

Tanglewood

Tanglewood West Homeowner's Association
4080 Larwin Avenue, Cypress, CA 90630
714-236-0133



◆ CORPORATE PAPERS



◆ ARTICLES OF INCORPORATION



◆ RESTATED DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS



◆ RESTATED BY-LAWS



Revised: April 1995

STATE OF CALIFORNIA



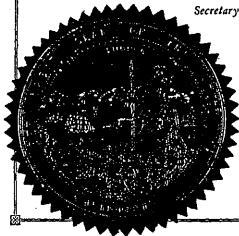
DEPARTMENT OF STATE

To all whom these presents shall come, Greetings:

I, FRANK M. JORDAN, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the RECORD on file in my office, of which it purports to be a copy, and that the same is full, true and correct.

In testimony whereof, I, FRANK M. JORDAN, Secretary of State, have hereunto caused the Great Seal of the State of California to be affixed and my name subscribed, at the City of Sacramento, in the State of California,
this MAR 28 1969



Frank M. Jordan
Secretary of State

By *W. H. Allen*
Assistant Secretary of State

565950

ENDORSE
FILED

In the office of the Secretary of State
of the State of California

MAR 27 1969

ARTICLES OF INCORPORATION
OF

TANGLEWOOD WEST HOMEOWNERS ASSOCIATION

FRANK M. JORDAN, Secretary of
JAMES E. JAMES, Deputy

ARTICLE I - NAME

The name of this corporation is:

TANGLEWOOD WEST HOMEOWNERS ASSOCIATION

(sometimes hereinafter referred to as the "Association").

ARTICLE II - NONPROFIT

This corporation is organized pursuant to the General Nonprofit Corporation Law of the State of California.

ARTICLE III - PRINCIPAL OFFICE

The county in this State where the principal office for the transaction of business of the corporation is located is Orange County.

ARTICLE IV - PURPOSE AND POWERS

The purposes for which this Association is formed are:

- 1) The specific and primary purpose is to provide for the maintenance, preservation and architectural control of the residential lots and common areas within the real property described as:

(See Exhibit A attached hereto)

and any additions thereto as may hereafter be brought within the jurisdiction of this Association by annexation, as provided in Article IX herein, and to promote the health, safety and welfare of the residents within said tract and the additions annexed thereto.

- 2) The general purposes and powers are:

- a) To exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as may be from time to time set forth in the Declaration of Covenants, Conditions and Restrictions, hereinafter called the "Declaration", and any amendments thereof applicable to the property, and any additions thereto.

- b) To fix, levy, collect and enforce payment by any lawful means, all charges or assessments due the corporation; to pay all expenses in connection therewith, and all office and other expenses incident to the conduct of the business of the corporation, including all licenses, taxes or governmental charges levied or imposed against the property of the corporation.

- c) To acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the corporation.

- d) To borrow money, to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.
- e) To have and to exercise any and all powers, rights and privileges which a corporation organized under the Non-profit Corporation Law of the State of California by law may now or hereafter have or exercise.

ARTICLE V - MEMBERSHIP

Every person or entity who is a record owner of a fee or undivided interest in any lot which is subject by covenants of record to assessment by the Association, including contract sellers, shall be eligible to be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. No owner shall have more than one membership. Membership shall be appurtenant to and may not be separated from ownership of any lot which is subject to assessment by the Association. Ownership of such lot shall be the sole qualification for membership.

ARTICLE VI - VOTING RIGHTS

The voting and other rights and privileges of members, and their liability to dues and assessments and the method of collection thereof, shall be as set forth in the By-Laws of this Association, except as specifically provided for hereinafter.

ARTICLE VII - LIABILITIES

The highest amount of indebtedness or liability, direct or contingent, to which this Association may be subject at any one time shall not exceed \$25,000.00 for its first twelve calendar months of operation, and thereafter shall not exceed 150 percent of its assessments for such twelve months period, provided that additional amounts may be authorized by the assent of two-thirds (2/3) of the membership.

