a Co-occupant unless another person with whom he or she seeks to reside in the Condominium is a Qualifying Resident.

2. In approving or disapproving an application to reside in a Condominium, the Board shall consider the following standards in qualifying the applicant as a Qualifying Resident.

(a) Such person shall be at least fifty-five (55) years of age; provided, however, that only one person who resides in a Condominium shall be required to be at least fifty-five (55) years of age.

(b) Such person together with all other Co-occupants making application concurrently to reside in the same Unit shall satisfy the applicable financial qualifications set forth in Section 5 of this Article II; provided, however, that the income of each person who qualifies as a Co-occupant solely by virtue of providing primary physical support to the Qualifying Resident pursuant to subparagraph (a)(v) of Section 3

below shall not be considered in determining whether such financial qualifications have been satisfied.

(c) Such person shall not have been convicted of a felony within the last twenty (20) years or of a misdemeanor involving moral turpitude within five years immediately preceding the date of application for residency and shall execute a certificate on a form prescribed by the Mutual to such effect. For purposes of this subparagraph (c) of Section 2 and subparagraph (c) of Section 3 below, the term "convicted" shall include either a plea of guilty or nolo contendere.

3. In approving or disapproving an application to reside in a Condominium which includes one or more Co-occupants, the Board shall, in addition to the standards set forth in Section 2 of this Article II, consider the following standards with respect to each proposed Co-occupant:

(a) Each person seeking to reside with a Qualifying Resident shall certify on the application submitted to the Board that he or she satisfies at least one of the following criteria and shall provide such additional certification or information as the Board or its Managing Agent may require:

(i) He or she is at least forty-five (45) years of age; or

(ii) He or she is a spouse of a Qualifying Resident; or

(iii) He or she is the co-habitant of the Qualifying Resident; or

(iv) He or she is the person providing primary economic support to the Qualifying Resident; or

(v) He or she is the person providing primary physical support to the Qualifying Resident.

(b) The number of persons seeking to reside as Qualifying Residents and Co-occupants in the same Unit shall not exceed the maximum permissible number of occupants in the Unit as permitted by Section 1 of Article III.

(c) Each person who seeks to reside in a Condominium as a Co-occupant shall not have been convicted of a felony within the last twenty (20) years or of a

misdemeanor involving moral turpitude within five years immediately preceding the date of application for residency and shall execute a certificate on a form prescribed by the Board to such effect.

4. A Co-occupant may continue to reside in the Condominium following the death, hospitalization or other prolonged absence of, or the dissolution of marriage with, a Qualifying Resident provided that the Co-occupant then has an ownership interest in, or is in expectation of an ownership interest in, the Unit in which the Co-occupant resided with the Qualifying Resident.

5. (a) Definitions. As used in this Section 5, the phrase "average monthly income" means the quotient obtained by dividing (i) the aggregate of all income from all sources payable to each proposed Resident of a Condominium during a calendar year by (ii) twelve (12). The phrase "average monthly housing expense" means the quotient obtained by dividing (i) the total expenses payable by the Owner of a Condominium during a calendar year whether or not such Owner will be a Resident, including but not limited to principal, interest, insurance premiums, taxes, and Carrying Charges by (ii) twelve (12).

(b) Income Requirements. All persons seeking to acquire an ownership interest in or to reside in the Condominium as Residents (other than lessees) shall submit written evidence satisfactory to the Board that, individually or collectively, they have at the time of application to the Board an average monthly income in excess of their average monthly housing expense (principal, interest, insurance premiums, taxes, utilities and monthly Carrying Charges, etc.) of not less than the applicable of the following amounts:

(i) For any Condominium in which only one person will be in residence, \$500.00; or

(ii) For any Condominium in which two persons will be in residence, \$550.00; or

(iii) For any Condominium in which three persons will be in residence, \$625.00; or

(iv) For any Condominium in which four persons will be in residence, \$725.00.

In the event the person or persons seeking to reside in the Condominium as Residents (other than lessees) are unable to satisfy the required average monthly income level, the Board may approve the application for residency if a financially responsible person who is other than one of the persons seeking to reside in the Condominium (including, but not limited to, a non-resident Owner of the Condominium) either enters into a contract with the Mutual acceptable in form and content to the Board by which such financially responsible person promises to pay the average monthly housing expense of the person or persons seeking to reside in the Condominium, or presents an alternative arrangement satisfactory to the Board to assure payment of the average monthly housing expense. The Board is authorized by resolution adopted by a majority of the members of the Board to increase, decrease or otherwise modify the fixed dollar amounts set forth in this subsection 5(b) from time to time.

6. No person shall be denied the right to reside in, use or occupy a Condominium on account of sex, race, color, religion, ancestry, national origin or any other basis prohibited by the Unruh Civil Rights Act, Section 51 and the following of the California Civil Code, to the extent the Unruh Civil Rights Act is applicable to the Mutual.

7. The criteria set forth in Sections 2(a) and (b) and 3(a) and (b) for the purpose of determining qualification as a Qualifying Resident and a Co-occupant, respectively, are derived from the definitional provisions of the Unruh Civil Rights Act as in effect as of the date these Restrictions were recorded in the official records of the County of Orange, State of California. If due to either a legislative revision to such definitional provisions, enactment of a successor statute which supersedes the Unruh Civil Rights Act or a judgment or order of a court of original jurisdiction determining that some or all of the criteria set forth in Sections 2(a) and (b) or Sections 3(a) and (b) are illegal, invalid or unenforceable, the Board is authorized, upon a majority vote of the members of the Board, to enact amendments which conform the criteria for qualifying as a Qualifying Resident and a Co-occupant to the Legislature's amendments or enactments or judgment or order to the extent such amendments are required to maintain the enforceability of the residency restrictions under the Governing Documents. A judgment or order of a court of original jurisdiction shall be considered final only if no appeal for judicial review has been filed and the time for filing such appeal or action has expired. Any such amendment shall be executed and

awnings, patio covers, decorations, fences, aerials, antennas, radio or television broadcasting or receiving devices, or make any change or otherwise alter whatsoever the exterior of any residential dwelling unit, residential carport, or residential garage constructed on or to be constructed on the above described property. For the purpose of this provision the term "exterior" shall mean any outside walls, outward surfaces, roofs, outside doors or other outside structures of said residential dwelling units, but not limited to, the roof, outside wall, outward surface, outside doors, and outside structures of all atrium type residential dwelling units.

(b) Except for the purposes of proper maintenance and repair and as provided in Paragraph (c) hereof, no person, persons, entity or entities shall install, construct or build any walkways, slabs, sidewalks, curbs, gutters, patios, porches, driveways, fences, lighting, decorations, aerials, antennas, radio or television broadcasting or receiving devices, or other structures of any kind, on the property developed for residential use.

(c) Except for the purposes of proper maintenance and repair, no person, persons, entity or entities shall perform any of the acts specifically set forth in Paragraphs (a) and (b) above until the Architectural Control Committee or a representative designated by a majority of the members of the Architectural Control Committee, has approved in writing the following as being in conformity and harmony of external design with existing structures of the property developed for residential use:

(i) the complete plans and specifications, showing the kind, nature, shape, height, material, type of construction, scheme, and all information specified by the hereinafter named committee for the proposed alteration, modification, addition, deletion or any other proposed form of change to the exterior of any residential dwelling unit, residential carport or residential garage, as set forth in Paragraph (a), or changes to the property developed for residential use, as set forth in Paragraph (b); and

(ii) the block plan showing the location of such proposed alteration, modification, addition, deletion or any other proposed form of change.

The Board is authorized to act as the Architectural Control Committee or, if the Board so elects, the Architectural Control Committee may consist of not less than five (5) and not more than nine (9) members appointed by the Board and the Board shall appoint replacement members to fill any vacancies. In the event any member is unable or unwilling to serve on the Architectural Control Committee, the remaining member or members shall have full authority to approve or disapprove such proposed alteration, modification, addition, deletion or other proposed form of change and location. In the event the Architectural Control Committee fails to approve or disapprove such proposed alteration, modification, addition, deletion or other proposed form of change and location within sixty (60) days after complete plans and specifications therefor have been submitted to it, such approval will not be required and this covenant will be deemed to have been fully complied with. Such complete plans and specifications shall be personally delivered or mailed to the Architectural Control Committee in care of the Manager. The plans and specifications shall be deemed submitted to the Architectural Control Committee upon the date such plans and specifications are received by the Manager. The members of the Architectural Control Committee shall not be entitled to any compensation for the services performed pursuant to this covenant.

(d) In the event plans and specifications submitted to the Architectural Control Committee are disapproved, the party or parties making such submission may appeal in writing to the Board. The written request must be received by the Board not more than thirty (30) days following the final decision of the Architectural Control Committee. Within sixty (60) days following receipt of the request for appeal, the Board shall render its written decision. The failure of the Board to render a decision within the sixty (60) days' period shall be deemed a decision in favor of the appellant.

(e) The Board shall, from time to time, adopt and promulgate architectural standards to be administered through the Architectural Control Committee. Neither the Board, the Architectural Control Committee, any member of either nor any representative appointed by the Architectural Control Committee assumes any liability or responsibility for the design, engineering, structural safety or conformance of the plans and specifications with building codes and other applicable laws. The review and approval or disapproval of any plans and

specifications submitted to the Architectural Control Committee shall take into consideration the aesthetic aspects of the architectural designs, placement of the buildings, landscaping, color schemes, exterior finishes and materials and similar features as well as the architectural standards promulgated by the Board and the overall benefit or detriment which would result to the immediate vicinity and the Project generally. In considering modifications to facilitate access by persons who are blind, visually handicapped, deaf or physically disabled or to alter conditions which could be hazardous to these persons, the Architectural Control Committee shall exercise its authority as contemplated by the Davis-Stirling Common Interest Development Act or any successor provision.

(f) On a case-by-case basis, the Board shall determine in its sole discretion whether the responsibility for the repair and maintenance of any proposed alteration, addition or improvement described in Sections 1(a) and (b) of this Article X shall be borne by the Owner who proposes to make, or cause to be made, the alteration, addition or improvement or by the Mutual. In the event that the Board determines that the Mutual shall discharge such repair and maintenance responsibilities, the cost of such repair and maintenance shall be borne by the Owner of the Unit which has been altered, added to or improved and shall be binding upon the successors and assigns of the Owner. The Board shall estimate the annual cost (including reasonable reserves) for such maintenance and repair and may collect such costs as part of the Carrying Charges payable by such Owner. In the event the Mutual determines that the Owner shall be responsible for such repair and maintenance and the Owner fails to perform such repair or maintenance within a reasonable time after the need therefor arises, the Board may, at its option, elect to have the Mutual perform such repair or maintenance and levy a special assessment against the Owner for the cost thereof. Whether the responsibility for repair and maintenance shall be discharged by the Mutual or the Owner, the costs thereof shall be borne solely by such Owner and shall become a lien upon the Condominium of such Owner under the circumstances described in Section 9 of Article IX.

ARTICLE XI

Insurance

1. The Board shall cause to be obtained and maintained fire and casualty insurance, with extended coverage endorsements, for the full insurance replacement value of the Common Areas and the Units of the Project and Related Projects, payable as provided in Article XIII, or such other fire and casualty insurance as the Mutual shall determine gives substantially equal or greater protection, insuring the Owners, and their Mortgagees, as their interest may appear, and as to each of such policies which will not be voided or impaired thereby. The coverage amounts required under the foregoing policies may be subject to per occurrence deductibles in an amount not to exceed five percent (5%) of the gross expenses of the Mutual. The Owners hereby waive and release all claims against the Mutual, the Board, the Manager and agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence of or breach of any agreement by said persons, but only to the extent of the insurance proceeds received in compensation for such loss. Such policies shall be blanket policies covering all of the Project and Related Projects and the Owners shall pay their proportionate share of the premium. The Mutual shall be deemed trustee of the interests of all Owners in any insurance proceeds paid to it under any such policies, and shall have full power to receive and to receipt for their interests in such proceeds and to deal therewith, subject to Article XIII hereof with respect to hazard insurance. The limitation on the per occurrence deductible amount allowable under the foregoing insurance policies has been selected with reference to the limitation imposed by Section 1366(b) of the Civil Code upon the Board's ability to levy a special assessment without the approval of the Owners in the Project and Related Projects. In the event that the legislature revises or enacts a successor statute which supercedes Section 1366(b) of the Civil Code, the Board is authorized, upon a majority vote of the members of the Board, to modify the per occurrence deductible amount to comply with such legislative amendments or enactments to the extent permitted thereby and consistent therewith. Any such amendment shall be executed and acknowledged by the president and the secretary of the Mutual, shall be recorded in the official records of Orange County, California, and shall recite that the amendment is made pursuant to Section 1 of Article XI.

2. The Board, on behalf of the Mutual, shall obtain and continue in effect comprehensive public liability

insurance, including medical payments and malicious mischief, in such limits as it shall deem desirable (but in no event less than \$1 million covering all claims for personal injury and property damage arising out of a single occurrence), insuring against liability for bodily injury, death and property damage arising from the activities of the Mutual or with respect to property maintained or required to be maintained by the Mutual including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured. The Mutual may also obtain, through the Board, Worker's Compensation insurance and other liability insurance as it may deem desirable, insuring each Owner, the Mutual, the Board and the Managing Agent from liability in connection with the Common Area, the premiums for which are a common expense included in the Carrying Charges levied against the Owners. All insurance policies shall be reviewed at least annually by the Board and the limits changed in its discretion. The Board may also obtain such errors and omissions insurance, indemnity bonds, fidelity bonds and other insurance as it deems advisable, insuring the Board, the officers of the Mutual and the Managing Agent against any liability for any act or omission in carrying out their obligations hereunder, or resulting from their membership on the Board or on any committee thereof. However, fidelity bond coverage which names the Mutual as an obligee must be obtained by or on behalf of the Mutual for any person or entity handling funds of the Mutual, including, but not limited to, officers, directors, trustees, employees and agents of the Mutual and employees of the Managing Agent, whether or not such persons are compensated for their services, in an amount not less than the estimated maximum of funds, including reserve funds, in the custody of the Mutual or the Managing Agent, as the case may be, at any given time during the term of each bond. However, in no event may the aggregate amount of such bonds be less than the sum equal to one-fourth (1/4) of the annual assessments on all Units in the Project, plus reserve funds. Notwithstanding any other provisions herein, the Mutual shall continuously maintain in effect such casualty, flood and liability insurance and fidelity bond coverage meeting the requirements for planned unit developments established by FNMA, GNMA and FHLMC, so long as any of which is a Mortgagee or an Owner of a Unit in the Project, except to the extent such coverage is not available or has been waived in writing by FNMA, GNMA and FHLMC, as applicable.

3. If available, each of the policies of insurance maintained by the Mutual shall contain a provision that said policy shall not be cancelled, terminated, materially modified or allowed to expire by its terms, without ten (10)

days' prior written notice to the Board and to each Owner and holder, insurer and guarantor of a first Mortgage who has filed a written request with the carrier for such notice, and every other person in interest who requests such notice of the insurer.

4. Except as expressly provided in this Section of this Article to the contrary, no Owner will separately insure his or her Condominium or any part thereof against loss by fire or other casualty covered by any insurance carried by the Mutual. Each Owner may provide insurance on his or her personal property and upon all other property and improvements within his or her Unit, but not including the Unit. Nothing herein shall preclude any Owner from carrying any public liability insurance as he or she may deem desirable to cover his or her individual liability for damage to person or property occurring inside his or her individual Unit or elsewhere upon the Project. All such other policies as may be carried by Owners shall contain waivers of subrogation of claims against the Mutual, the Board, the officers of the Association and all other Owners. Such other policies shall not adversely affect or diminish any liability under any insurance obtained by the Mutual, and duplicate copies of such other policies shall be deposited with the Board. If any loss intended to be covered by insurance carried by the Mutual shall occur and the proceeds payable thereunder shall be reduced by reason of insurance carried by Owner, such Owner shall assign the proceeds of such insurance carried by him or her to the Mutual, to the extent of such reduction, for application by the Board to the same purposes as the reduced proceeds are to be applied.

ARTICLE XII

Mortgage Protection

Notwithstanding all other provisions hereof:

1. The liens created under Section 9 of Article IX upon any Condominium shall be subject and subordinate to the lien of any first Mortgage made in good faith and for value, and the sale or transfer of any Condominium pursuant to judicial or non-judicial foreclosure of such Mortgage shall extinguish the liens which relate to assessments which become due prior to such sale or transfer. No sale or transfer shall relieve any Condominium from lien rights for any assessments thereafter becoming due.

2. By subordination agreement executed by the Mutual, the benefit of Section 1 above may be extended to Mortgages not otherwise entitled thereto.

3. No suit or other proceeding may be brought to foreclose the lien for any assessment levied pursuant to these Restrictions except after ten (10) days' prior written notice to the Mortgagee of a first Mortgage on the Condominium which is the subject matter of said suit or other proceeding provided such Mortgagee has given to the Mutual the written request described in Section 9 of this Article XII.

4. Except as provided by Section 1359 of the California Civil Code in the case of condemnation or substantial loss to the Units or the Common Area, neither the Mutual nor any Owner shall, by act or omission, abandon, terminate or partition the Project unless at least two-thirds (2/3) of first Mortgagees (based upon one (1) vote for each first Mortgage owned) have given their prior written approval.