ARTICLE VIII - BOARD OF DIRECTORS

- 1) The affairs of this Association shall be managed by a Board of five (5) Directors, who need not be members of the Association.
- 2) The names and addresses of the persons who are to act in the capacity of directors until the selection of their successors are:

Michael L. Tenzer	9300 Wilshire Blvd.,	Beverly Hills,	California
Lee J. Goldin	"	"	"
Joel A. Rottman	"	"	"
Bernard H. Moore	"	"	"
G. Wesley Phillips	"	"	"

ARTICLE IX - ANNEXATIONS

The Association may at any time and from time to time annex additional tracts to the property described in Article IV, and so add to its membership under the provisions of Article V, provided that such annexations are made only in accordance with the provisions of the recorded Declaration of Covenants, Conditions and Restrictions, and amendments thereto, if any, applicable to the property described in Article IV hereof. Such additions, when properly made under the applicable covenants, shall extend the jurisdiction, function, duties and membership of this Association to such property. Where the applicable covenants require that certain additions be approved, such approval must have the assent of three-fourths

(3/4) majority of the voting power of the membership, excluding the vote, by proxy or otherwise, of Declarant and members of its organization who executed such Declaration.

ARTICLE X - MERGERS AND CONSOLIDATIONS

To the extent permitted by law, the Association may participate in mergers and consolidations with other nonprofit corporations organized for the same purposes, provided that any such merger or consolidation shall have the assent of two-thirds (2/3) of the entire membership.

ARTICLE XI - AUTHORITY TO MORTGAGE

Any mortgage or deed of trust encumbrance by the Association of the real property owned by it, shall have the assent of two-thirds (2/3) of the entire membership.

ARTICLE XII - AUTHORITY TO DEDICATE

The Association shall have power to dedicate, sell or transfer all or any part of real property owned by it to any public agency, authority, or utility for such purposes, and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective unless an instrument has been signed by members entitled to cast two-thirds (2/3) of the votes of the entire membership, agreeing to such dedication, sale or transfer.

ARTICLE XIII - DISSOLUTION

This Association is one which does not contemplate pecuniary gain or profit to the members thereof, and it is organized solely for nonprofit purposes. Upon dissolution of the Association, its assets, both real and personal, shall be dedicated to an appropriate public agency, to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the Association. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any nonprofit corporation, association, trust, or other organization to be devoted to purposes and uses that would most nearly reflect the purposes and uses to which they were required to be devoted by the Association.

ARTICLE XIV - DURATION

The Association shall exist perpetually.

ARTICLE XV - AMENDMENTS

Amendment of these Articles shall require the assent of seventy-five (75%) percent of the entire membership.

IN WITNESS WHEREOF, the undersigned, being the persons hereinabove named as the first directors, have executed these Articles of Incorporation this 14th day of March, 1969.


Michael L. Tenzer


Joel A. Rottman


Lee J. Goldin

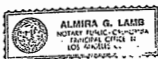

G. Wesley Phillips


Bernard H. Moore

STATE OF CALIFORNIA)
County of LOS ANGELES)

On March 14, 1969, before me, the undersigned, a Notary Public in and for said State, personally appeared MICHAEL L. TENZER, LEE J. GOLDIN, BERNARD H. MOORE, JOEL A. ROTTMAN and G. WESLEY PHILLIPS, known to me to be the persons whose names are subscribed to the within instrument and acknowledged that they executed the same.

WITNESS my hand and official seal.



My Commission Expires May 24, 1969

Almira G. Lamb

Notary Public in and for said County
and State.

PARCEL I:

Lots 1 to 76, inclusive, of Tract 6811, as per map recorded in Book 254, Pages 1, 2 and 3, inclusive, of Miscellaneous Maps in the office of the County Recorder of Orange County, California, (hereinafter referred to collectively as "the lots"), which are and shall be devoted to residential use;

EXCEPTING all oil, gas and other hydrocarbon substances and minerals lying in and under said land or produced and saved therefrom, together with the right to mine, drill, bore and remove from beneath the surface of said land at any level 500 feet below the surface of said land without, however, any right to enter upon the surface of the land or within 500 feet of the surface thereof as reserved in the deed from Maiden-Fair Company, a corporation, recorded July 20, 1960, in Book 5338, Page 156 of Official Records

PARCEL II:

Lots A and B of Tract 6811, as per map recorded in Book 254 Pages 1, 2 and 3, inclusive, of Miscellaneous Maps in the office of the County Recorder of Orange County, California; and that certain real property not within said Tract, described as:

That portion of Tract 4047, as per map recorded in Book 144, Pages 21 through 25, inclusive, of Miscellaneous Maps, Records of Orange County, California, together with portions of streets vacated under Resolutions 734, 494 of the City Council of the City of Cypress, recorded in Book 8107, Page 313, November 18, 1966, and Book 7278, Page 957, October 28, 1964, respectively, of Official Records of said Orange County, described as follows:

Commencing at the southwest corner of Tract 6053 as shown on a map recorded in Book 233, Pages 14 and 15 of Miscellaneous Maps, Records of said Orange County; thence North 89°57'36" East 295.59 feet along the southerly boundary of said Tract 6053; thence South 0°02'24" East 61.00 feet leaving said southerly boundary to the point of beginning, said point being the beginning of a non-tangent curve concave northwesterly having a radius of 282.00 feet, a radial line through said point bears South 0°02'24" East; thence easterly and northeasterly along said curve through a central angle of 35°35'56" an arc distance of 175.21 feet to a point in a non-tangent line, a radial line through said point bears South 35°38'20" East; thence South 0°03'54" East 109.69 feet along said non-tangent line; thence South 89°56'06" West 23.00 feet; thence South 0°03'54" East 77.00 feet; thence South 89°56'06" West 141.24 feet; thence North 0°02'24" West 134.06 feet to the point of beginning.

EXCEPTING therefrom the westerly 10.00 feet thereof,

(hereinafter referred to collectively as "the common area"), which are and shall be devoted to the uses of the Association, as more particularly set forth elsewhere herein.

ALSO EXCEPTING all oil, gas and other hydrocarbon substances and minerals lying in and under said land or produced and saved therefrom, together with the right to mine, drill, bore and remove from beneath the surface of said land at any level 500 feet below the surface of said land without, however; any right to enter upon the surface of the land or within 500 feet of the surface thereof.

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:
NEULAND & NORDBERG
A Professional Law Corporation
One Technology Drive, Suite I-803
Irvine, California 92718

DOC # 95-0080246
28-FEB-1995 02:49 P

Recorded in Official Records
of Orange County, California
Gary L. Granville, Clerk-Recorder
Page 1 of 27 Fees \$ 100.00
Tax \$ 0.00

FIRST AMENDMENT TO
RESTATEMENT AND AMENDMENT OF
DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR TANGLEWOOD WEST, A PLANNED COMMUNITY

RECORDING REQUESTED BY:
AND WHEN RECORDED MAIL TO:
NEULAND & NEULAND
A Professional Law Corporation
One Technology Drive, Suite I-803
Irvine, California 92718

CERTIFICATE OF AMENDMENT

TO

RESTATEMENT AND AMENDMENT OF DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS

OF

TANGLEWOOD WEST, A PLANNED COMMUNITY
ORANGE COUNTY, CALIFORNIA

WHEREAS, on October 24, 1977, as Document No. 31318 of the Official Records of the County Recorder of Orange County, a Restatement and Amendment of Declaration of Covenants, Conditions and Restrictions for ("the Declaration") was recorded covering the Planned Community of Tanglewood West Homeowners Association ("the Association") as described in the Declaration, and any annexations thereto, and

WHEREAS, in Article XVII, Section 5 - Amendments, the procedures for amending the Declaration are set forth, and

WHEREAS, the Members have now consented to an amendment of the Declaration.

NOW THEREFORE, the President and Secretary of Tanglewood West Homeowners Association ("the Association") hereby certify as follows:

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:
NEULAND & NORDBERG
A Professional Law Corporation
One Technology Drive, Suite I-803
Irvine, California 92718

FIRST AMENDMENT TO
RESTATEMENT AND AMENDMENT OF
DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR TANGLEWOOD WEST, A PLANNED COMMUNITY

This First Amendment to the Declaration is made this 10th day of December, 1994 by TANGLEWOOD WEST HOMEOWNERS ASSOCIATION, A California General Non-Profit Corporation (the "Association").

RECITALS

A. The Association is the fee owner of that certain real property described below (the "Property"):

[See legal description attached as Exhibit "A" attached hereto]

B. The Association has recorded and the Property is now subject to that certain Restatement and Amendment of Declaration of Covenants, Conditions and Restrictions recorded on October 24, 1977 as Document No. 31318 of Official Records of the County of Orange, California ("Declaration").

C. The Association desires to amend Article I, Section 21; Article X to add paragraphs (h) and (i); and Article XI, Section 1 and Section 2.

D. Article XIII of the Declaration allows for the amendment to said document by an affirmative vote of not less than seventy-five percent (75%) of the Association membership, and said amendments were approved in writing by the members.