5. Except as provided by Section 1359 of the California Civil Code in the case of condemnation or substantial loss to the Units or the Common Area, unless at least two-thirds (2/3) of either first Mortgagees (based upon one (1) vote for each first Mortgage owned) or Owners have given their prior written approval, neither the Mutual nor any Owner shall:

(a) Partition or subdivide any Condominium; or

(b) By act or omission, partition, subdivide, abandon, sell, encumber or otherwise transfer any of the Common Area. The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Area shall not be deemed a transfer or encumbrance for purposes of this section; or

(c) Determine to use the proceeds of hazard insurance for other than the repair, replacement or restoration of the Project.

6. All holders, insurers and guarantors of first Mortgages secured by Condominiums in the Project, shall, upon written request, (i) have the right to inspect during normal business hours the current books and records of the Mutual, including financial statements, and the Governing Documents, and (ii) be provided a copy of the Mutual's audited financial statements for the preceding fiscal year.

7. No Owner or any other party shall have priority over any rights of a first Mortgagee pursuant to their Mortgages in the case of a payment to any Owner of insurance proceeds or condemnation awards for losses to or a taking of any Unit or the Common Areas. Any provision to the contrary contained in the Governing Documents is to such extent void.

8. No breach of any of the covenants and conditions contained in these Restrictions shall cause any forfeiture of title or reversion or bestow any rights of re-entry whatsoever, but, violation of any one or more of these covenants or restrictions may be enjoined or abated by any Owner or by the Mutual, by action of any court of competent jurisdiction, and damages may also be awarded against such violations; provided, however, that any such violation shall not defeat or render invalid the lien of any mortgage or deed of trust made in good faith and for value as to said property or any part thereof, but said covenants and restrictions shall be binding upon and effective against any Owner of said property, or portion thereof, whose title thereto is acquired by foreclosure, trustee's sale or otherwise.

9. Upon written request to the Mutual, which notice identifies the name and address of the Mortgagee, insurer or guarantor and the address of the Unit, any Eligible Mortgage Holder or Eligible Insurer or Guarantor shall be entitled to timely written notice of:

(a) Any condemnation or casualty loss that affects either a material portion of the Project or any Unit on which there is a first Mortgage held, insured or guaranteed by such Eligible Mortgage Holder or Eligible Insurer or Guarantor, as applicable;

(b) Any delinquency in the payment of Assessments owed by an Owner of a Unit subject to a first Mortgage held, insured or guaranteed by such Eligible Mortgage Holder or Eligible Insurer or Guarantor, which remains uncured for a period of sixty (60) days;

(c) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Mutual to the extent such insurance policy or fidelity bond is required by FHLMC, FNMA or GNMA; and

(d) Any proposed action which would require the consent of a specified percentage of Eligible Mortgage Holders as required in the By-Laws or in these Restrictions.

ARTICLE XIII

Damage or Destruction

1. In the event of damage or destruction to the Common Area and Limited Common Area of the Project or any Related Project, then the Mutual shall cause such Common Area and Limited Common Area to be repaired and reconstructed substantially to its former condition, provided the portion of the cost of repairs or reconstruction not covered by available insurance proceeds and not covered by any reserve established by the Board for insurance deductibles (the "Shortfall") does not exceed Five Percent (5%) of the gross expenses of the Mutual for the year in which the damage or destruction occurs. Subject to Section 8 of Article IX and Section 2 of this Article XIII, the Shortfall shall be levied as a Special Assessment against the Owners in the Project and the owners in the Related Projects utilizing any one of the following methods:

(a) By dividing the Shortfall by the number of Units in the Project and the Related Projects; or

(b) By multiplying the Shortfall by the quotient obtained by dividing the number of square feet of the Unit by the total number of square feet of all of the Units in the Project and the Related Projects.

2. Subject to Sections 4 and 5 of Article XII, if the Shortfall exceeds Five Percent (5%) of the gross expenses of the Mutual for the year in which the damage or destruction occurs, then by written consent or vote of at least fifty-one percent (51%) of the Owners in the Project and the owners in the Related Projects, they shall determine whether (a) to rebuild and restore in substantially the same manner as the improvements existed prior to damage and to raise the necessary funds over the insurance proceeds by levying Special Assessments equally against all Units, (b) to rebuild and restore in a way which utilizes all available insurance proceeds and all available reserves for insurance deductibles and an additional amount not in excess of Five Percent (5%) of the gross expenses of the Mutual for the year in which the damage or destruction occurs and which is assessable equally to all Units but which is less expensive than replacing these improvements in substantially the same manner as they existed prior to being damaged, or (c) not to rebuild and to distribute the available insurance proceeds (i) to the Owners and Mortgagees of the damaged Units as their interests may appear in such a way as to give consideration to the relative degree for damage sustained by each and the relative original value

of each of those which had suffered such damage, and (ii) if the proceeds are sufficient to cover the total value of the residential area, the remainder in equal shares divided among all the Units. The following is intended to illustrate the operation of clause (c)(i) above: Buildings A and B are damaged by fire. Building A is 50% destroyed and Building B is 100% destroyed. Building A had an original value of \$150,000 and Building B had an original value of \$175,000. The total available insurance proceeds are \$125,000. The amount of proceeds applicable to Building B would be \$87,500 calculated as follows: Original value of damaged portion of each Building is \$75,000 for Building A and \$175,000 for Building B. Total original value of damaged portion of both Buildings is \$250,000. Total available insurance proceeds are \$125,000. The pro-rata portion of the total available insurance proceeds allocable to Building B which bears the same ratio to \$125,000 as the original value of the damaged portion of Building B (i.e., \$175,000) bears to the total original value of the damaged portion of both Buildings (i.e., \$250,000) is \$87,500. The pro-rata portion of the total available insurance proceeds is the quotient obtained by dividing (a) the product obtained by multiplying the total available insurance proceeds times the original value of the damaged portion of the Building, by (b) the total original value of the damaged portion of all damaged Buildings.

3. Restoration and repair of the damage to the Unit shall be made by and at the expense of the Owner of such Unit and in the event that restoration is made to a Building containing such a Unit as hereinabove provided, the restoration and repair of the Unit shall be completed by the Owner thereof as promptly as practical and in a lawful and workmanlike manner.

4. If reconstruction or restoration has not actually commenced within one (1) year from the date of any damage to which Section 2 of this Article is applicable, then, subject to Article XII, Sections 4 and 5, the covenant against partition provided in Article VI shall terminate and be of no further force and effect.

5. The numerical percentage of the gross expenses of the Mutual set forth in Section 1 and 2 of this Article XIII which, if exceeded, requires approval of the Owners in the Project and owners in the Related Projects prior to taking action under Section 1 or Section 2 of this Article XIII has been selected with reference to the limitation imposed by Section 1366(b) of the Civil Code, as in effect on the date on which these Restrictions are recorded in the official records of the County of Orange, State of

California, upon the Board's ability to levy a special assessment without the approval of the Owners in the Project and owners in the Related Projects. In the event that the legislature revises or enacts a successor statute which supersedes Section 1366(b) of the Civil Code, the Board is authorized, upon a majority vote of the members of the Board, to modify the numerical percentages set forth in Sections 1 and 2 of this Article XIII to comply with such legislative amendments or enactments to the extent permitted thereby and consistent therewith. Any such amendment shall be executed and acknowledged by the president and the secretary of the Mutual, shall be recorded in the official records of Orange County, California, and shall recite that the amendment is made pursuant to Section 5 of Article XIII.

ARTICLE XIV

Amendment

1. These Restrictions may be amended by the vote or written consent of at least fifty-one percent (51%) of the Owners in the Project. However, if any provision of these Restrictions requires a greater percentage of Owners in order to take affirmative or negative action under such provision, the same percentage of Owners shall be required to amend such provision. Moreover, if the consent or approval of any governmental authority, Mortgagee or other person, firm, agency, or entity is required under these Restrictions with respect to any amendment of any provision of these Restrictions, no such amendment shall become effective unless such consent or approval is obtained. Any amendment shall become effective upon the recordation of a certificate in the form of Exhibit B, attached hereto and incorporated herein by this reference (the "Certificate"), in the official records of the Orange County Recorder, which Certificate states that the required approval or consent has been obtained and is executed and acknowledged by the president and the secretary of the Mutual.

2. Notwithstanding the foregoing, no material amendment shall become effective without the vote or written consent of at least sixty-seven percent (67%) of the Owners and the approval of at least fifty-one percent (51%) of Eligible Mortgage Holders. For the purpose of this Section, the term "material amendment" shall mean amendments to the provisions of these Restrictions governing the following subjects:

- (a) Voting rights;

(b) Assessments, assessment liens, or subordination thereof;

(c) Reserves for maintenance, repair and replacement of the Common Area;

(d) Responsibility for maintenance and repairs;

(e) Reallocation of interests in the Common Area or Limited Common Area, or rights to their use;

(f) Boundaries of any Unit;

(g) Convertibility of Units into Common Area or vice versa;

(h) Expansion or contraction of the Project, or the addition, annexation, or withdrawal of property to or from the Project;

(i) Insurance or fidelity bonds;

(j) Leasing of Units;

(k) Imposition of any restriction on an Owner's right to sell or transfer his or her Unit;

(l) A decision by the Mutual to establish self-management when professional management had been required previously by an Eligible Mortgage Holder;

(m) Restoration or repair of the Project (after a hazard damage or partial condemnation) and the allocation of distributions of hazard insurance proceeds or condemnation awards in a manner other than as specified in these Restrictions;

(n) Any action to terminate the legal status of the Project after substantial destruction or condemnation occurs; or

(o) Any provisions that expressly benefit Mortgagees, insurers, or guarantors.

3. Notwithstanding the foregoing, if an Eligible Mortgage Holder who receives a written request by certified mail from the Board to approve a proposed amendment to these Restrictions does not deliver a negative response to the Board written thirty (30) days of the mailing of such request

by the Board, such Eligible Mortgage Holder shall be deemed to have approved the proposed amendment.

4. It is the intent of the Owners that these Restrictions, the Articles and the By-Laws, and the Project in general, shall now and in the future meet all requirements necessary to purchase, guarantee, insure, or subsidize any mortgage of a Condominium in the Project by FHLMC, FNMA and GNMA. The Mutual and each Owner shall take any action or shall adopt any resolutions which may be required to conform these Restrictions or the Project to the requirements of any of these entities or agencies.

5. If there are multiple Owners of a Condominium, all of them collectively shall have one vote in any election, balloting or other action requiring the approval of Owners or Members, including any election, balloting or other action to amend all or any portion of these Restrictions. No fractional votes shall be permitted. Where a Condominium is owned by more than one Owner, including without limitation in joint tenancy, as community property or as tenants in common (the "Co-Owner"), the vote cast by any one of the Co-Owners shall be counted as if all of the Co-Owners of the Condominium had duly cast the vote. In the event that more than one vote is cast for a Condominium which has more than one Owner, then the vote first received by the Mutual shall be deemed to be the vote cast by all Co-Owners of such Condominium and shall be binding upon the Mutual, the Co-Owners and all Members. In soliciting approvals to an amendment of these restrictions, the Mutual may send its request for consent or approval solely to the Co-Owner to whom the Carrying Charges invoices are sent for payment.

ARTICLE XV

Encroachments

None of the rights and obligations of the Owners created herein, or by the grant deed conveying the Condominium to the Owner, shall be altered in any way by encroachments due to settlement or shifting of structures or any other cause. There shall be valid easements for the maintenance of said encroachments so long as they shall exist; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful conduct of said Owner or Owners.

ARTICLE XVI

Reciprocal Easements

The owners of condominiums in other Related Projects shall have an easement for pedestrian ingress and egress over the Common Area of the Project; provided, however, that the foregoing easement shall be granted only to the Owners of condominiums in those Related Projects which accord the Owners of the Project a reciprocal easement for pedestrian ingress and egress over the common area of such Related Projects.

ARTICLE XVII

Notices

Any notice permitted or required to be delivered as provided herein shall be in writing and may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been received seventy-two (72) hours after a copy of same has been deposited in the United States mail, postage prepaid, addressed to any person at the address of such notice, or to the Unit of such person if no address has been given to the Mutual. If a notice is sent by personal delivery, such notice shall be deemed to have been delivered when received, or when receipt is refused, by the person to whom the notice is addressed. Such address may be changed from time to time by notice in writing to the Mutual.

ARTICLE XVIII

Right of First Refusal

1. Prior to the transfer of title to any Unit and as a condition precedent to each and every transfer of title to every Unit, the Owner (or in the event of death or incapacity, the Owner's legal representative), his successors and assigns, shall notify the Mutual in writing by mail, postage prepaid, or actual delivery that the Unit is for sale, which notice shall state the terms and conditions of a bona fide written offer to purchase, the name, age and financial qualifications of the proposed buyer and any other information which the Mutual may require. Thereafter, the Mutual shall have fifteen (15) days from the date of actual receipt to notify the Owner whether or not the proposed transferee meets the prescribed standards. In determining whether a prospective purchaser meets the required standards, the Board may

verify that the prospective purchaser satisfies the residency restrictions set forth in Article II. If the proposed transferee has qualified, the Owner may complete the sale and transfer of the Condominium. If, on the other hand, the proposed purchaser has not fulfilled the required standards, the Board shall also so indicate in the prescribed fifteen (15) day notice, and the Board may further notify the Owner that the Mutual has exercised its right of First Refusal as to the Unit and to present the Owner with signed Escrow Instructions calling for the sale of the Unit to the Mutual in accordance with the terms and conditions specified in the Owner's original notice to the Mutual. Failure of the Board to deliver to the Owner at the address of the Unit, or such other address as the Owner may have designated, the above mentioned written notice and appropriate Escrow Instructions, within the time specified, shall be deemed to be a rejection by the Board of its Right of First Refusal. If the Board rejects or fails to exercise its Right of First Refusal, the Owner may then sell the Unit to the proposed purchaser upon the originally proposed terms and conditions, providing that such transfer to the prospective purchaser must be completed within one hundred twenty (120) days after rejection or failure by the Board to exercise this Right of First Refusal. If the Owner fails to so sell the Unit within such one hundred twenty (120) day period, the Owner shall not sell the Unit without giving the Mutual a new notice in accordance with the terms of this Section 1. Any agreements for the purchase and sale of any Unit shall be subject to this Right of First Refusal regardless of whether or not the Board has failed or refused to exercise its right to purchase as to a particular Unit in relation to the possible sale of the Unit to the same or to a different potential purchaser. The Owner shall include in any agreement for the purchase and sale of his or her Unit a statement that the obligation of the Owner to complete the sale shall be conditioned upon the Board's waiver of its Right of First Refusal.

2. The residency requirements set forth in Sections 2 and 3 of Article II were originally intended to establish the Project as a "senior citizen housing development" (as defined in Section 51.3(c)(3) of the California Civil Code). Therefore, notwithstanding the Mutual's waiver of its Right of First Refusal pursuant to Section 1 of this Article XVIII, a transferee may be precluded from residing in a Unit by virtue of such transferee's failure to satisfy the requirements set forth in Sections 2 and 3 of Article II.

3. Nothing to the contrary hereinwithstanding, this Right of First Refusal shall not impair the rights of a first Mortgagee to (a) foreclose or take title to a Unit pur-

suant to the remedies in the Mortgage; (b) accept a deed or assignment in lieu of foreclosure in the event of default by an Owner; or (c) sell or lease a Unit acquired by the first Mortgagee provided such sale or lease is made in compliance with the provisions of these Restrictions, including, without limitation, the provisions of Article II hereof.

ARTICLE XIX

Enforcement

1. The Mutual or any Owner shall have the right to enforce, by any proceeding at law or in equity (including, without limitation, the application for appointment of a receiver), all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by these Restrictions; provided, however, that with respect to the lien created by Section 9 of Article IX, the Mutual shall have the exclusive right to the enforcement thereof. Failure by the Mutual or by any Owner to enforce any covenant or restriction contained herein shall in no event be deemed a waiver of the right to do so thereafter.

2. Any action on the part of the Board to enforce any of the provisions of the Governing Documents shall, except in emergency situations, require Notice and Hearing to the Residents against whom the action is taken.

ARTICLE XX

Remedies

The respective rights or remedies, whether provided by this agreement or by law, or available in equity, shall be cumulative and the exercise of any one or more of such rights or remedies shall not preclude or affect the exercise, at the same or at different times, of any other such right or remedies for the same or different defaults, or for the same or different failures of the Owners to perform or observe any provision of these Restrictions.

ARTICLE XXI

Attorney Fees

If an Owner defaults in making a payment of Carrying Charges or in the performance or observance of any provi-

sion of these Restrictions, and the Mutual has obtained the services of an attorney with respect to the defaults involved, the Owner covenants and agrees to pay to the Mutual any costs or fees involved, including reasonable attorneys' fees, notwithstanding the fact that a suit has not yet been instituted. In case a suit is instituted, the Owner shall also pay the cost of the suit, in addition to other aforesaid costs and fees.

ARTICLE XXII

Interpretation

The provisions of these Restrictions shall be liberally construed to effectuate their purpose of creating a uniform plan for the development and operation of the Project and Related Projects. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce said provision or any other provision hereof. In case any one of the provisions contained in these Restrictions shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any of the remaining provisions hereof, but these Restrictions shall be construed as if included. Whenever the context so requires, the singular number includes the plural, and the converse; and the masculine gender includes the feminine and/or neuter.