NOW THEREFORE, the Association hereby declares that:

1. ARTICLE I, SECTION 21: "STRUCTURAL MAINTENANCE AREAS" of the Declaration is hereby amended by deleting the words "the patio fences." Said paragraph is amended to read as follows:

"'Structural Maintenance Areas' shall mean, as the same may from time to time exist, the exterior surface of all row residential townhouse structures, the exterior roofing material of the townhouse structures, and the sidewalks on the Lots (except within the Patio Areas); Structural Maintenance Areas shall specifically exclude all glass surfaces, landscaping within the private patio areas; and patio covers or other additions built or maintained within said private patio area by an Owner. Such excluded items shall be the responsibility of the respective Owners in accordance with Article XI, Section 2."

2. ARTICLE X, "DUTIES AND POWERS OF THE ASSOCIATION" is hereby amended to add subsections (h) and (a) as follows:

"(h) Formulate and adopt rules and regulations for the operation of the Common Areas and facilities owned and controlled by the Association.

(i) Prepare and distribute the required operating statement (budget) and financial statements in accordance with California law."

3. ARTICLE XI, "MAINTENANCE AND REPAIR OBLIGATIONS", Section 1 and Section 2 are amended in their entirety to read as follows:

"Section 1. Maintenance Obligations of Owners. Subject to the duty of the Association to provide for maintenance as provided in Article XI, Section 3, of this Restated Declaration, it shall be the duty of each owner, at his sole cost and expense, subject to the provisions of this Restated Declaration regarding Architectural Committee approval, to maintain, repair, replace and restore areas subject to his own exclusive control, in a neat, sanitary and attractive condition."

Areas subject to the exclusive control of an owner shall be deemed to include, but are not limited to the following:

(a) One half (1/2) cost to maintain fences adjacent to the common area per Article X, Section 2, (a) 5, below.

(b) Exterior glass surfaces and screens.

(c) Electrical wiring of homes, electrical appliances, air conditioners, heaters and ducts.

(d) Interior walls, wall studs, ceilings, mouldings and interior doors.

(e) Plumbing from water meters to house and throughout the house.

(f) Structural integrity of exterior doors both on homes and garages, exterior door knobs, hinges and other hardware, and exterior door thresholds and mouldings. (Note: lightweight security screen doors fabricated of decorative design and in color harmony with other surrounding structures are allowable upon request of the Architectural Committee.)

(g) Floors and floor coverings.

(h) Doorbell, doorbell switch and doorbell wiring, mailboxes.

(i) Exterior light fixtures, plugs and associated wiring.

(j) Patio covers or other additions, patio decks, built and maintained with private patios. Tile bars in patio area.

(k) Landscaping surfaces within private patio areas and individual fencing between patios.

(l) Pest control within units and patio area.

Each owner shall also be responsible for the repairs to the Structural Maintenance Areas caused by vandals or by the willful or negligent act of such owner, his family,

guests, tenants or invitees. In the event that any owner shall permit any improvement, which is the responsibility of such owner to maintain, to fall into disrepair or not be so maintained so as to create a dangerous, unsafe, unsightly or unattractive condition, or to otherwise violate this Restated Declaration, the Board shall have either the right to seek any remedies at law or in equity which it may have, or upon thirty (30) days prior written notice to the owner of such lot, the right, but not the duty, to correct such condition and, after Notice of Hearing, to enter upon such owner's lot to make such repairs and to perform such maintenance, and the cost thereof shall be charged to the owner. Said cost shall be a Special Assessment and shall create a lien enforceable in the same manner as other assessments as set forth in the Restated Declaration."

"Section 2. Maintenance Obligations of Association. No improvement, excavation or work which in any way alters the Structural, Landscaping or Recreational Facilities Maintenance areas from their natural or existing state shall be made or done by any person other than the Association or its authorized agents, unless such improvement, excavation or work is approved in writing by the Architectural Committee.

(a) Structural Maintenance Areas.

The Association shall maintain, or provide for the maintenance of all of the Common Area, and all improvements thereon, in good order and repair. The Association shall likewise provide the following maintenance responsibility:

(1) Painting of all exterior surfaces of all dwellings, garages, clubhouse, including but not limited to wood trim, exterior door (house and garage), stucco, iron trim-including house numbers, fencing around pool and clubhouse interior, kitchen and restrooms.