88-218158

IN WITNESS WHEREOF, the undersigned do certify that they are the President and Secretary of Third Laguna Hills Mutual, a California nonprofit mutual benefit corporation; that this Amended and Restated Declaration has been approved by at least seventy-five percent (75%) of the Record Owners (as defined in the Original Declaration) in the Project; and that, pursuant to Section 1 of Article XI of the Original Declaration, they have executed this Amended and Restated Declaration in their respective capacities for and on behalf of the Mutual.

THIRD LAGUNA HILLS MUTUAL,
a California nonprofit mutual
benefit corporation

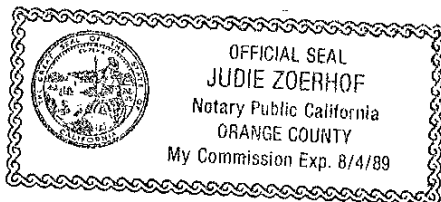
By: Albert Hanson
Albert Hanson,
President

By: Arlene A. Roster
Arlene A. Roster,
Secretary

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On April 11, 1988, before me, the undersigned, a Notary Public in and for said state, personally appeared Albert Hanson and Arlene A. Roster, personally known to me (~~or proved to me on the basis of satisfactory evidence~~) to be the persons who executed the within instrument as President and Secretary, respectively, on behalf of THIRD LAGUNA HILLS MUTUAL, the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.



Signature Judie Zoerhof

88-218158

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

Lots 5 and 6 of Tract No. 8097, as shown on a Map recorded in Book 330, pages 42-47 of Miscellaneous Maps, records of Orange County, California.

Lots 1, 2 and 3 of Tract No. 8098, as shown on a Map recorded in Book 331, pages 1-4 of Miscellaneous Maps, records of Orange County, California.

88-218158

EXHIBIT B

FORM OF CERTIFICATION

The undersigned do certify that they are President and Secretary of Third Laguna Hills Mutual, a California non-profit mutual benefit corporation (the "Association"); that this _____ Amendment has been approved by at least _____ percent (____%) of the Owners in the Project [as well as by at least sixty-seven percent (67%) of Eligible Mortgage Holders]; and that, pursuant to Section 1 of Article XIV of the Restrictions, they have executed this _____ Amendment.

THIRD LAGUNA HILLS MUTUAL,
a California nonprofit mutual
benefit corporation

By: _____,
_____, President

By: _____,
_____, Secretary

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On _____, 19____, before me, the undersigned, a Notary Public in and for said state, personally appeared _____ and _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons who executed the within instrument as President and Secretary, respectively, on behalf of THIRD LAGUNA HILLS MUTUAL, the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

Signature

88-218158

ROSTER OF RECORD OWNERS
FOR ORIGINAL MUTUAL NO. 73
(California Government Code Section 27288.1)

MANOR #	ORIGINAL MUTUAL	OWNER NAME(S)	
5491-00-A	73	EUGENE C	MCKNIGHT
5492-00-A	73	ISABELLE	JONES
5492-00-B	73	CARL L	BEHREND
		ADA M	BEHREND
5493-00-A	73	HENRY	FELD
		GERDA	FELD
5494-00-A	73	MARQUIS D	HANLON
		LAVERNE B	HANLON
5494-00-B	73	ALBERT A	LEININGER
5495-00-A	73	JACK D	BAIRD
		JANET F	BAIRD
5495-00-B	73	SAM	BERMAN
		LILLIAN B	BERMAN
5495-00-C	73	BARBARA A	GREENE
		ANTHONY S	GREENE
5496-00-A	73	JULIO J	FALABELLA
5497-00-A	73	ELIZABETH D	BARNUM
5497-00-B	73	GEORGE E	DAVIS
		YOLANDA E	DAVIS
5497-00-C	73	SECURITY PAC NATIONAL BANK	

MANOR #	ORIGINAL MUTUAL	OWNER NAME(S)
5497-00-N	73	HELEN FREEDBERG
5497-00-O	73	GRACE K. COOPER
5497-00-P	73	WILLIAM L FLASCHENRIEM
		DOROTHY A FLASCHENRIEM
5498-00-A	73	WILLIAM B RIGGS
		AUDREY RIGGS
5498-00-B	73	NORMAN W FREESTONE
		DORA S FREESTONE
5498-00-C	73	CONRAD K SARASON
5498-00-N	73	HECTOR F AGUILAR
		MARY P AGUILAR
5498-00-O	73	JOHN P FRALEIGH
		CONSTANCE T FRALEIGH
5498-00-P	73	DANIEL D SALANDRA
		ALICE R SALANDRA
5499-01-A	73	KATHERINE H KIRTLAND
5499-01-B	73	FERN A LERNER
5499-01-C	73	EMMETTE K GOODRICH
5499-01-D	73	ROBERT MILLER
		LOIS W MILLER
5499-01-E	73	MELVIN D HORN
		CLAIRE J HORN
5499-01-F	73	RUPERT A PIERATT
		DORIS R PIERATT
5499-01-G	73	MARGARETE W DETURK
5499-01-H	73	ARLEETA LAMONT
		ROBERT P LAMONT
5499-02-A	73	M P FRANK
		BEATRICE M FRANK
5499-02-B	73	FRED Z CAMPBELL
		MARIE L CAMPBELL
5499-02-C	73	CLIFFORD F DEININGER
		BARTA M DEININGER
5499-02-D	73	FLORENCE V BRYAN
5499-02-E	73	RALPH R THOMSON
		MARGERY A THOMSON
5499-02-F	73	BARRY H ELIAS
		SANDRA L ELIAS
5499-02-G	73	VIOLET P GERES
5499-02-H	73	BESSIE PECHULS
		ROBERT S BARON
5499-03-A	73	ROSS R WELLER
		MILDRED S WELLER
5499-03-B	73	EVELYN B COLEMAN
5499-03-C	73	CLARENCE L SCOTT
		GEORGIA W SCOTT
5499-03-D	73	JACK W CHEZICK
		LILLIAN B CHEZICK
5499-03-E	73	SOL A NEBEN
		ETHEL B NEBEN
5499-03-F	73	SIDNEY L JAMES

MANOR #	ORIGINAL MUTUAL	OWNER NAME(S)
5500-01-A	73	AGNES M JAMES
5500-01-B	73	EUNICE R AHLISKUG
5500-01-C	73	HARRIET S BARONELLO
5500-01-D	73	PAULINE W LYONS
5500-01-E	73	ESTHER V DEAN
5500-01-F	73	LLOYDS BANK OF CALIFORNIA
5500-01-G	73	BERNICE I SUESS
		IRMA B FRASSA
		ANELINA BERTORELLU
5500-01-H	73	LELIA M TIBBITS
5500-02-A	73	HARRY ARONOFF
		FREDA ARONOFF
5500-02-B	73	BETTY SPIEGEL
5500-02-C	73	HYMEN J KUBLIN
		SOPHIE KUBLIN
		JEROME SCHUR
		ILENE F SCHUR
5500-02-D	73	HENRY G LEWIN
		LILI LEWIN
5500-02-E	73	LOURITA V STIFFLER
		ROBERT M STIFFLER
5500-02-F	73	ROBERT H SAMEK
5500-02-G	73	VIRGINIA H LUND
5500-02-H	73	DAN BLECHMAN
5500-03-A	73	GERTRUDE C LITCHMAN
5500-03-B	73	NAT'L BANK SECURITY PACIFIC
5500-03-C	73	GLADYS BRAKE
5500-03-D	73	GERALD B BARNARD
		VIRGINIA T BARNARD
5500-03-E	73	LANORE AGNEW
5500-03-F	73	ADELE W MAYER
5501-00-A	73	MENNO W SIEBERT
		AGNES SIEBERT
5501-00-B	73	ROBERT C ELLSWORTH
5501-00-C	73	DOROTHY S TRASK
5502-00-A	73	PAUL C ARNOT
		SARA W ARNOT
5502-00-B	73	ROY H HITE
		ETHLYN HITE
5502-00-C	73	MILTON M GREENBERG
		GERTRUDE GREENBERG
5503-00-A	73	ROBERT A FULTON
		JEAN B FULTON
5503-00-B	73	J GRANT WILSON
		FLORENCE D WILSON
5503-00-C	73	BORGHILD W GILLAM
5504-00-A	73	RICHARD E DUFFY
		MARGARET DUFFY
5504-00-B	73	KERMIT ABRAMS
		REBECCA M ABRAMS
5504-00-C	73	ALBERTA L HUMBLE

88-218158

MANOR #	ORIGINAL MUTUAL	OWNER NAME(S)
5505-00-A	73	EUGENE T BATES LIDA M BATES
5505-00-B	73	CARLOS ANDERSON MABEL ANDERSON
5505-00-C	73	LILLIAN P BYNUM
5506-00-A	73	CHARLES C COWING MARION E COWING
5506-00-B	73	JEFFREY A UNICKEL MARTHA F UNICKEL
5506-00-C	73	LEO NIETO FRANCES NIETO
5506-00-N	73	DOROTHEE W LOWE KENNETH LOWE
5506-00-O	73	W NELSON KILBOURN ETHEL V KILBOURN
5506-00-P	73	DOROTHY H MEIDELL JAMES E HAWES
5507-00-A	73	HELEN H COZAD
5507-00-B	73	ARTHUR C PENFIELD
5507-00-C	73	HAROLD VERRALL
5507-00-N	73	LEON A BERGSMAN
5507-00-O	73	JON A PERLMAN
5507-00-P	73	VIOLA E BOHLINGER
5508-00-A	73	M LOUISE MARGOLESE
5508-00-B	73	ROBERT A BENNETT FRANCES M BENNETT
5508-00-C	73	HARRY GROSSMAN LAURA W GROSSMAN
	96	150

acknowledged by the president and the secretary of the Mutual, shall be recorded in the Official Records of Orange County, California, and shall recite that the amendment is made pursuant to Section 7 of Article II.

ARTICLE III

Use Restrictions

The Condominiums and Common Area shall be used only as follows:

1. Each Condominium shall be used as a private dwelling, and for no other purpose. No more than two (2) persons may reside in a one-bedroom Unit, no more than three (3) persons may reside in a two-bedroom Unit, and no more than four (4) persons may reside in a three-bedroom Unit without the approval of the Board.

2. Subject to the provisions of these Restrictions, use of the Common Area shall be in accordance with and subject to the Rules. The Board may, among other things, fix the hours of use, and restrict or prohibit access to the portions of the Common Area used for operation and maintenance of the Project, including but not limited to offices, kitchens, storage rooms, boiler rooms, maintenance, heating, electric and public utility facilities.

3. Nothing shall be done or kept in any Condominium or in any portion of the Common Area which will increase the rate of insurance on the Common Area without the approval of the Board. No Owner shall permit anything to be done or kept in his or her Unit or in any portion of the Common Area which will result in the cancellation of insurance on the Common Area or which would be in violation of any law.

4. No sign of any kind shall be displayed to the public view on or from any Condominium or the Common Area, without the approval of the Board, except such signs as may be displayed in accordance with Section 712 of the California Civil Code, as such section may be modified, amended or superseded.

5. No animals of any kind shall be raised, bred or kept in any Condominium or in the Common Area for any commercial purpose. However, the Board may promulgate rules limiting the number and size of household pets allowed in any Unit and restricting, regulating or prohibiting access of animals to the Common Area or any part thereof. Each Owner

shall be and remain liable to the extent provided by law to each and all remaining Owners, Residents, the respective families, guests, tenants and invitees of any of them, for any unreasonable noise or any damage or injury to person or property caused by any animal brought or kept upon any portion of the Project by such Owner or by any member of such Owner's family, his or her tenants, guests or invitees.

6. No Owner or Resident shall permit or suffer anything to be done or kept within the Project which will increase insurance rates on any Building or contents thereof, or which will obstruct or interfere with the rights of other persons in the Project or annoy them by unreasonable noises or otherwise, nor shall any Owner or Resident commit or permit any nuisance or commit or permit any illegal act within the Project. An Owner and each Resident shall comply with the requirements of all governmental authorities. If by reason of any act of any Owner insurance rates should be increased, the Owner shall be personally liable for the additional premium.

7. Nothing shall be done in any Condominium or in, on, or to any Building which would structurally change any such Building except as is otherwise provided herein.

8. There shall be no structural alteration, construction or removal of any Building, fence or other structure in the Project (other than repairs or rebuilding pursuant to Article XIII hereof) without the approval of the Architectural Control Committee as set forth in Article X hereof. No Building, fence or other structure shall be constructed upon any portion of the Common Area other than such Buildings, fences and structures as shall be constructed by the Mutual pursuant to Article XIII or Article IV, Section 8.

9. No professional, commercial, industrial, business or other nonresidential undertaking of any kind shall be conducted in or upon any Condominium or the Common Area.

10. Only passenger vehicles (as defined from time to time, by resolution of the Board) shall be parked or stored in the Common Area. No vehicle shall be repaired or rebuilt in the Common Area. All parking spaces within the Project which have been designated as "guest parking" spaces shall be used and maintained for the temporary parking only of guests within the Project and no Owner or Resident shall be entitled to use any guest parking space, without the prior written consent of and compliance with such terms and conditions for such use imposed by the Board.

11. Each Owner shall automatically be a member of the Mutual until such time as he or she ceases to be an Owner or such membership is revoked, suspended or otherwise terminated by the Board in accordance with the Articles and By-Laws. Each Owner shall comply with the terms and conditions as set forth in the Articles, the By-Laws and the Rules. No Owner shall pledge, assign or transfer any membership or interest in the Mutual, except upon the sale or encumbrance of the Condominium to which it is appurtenant.

12. Each Owner acknowledges and agrees, by acceptance of a deed conveying title to the Condominium to such Owner, that the Project has been developed as and continues to be used to provide housing opportunities to senior citizens. In order to preserve and in furtherance of the original development plan for the Project of providing housing for senior citizens, the sale, lease or other transfer or conveyance of the right to use or occupy a Condominium shall be subject to such uniform or objective standards relating to financial responsibility, age and character as are set forth in Article II hereof.

13. Each lease of any Condominium shall be in writing, shall provide that (i) the tenant will fulfill, during the term of the lease, the obligations and responsibilities of an Owner under the Governing Documents, (ii) the failure of the tenant so to comply shall be a default under the lease and (iii) the lease shall be effective only after the prior written approval of each tenant as a Resident and of the lease by the Board. No Owner shall lease his or her Condominium for less than a sixty-day period. Notwithstanding the failure of an Owner either to include such provisions in the lease or to enter into a written lease, the tenant shall be deemed to have entered into such tenancy subject to the provisions of this Section 13.

ARTICLE IV

Management

1. The Mutual is hereby designated as the management body of the Project and all powers relating to the management, operation and maintenance of the Project and Common Area are vested in the Mutual acting through the Board.

The Mutual shall have the right and power to do all things which may be necessary, convenient or desirable for the management, operation and maintenance of the Project. Subject to the provisions of the Articles, the By-Laws and

these Restrictions, the powers of the Mutual shall include, but not necessarily be limited to, the specific acts hereinafter enumerated and those set forth in Section 1363 of the California Civil Code, as such section may be modified, amended or superceded.

2. The Mutual, through its Board and at its option, and for the benefit of the Condominiums and the Owners, may acquire and may pay for out of the Carrying Charge fund hereinafter provided for, the following:

(a) Subject to Section 1(f) of Article X with respect to the cost of repair and maintenance of any alteration, addition or improvement made, or caused to be made, by an Owner, painting, maintaining and repairing the Common Area (but not including the doors, windows, carpets, fixtures, interior surfaces of the Unit, or items of property located within the interior surfaces of the Unit or constituting a part of the Unit, which the Owner of such Unit shall paint, maintain and repair) or may delegate such responsibility with respect to all or any portion of the Common Area to a third party (including, without limitation, an Owner) and such furnishings, equipment and planting for the Common Area as the Board shall determine are necessary and proper. The Mutual may elect to maintain and repair stoves, ranges, refrigerators, dishwashers and plumbing fixtures located within a Unit.

(b) Commonly metered water, sewer, garbage, electrical and gas and other necessary utility services for the Common Area and, if not separately metered or charged, for the Units.

(c) The services of a Managing Agent and such other persons as the Board may deem to be necessary or desirable for the efficient operation and maintenance of the Common Area, the Related Projects or to provide services to the Residents of the Project and Related Projects, whether such personnel are employed directly by the Mutual or the Managing Agent. Any management agreement entered into by the Mutual shall provide that such agreement may be terminated upon ninety (90) days prior written notice thereof. The term of any such agreement shall not exceed one year; provided, that the term of such agreement may be renewable by mutual agreement of the parties for successive one year periods.

(d) The amounts necessary to pay the Foundation its charges for its services and facilities furnished to the Residents.

3. If the Mutual has incurred any liability, paid any cost or expense or rendered any service, to or for the benefit of an individual Owner, a guest of any Owner or any person occupying the Unit of an Owner (including, but not limited to any Resident thereof), the amount of which is not included in the Carrying Charge, the Mutual may levy a special assessment against such Owner; provided, however, that nothing herein shall permit the Mutual to levy a special assessment for any improvements or additions to the Common Area except pursuant to Section 8 of Article IV, Article IX, Section 1(f) of Article X or Article XIII.