(2)* Maintenance of all roofs (homes, garages and clubhouse)

(3) Maintenance of shingles. (Includes replacement, repairs and/or staining.)

(4) General repairs, plumbing and electrical, clubhouse area.

(5) Maintenance of fences in common area including Recreational Vehicle parking areas. Maintenance of Homeowners' fences adjacent to common areas shall be funded equally between the Homeowner and the Association.

(6) Repairs and replacement to commonly metered utilities and any and all utility laterals and buildings not listed previously.

(7) Shall further maintain, reconstruct, replace and refinish any paved surfaces in the Common and/or Recreational Vehicle Areas.

(b) Landscape Maintenance Areas:

The Association shall provide all necessary landscaping and gardening to properly maintain and periodically replace when necessary the trees, plants, grass and other vegetation which is located on the common area and on an owner's lot up to the foundation lines of the residential dwelling and up to the fences surrounding the Patio Areas.

The Association shall provide necessary repairs and replacement of all associated water and sprinkler systems.

(c) Recreational Facilities Areas:

The Association shall keep in good order and repair and provide all maintenance for the pools and supporting pumps, heaters, filters, etc., per the Orange County Health Regulations, playground and playground equipment, restrooms, kitchen and the interior of the clubhouse."

All of the foregoing obligations of the Association shall be discharged when and in such manner as the Board of Directors of the Association shall determine in their judgement to be appropriate."

4. All other terms of the Declaration, to the extent no inconsistencies exist herewith, shall remain in full force and effect.

IN WITNESS WHEREOF, the Association has executed this Amendment to the Declaration as of the date first above written.

TANGLEWOOD WEST HOMEOWNERS ASSOCIATION
A California Non-Profit Corporation

By: Barry Emanuel

Director

By: [Signature]

Director

By: Wynne B. Bernstein

Director

By: Gregory L. Jones

Director

By: [Signature]

Director

By: Kim South

Director

By: Rosemary Karp

Director

STATE OF CALIFORNIA }

COUNTY OF ORANGE }

On Dec 10, 1994, 1994, before me JAMES K HEYER,
Notary Public personally appeared HARVEY T. MANUEL,
personally known to me (or proved to me
on the basis of satisfactory evidence) to be the person(s) whose
name(s) (is) are subscribed to the within instrument and acknowledged
to me that he/she/they executed same in his/her/their authorized
capacity(ies), and that by his/her/their signature(s) on the
instrument the person(s), or the entity upon behalf of which the
person(s) acted, executed the instrument.

WITNESS my hand and official seal.

James K Hayer
Signature



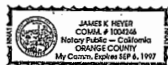
STATE OF CALIFORNIA }

COUNTY OF ORANGE }

On Dec 10, 1994, 1994, before me JAMES K HEYER,
Notary Public personally appeared KIRTI PATEL,
personally known to me (or proved to me
on the basis of satisfactory evidence) to be the person(s) whose
name(s) (is) are subscribed to the within instrument and acknowledged
to me that he/she/they executed same in his/her/their authorized
capacity(ies), and that by his/her/their signature(s) on the
instrument the person(s), or the entity upon behalf of which the
person(s) acted, executed the instrument.

WITNESS my hand and official seal.

James K Hayer
Signature



RECORDING REQUESTED BY, AND
WHEN RECORDED, MAIL TO:

FULOP, ROLSTON, BURNS
& McKITTRICK (DGB)
4100 MacArthur Boulevard
Post Office Box 2710
Newport Beach, California 92663

(Space Above for Recorder's Use)

RESTATEMENT AND AMENDMENT
OF
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
TANGLEWOOD WEST, A PLANNED COMMUNITY

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OF
DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS
FOR
TANGLEWOOD WEST, A PLANNED COMMUNITY

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WHEN RECORDED, MAIL TO:

FULOP, ROLSTON, BURNS
& McKITTRICK (DGB)
4100 MacArthur Boulevard
P. O. Box 2710
Newport Beach, California 92663

(Space Above for Recorder's Use)

RESTATEMENT AND AMENDMENT
OF
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
TANGLEWOOD WEST, A PLANNED COMMUNITY

THIS RESTATEMENT AND AMENDMENT OF DECLARATION ("Restated Declaration") is executed by the undersigned to be effective upon its recordation in the Office of the Orange County Recorder and is dated for identification purposes this _____ day of _____, 1977.