4. Without in any way limiting the Mutual's power and authority to levy and collect Carrying Charges and special assessments pursuant to the provision of these Restrictions, the Mutual shall have the right to levy and collect from the Owners Carrying Charges and special assessments for the maintenance, repair, replacement, operation and improvement of the common area facilities of the Related Projects.

5. The Mutual may delegate any of its duties, powers or functions to any person, corporation or firm to act as Manager. Neither the Mutual nor the members of the Board shall be liable for any omission or improper exercise by the Manager of any such duty, power or function so delegated. The Mutual may also contract for such other services, labor and materials as the Board may deem reasonably necessary to operate and maintain the Project and the Common Area or provide services to the Owners as contemplated by these Restrictions.

6. The Mutual or any person authorized by the Board may enter any Unit, whether or not the Owner or any Resident thereof is present, in the event of any emergency or reasonably perceived emergency involving illness or potential danger to life or property. An Owner shall grant entry to the Board or any other person authorized by the Board when necessary in connection with any maintenance or repair which is the responsibility of the Mutual to perform. All such entries shall be made with as little inconvenience to the Owner and Residents of the Unit as practicable. Any damage caused by the Mutual, its agents or employees during such entry shall be repaired by and at the expense of the Mutual.

7. The Board, in the name and on behalf of the Mutual, is authorized and empowered to grant such licenses,

easements and rights of way for sewer lines, water lines, underground conduits, storm drains and other public utility purposes as may be necessary and appropriate for the orderly maintenance, preservation and enjoyment of the Common Area or for the preservation of the health, safety, convenience and welfare of the Owners, over those portions of the Common Area upon which no Building or other structure has been erected. Such licenses, easements and rights of way may be granted at any time prior to twenty-one (21) years after the death of all Members as of the date these Restrictions were recorded in the official records of the County of Orange, State of California, and the right to grant such licenses, easements and rights of way is hereby expressly reserved.

8. Other than as provided in Article XIII relating to restoration of damaged improvements, the Mutual may, with approval of the Architectural Control Committee, construct new improvements or additions to the Common Area or demolish existing improvements, provided that in the case of any improvement, addition or demolition involving a total expenditure in excess of Five Percent (5%) of the gross expenses of the Mutual for the year in which such improvement, addition or demolition is contemplated, the written consent or vote of at least fifty-one percent (51%) of the Owners in the Project and Related Projects as to the maximum total cost therefor shall first be obtained, and provided that no Unit shall be altered or damaged by any such demolition or construction without the consent of the Owner thereof. Upon such vote or approval by the Owners, the Board shall levy a Special Assessment on all Owners in the Project and owners in the Related Projects for the cost of such work. The limitation on the total expenditure which may be made hereunder without the approval of the Owners in the Project and owners in the Related Projects is intended to comply with the provisions of the Davis-Stirling Common Interest Development Act as in effect on the date on which these Restrictions are recorded in the official records of the County of Orange, State of California. In the event that the legislature revises the Davis-Stirling Common Interest Development Act or enacts a successor statute which supercedes the Davis-Stirling Common Interest Development Act, the Board is authorized, upon a majority vote of the members of the Board, to modify these provisions to comply with such legislative amendments or enactments to the extent permitted thereby and consistent therewith. Any such amendment shall be executed and acknowledged by the president and the secretary of the Mutual, shall be recorded in the official records of Orange County, California, and shall recite that the amendment is made pursuant to Section 8 of Article IV.

9. Whenever the Board is either hearing appeals from the Architectural Control Committee or enforcing remedies against a Resident for a violation of the provisions of any of the Governing Documents, such action shall be taken only after Notice and Hearing has been accorded to the affected Resident.

ARTICLE V

Membership in Foundation

Each Owner shall be a member of the Foundation until such time as he or she ceases to be an Owner or such membership is revoked, suspended or otherwise terminated by the Foundation in accordance with the Foundation's articles of incorporation and by-laws. Each Owner shall comply with the terms and conditions as set forth in the Foundation's articles, by-laws and rules and regulations, as each of the foregoing now exists or is from time to time modified. No Owner shall pledge, assign or transfer any membership or interest in the Foundation except upon the sale or encumbrance of the Unit to which it is appurtenant.

ARTICLE VI

Covenant Against Partition

An action may be brought by one or more Owners for partition of the Project by sale of the entire Project, as if the Owners of all of the Condominiums in the Project were tenants-in-common in the entire Project in the same proportion as their interests in the Common Area; provided, however, that a partition shall be made only upon the showing of the occurrence of any one of the events provided in Section 1359 of the California Civil Code, as the same may be modified, amended or superseded. Nothing herein contained shall prevent the partition or division of interests between joint or common Owners of one Condominium.

By acceptance of the deed conveying a Condominium in the Project, each Owner shall be deemed to covenant for himself or herself and for his or her heirs, representatives, successors and assigns, that such Owner will not institute legal proceedings to effect judicial partition of his or her separate interest in the Project, unless there is an occurrence of any one of the events described in Sections 1359 (b)(1) through (3) of the California Civil Code or in any amendments thereto or successor statute of California law.

88-218158

ARTICLE VII

Limited Common Areas

Garages, patios and carports shown by letter on the Plan are allocated and appurtenant to their respective Units within the Building as shown on the Plan and are Limited Common Areas. Subject to the Rules and to the provisions of Article X hereof, the balconies and patios adjacent to Units are reserved for the exclusive use of the Owners or Residents of such Units and they may not be added to, modified or altered without the approval of the Board, and, except for normal housekeeping and except with respect to those alterations, additions or improvements which the Board determines shall be repaired and maintained by a Owner pursuant to Section 1(f) of Article X, shall be repaired and maintained by the Mutual. Limited Common Areas designated on the Plan as carports which are allocated and appurtenant to a Unit are reserved and shall be used for parking of noncommercial vehicles, as permitted by the Board. The Board shall assign one carport for the exclusive use of each Owner or Residents, as the case may be, subject to the right of the Mutual to enter for purposes of maintenance and repair. Each recreational room, if any, shall be reserved for the exclusive use of the Residents of the Building in which it is located, and the guests and invitees of such Residents. Such recreational rooms, if any, shall be kept and maintained by the Mutual.

ARTICLE VIII

Financial Reports

Unless otherwise required by law, the Mutual shall prepare and distribute or cause to be prepared and distributed the following statements, reports, and copies of the Governing Documents as indicated:

1. A copy of a pro forma operating budget for each fiscal year shall be distributed to each Owner not less than 45 days or more than 60 days prior to the beginning of each fiscal year of the Mutual. The pro forma operating budget shall consist of: (i) the Mutual's estimated revenue and expenses on an accrual basis, (ii) the amount of cash reserves currently available for contingencies and for replacement or major repair of Common Area facilities and similar property within other Related Projects, (iii) an itemized estimate of the remaining life of the major components of the Common Area facilities and similar property within other Related Projects for which the Mutual is responsible, a

description of the methods of funding used to defray the costs of future repairs, replacements, or additions to such components, and (iv) a general statement of the procedures used by the Board in calculating and establishing reserves to defray such costs. The budget shall be prepared consistently with the prior fiscal year's pro forma operating budget, and shall include adequate reserves for contingencies and for maintenance, repairs, and replacement of the common area improvements located within the Project and the other Related Projects or other improvements or personal property owned by the Mutual, which reserves shall be sufficient to satisfy the requirements of any institutional Mortgagee.

2. In any fiscal year in which the gross income of the Mutual exceeds \$75,000, a copy of a review of the Mutual's financial statements prepared by a licensee of the California State Board of Accounting shall be distributed within 120 days after the close of each fiscal year.

3. A copy of a statement of the Mutual's policies and practices in enforcing its remedies against Owners for delinquent regular or special assessments shall be distributed to each Owner during the 60-day period immediately preceding the beginning of each fiscal year of the Mutual.

4. The Mutual shall provide to any Owner within ten (10) days of the mailing or delivery of a written request the following:

(a) a copy of the Governing Documents;

(b) a copy of the most recent financial statements described in Sections 1 and 2, above; and

(c) a true statement in writing from an authorized representative of the Mutual as to the amount of any assessments levied upon the Owner's Condominium which are unpaid as of the date of the statement, which statement also includes true information regarding late charges, interest, and costs of collection which, as of the date of the statement, are or may be made a lien upon the Owner's Condominium pursuant to Section 1367 of the California Civil Code. Absent manifest error, the statement shall be conclusive upon the Mutual and the Owner as to the amount specified therein as owed by the Owner as of the date of the statement in favor of all persons who rely thereon in good faith.

88-218158

The Mutual may charge a fee for this service, which fee shall not exceed the Mutual's reasonable cost of preparing and reproducing the requested items.

5. The provisions contained in this Article VIII are intended to comply with the provisions of the Davis-Stirling Common Interest Development Act as in effect as of the date these Restrictions were recorded in the official records of the County of Orange, State of California. In the event the legislature revises the Davis-Stirling Common Interest Development Act or enacts a successor statute which supersedes the Davis-Stirling Common Interest Development Act, the Board is authorized, upon a majority vote of the members of the Board, to modify these provisions to comply with such legislative amendments or enactments to the extent permitted thereby. Any such amendment shall be executed and acknowledged by the president and the secretary of the Mutual, shall be recorded in the Official Records of Orange County, California, and shall recite that the amendment is made pursuant to Section 5 of Article VIII.

ARTICLE IX

Carrying Charges - Assessments - Liens

1. The Owner shall pay to the Mutual a monthly sum, referred to herein as Carrying Charges, equal to one-twelfth (1/12th) of the Owner's proportionate share, determined as provided in Section 2 below, of the amount estimated by the Mutual to meet its annual expenses, including, but not limited to the following items:

(a) The cost of all operating expenses of the Project and the Related Projects and services furnished to the Members and the Residents.

(b) The cost of necessary management and administration of the Project and the Related Projects.

(c) The amount of all taxes and assessments levied against the property of the Mutual or which it is required to pay.

(d) The cost of fire and casualty insurance on the Project and the Related Projects, including extended coverage endorsements, and such other insurance as the Mutual may maintain and procure or as may be required by any Mortgage on the Project or any Related Projects.

(e) To the extent furnished by the Mutual, the cost of furnishing to the Project and the Related Projects water, gas, electricity, garbage and trash collection and other commonly-charged utilities.

(f) All reserves set up for the future periodic maintenance, repair or replacement of all or a portion of the Common Area and similar property within the Related Projects that must be repaired or replaced on a periodic basis, or for any other purpose determined by the Board.

(g) The estimated cost of repairs, maintenance and replacements of the Project and other Related Projects to be made by the Mutual.

(h) Such sums as the Mutual may pay to the Foundation as the Mutual's prorata share (based upon the number of dwelling units) of the charges of the Foundation in accordance with Article IV, Section 2(d) hereof.

2. The Board shall fix the amount of the Carrying Charges against each Condominium at least sixty (60) days in advance of each fiscal year of the Mutual. Such sums shall be estimated on an annual basis and divided by the number of months remaining in the fiscal year for which Carrying Charges are being determined. An Owner's proportionate share of the estimated annual expense of the Mutual shall consist of the sum of the Owner's proportionate share of each item of estimated annual expense. The determination of the Board as to what shall constitute an item of expense shall, absent manifest error, be conclusive. Written notice of the monthly amount of the annual Carrying Charges shall be sent to each Owner, if reasonably practicable together with the financial reports required under Sections 1, 2, and 3 of Article VIII. The Owner's proportionate share of an item of estimated annual expense shall be determined by the Board by any one of the following methods:

(a) By dividing the amounts of the item of estimated annual expense by the sum of the number of Units in the Project plus the number of residential units in the Related Projects; or

(b) By multiplying the amount of the item of estimated annual expense by the quotient obtained by dividing the number of persons who reside in the Unit by the total number of persons who reside in the Project and the Related Projects; or

(c) By multiplying the amount of the item of estimated annual expense by the quotient obtained by dividing the number of square feet of the Unit by the total number of square feet of all of the Units in the Project plus all residential units in the Related Projects.

3. The Mutual may levy a Reimbursement Assessment against any Owner or Resident who fails to comply with the provisions of any of the Governing Documents if such failure results in the expenditure of monies by the Mutual in carrying out its functions hereunder or for purposes of collecting any fines which may be levied by the Mutual. Except for collection of fines, such assessment shall be for the purpose of reimbursing the Mutual, shall be limited to the amount so expended and shall be due and payable to the Mutual when levied.

4. In addition to the Carrying Charges authorized above, the Mutual may levy, in any year, Special Assessments applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, restoration, repair or replacement of a capital improvement within the Common Area or Limited Common Area, including fixtures and personal property related thereto, incurred pursuant to Article IV, Section 8, or Article XIII or the cost of any other action of undertaking on behalf of the Mutual.

5. All Assessments or installments thereof shall be the personal obligation of the Owner at the time the Assessments or installments become due and payable whether or not the Owner actually makes use of any part of the Project or receives any services provided by the Mutual. The successor or assign of a Owner shall not be obligated to pay any unpaid Assessments or installments thereof levied against the predecessor in interest; provided, however, if such successor or assign has actual or constructive knowledge of such unpaid Assessments or installments thereof, whether by virtue of the recordation of a notice of delinquent assessment in accordance with Section 9 of this Article IX or the receipt from the Mutual of a certificate pursuant to Section 1368(a)(4) of the California Civil Code or any successor statute, the successor or assign shall, to the fullest extent permitted by law, be obligated to pay such unpaid Assessments or installments thereof. Notwithstanding the failure of the successor or assign to become obligated to pay any unpaid Assessments or installments thereof pursuant to the preceding sentence, if such amounts should, in the Board's discretion, be determined to be uncollectible, such amounts shall be deemed to be an operating expense and shall be collectible from all

Owners, and shall be shared among such Owners in the same manner as other Assessments are shared.

6. Notwithstanding anything contained herein to the contrary, the Mutual is not authorized to impose a Carrying Charge or other Assessment in any amount or fashion that is contrary to the provisions of the Davis-Stirling Common Interest Development Act or successor provision of California law.

7. If any Assessment is not paid within fifteen (15) days after it is due, the Owner may be required by the Mutual to pay a late payment charge in an amount equal to Ten Percent (10%) of the delinquent assessment or Ten Dollars (\$10.00), whichever is greater, or such greater or lesser amount as the Board may determine and as may be allowed by California law.

8. The Owners understand, intend and agree that the Board shall have the authority to expend Carrying Charges and Special Assessments collected from the Owners for the maintenance, repair, replacement, operation and improvement of the Common Area facilities of the Project as well as for the maintenance, repair, replacement, operation and improvement of the common area facilities of other Related Projects. The Owners acknowledge and understand that the authorization contained in this Section 8 permits the Board to expend funds collected exclusively from the Owners to maintain, repair, replace, operate and improve the property of the Related Projects. This result is expressly intended since the Project and the Related Projects are part of an over-all planned community and the expenditure of funds mutually benefits the Project and the Related Projects by enhancing, maintaining and protecting the value and attractiveness of the community. The Owners acknowledge and agree that the authorization contained in this Section 8 is permissive, rather than mandatory. Nothing contained herein shall be construed as prohibiting the Board from including the cost and expense of the maintenance, repair, replacement, operation and improvement of Unique Capital Improvements (as such term is defined below) solely within the Assessments payable by the Owners of Units within the Project or those Related Projects which contain such Unique Capital Improvements. For the purposes of this Section 8, the term "Unique Capital Improvements" shall refer to those capital improvements, whether originally constructed upon the Project and the Related Projects or otherwise, including, but not limited to, elevators, which are not contained in the Project and all of the Related Projects. Subject to the provisions of Section 2 of Article XIV, the Owners shall not unilaterally modify, revoke, terminate or

otherwise amend the terms or provisions of this Section 8 without the consent of at least fifty-one percent (51%) of the Members. The cost of obtaining such consent shall be born by those Owners seeking to modify, revoke, terminate or otherwise amend the terms or provisions of this Section 8.

9. The amount of any Assessments, whether arising by application of Article IV, Section 8, this Article IX or application of Article XIII, assessed to the Owner of any Condominium and any late payment charge attributable thereto, plus interest on such assessment and charge at a rate of Ten Percent (10%) per annum simple interest or such other rate as the Board may designate from time to time, and costs, including reasonable attorneys' fees and costs of recordation, shall become a lien upon such Condominium under Section 1367 of the California Civil Code, or any successor statutory provision hereinafter enacted, upon recordation of a notice of delinquent assessment in the official records of Orange County, California, which notice shall describe the amount of delinquent assessment or installment, the related charges authorized by this Declaration, a description of the Condominium, the name of the Owner, and, if the lien is to be enforced by nonjudicial foreclosure, the name and address of the trustee authorized by the Board to enforce the lien by sale. The notice of delinquent assessment shall be signed and acknowledged by the president or vice president and secretary of the Mutual, or by any other person designated by the Board by resolution.

Such lien may be enforced as provided in Section 1367 of the California Civil Code and as otherwise permitted by law. Upon payment of the sums specified in the notice of delinquent assessment and any additional fee or charge imposed by the trustee or any other party involved in the foreclosure process, the Mutual shall cause to be recorded a further notice stating the satisfaction and release of the lien thereof.

ARTICLE X

Architectural Control Committee

1. Architectural Control:

(a) Except for the purposes of proper maintenance and repair and as provided in Paragraph (c) hereof, no person, persons, entity or entities shall install, erect, attach, apply, paste, hinge, screw, nail, paint, build or construct any lighting, shades, screens,