P R E A M B L E:

A. VAL HOMES INC., a California corporation, executed a Declaration of Covenants, Conditions and Restrictions for TANGLEWOOD WEST, a Planned Residential Community ("Properties") on March 7, 1969 ("Declaration"). The Declaration was recorded on March 13, 1969, as Instrument No. 6605, in Book 8898, pages 346, et seq., of Official Records of Orange County, California.

B. Article XIII, Section 5 of the Declaration provides that the Declaration may be amended only by an affirmative vote of not less than seventy-five percent (75%) of the Owners of Lots in the Properties (as heretofore and hereinafter defined). The undersigned constitute at least seventy-five percent (75%) of such Owners and execution of this Restated Declaration constitutes a certification by such Owners that they have approved the provisions hereof.

C. Article XIII, Section 6 of the Declaration further provides that as long as Val Homes, Inc. is the owner of more than twenty-five percent (25%) of the Lots comprising the Properties, the prior approval of the Federal Housing Administration ("FHA") or the Veterans Administration ("VA") is required in order to amend the Declaration. Val Homes, Inc. does not own any Lots in the Properties and, accordingly, the approval of neither the VA nor the FHA has been sought with respect to the amendments contained in this Restated Declaration.

D. It is the desire and the intent of the undersigned to amend the Declaration (1) to eliminate any reference to Val Homes, Inc. now that Val Homes, Inc. no longer owns any Lots in the Properties and (2) to bring the document more into alignment with the policies and procedures of various lending agencies, particularly the Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal National Mortgage Association ("FNMA"). In order to reduce confusion and for the convenience of all concerned parties, the undersigned wish to restate entirely the Declaration as heretofore amended from time to time and as amended herein, such that the within Restated Declaration shall retain the relative recordation priority date of the originally recorded Declaration and any amendments thereto which shall remain in effect to the extent not amended herein.

E. This Restatement and Amendment is designed to create equitable servitudes and covenants running with the Properties to assist in the coordination and protection of a master plan for an entire Planned Community. This Restated Declaration will apply to all of the Properties.

F. The undersigned hereby declare that the Declaration is amended and modified by the within Restated Declaration such that the within Restated Declaration will maintain the same lien priority date as the originally recorded Declaration and any amendments thereto which in effect to the extent not amended herein.

G. The undersigned hereby declare that the Properties are and shall be held, sold, conveyed, encumbered, hypothecated, leased, used, occupied and improved subject to the following uniform restrictions, covenants, limitations, easements, conditions and equitable servitudes, all of which are declared and agreed to be in furtherance of a general plan for the protection, maintenance, improvement and sale of the Properties, or any portion thereof, and to enhance the value, desirability and attractiveness of the Properties. The covenants, conditions and restrictions set forth herein shall run with the Properties, shall be

binding upon all persons having or acquiring any right, title or interest in the Properties or any part thereof; shall inure to the benefit of every portion of the Properties and any interest therein; and shall inure to the benefit of and be binding upon each Owner and his respective successors in interest and may be enforced by any Owner or his successors in interest, or by the Association.

ARTICLE I

DEFINITIONS

Section 1. "Restated Declaration" shall mean this instrument as it may be amended from time to time.

Section 2. "Association" shall mean and refer to TANGLEHOOD WEST HOMEOWNERS ASSOCIATION, a nonprofit corporation, its successors and assigns.

Section 3. "Board" shall mean the Board of Directors of the Association, elected in accordance with the By-Laws of the Association.

Section 4. "Articles" shall mean the Articles of Incorporation for the Association which have been filed in the office of the Secretary of State of the State of California, as such Articles may be amended from time to time.

Section 5. "By-Laws" shall mean the Amended and Restated By-Laws of the Association as adopted by the Board and approved by the membership of the Association, as such By-Laws may be amended from time to time.

Section 6. "Improvement" shall mean all structures and appurtenances thereto of every type and kind, including but not limited to buildings, outbuildings, walkways, bicycle trails, sprinkler pipes, garages, swimming pools, recreational facilities, roads, driveways, parking areas, fences, screening walls, retaining walls, stairs, decks, landscaping, hedges, windbreaks, plantings, planted trees and shrubs, poles, signs, exterior air conditioning and water-softener fixtures or equipment.

Section 7. "Regular Assessment" shall mean the annual charge against each Owner and his Lot, representing a portion of the total, ordinary costs of maintaining, repairing, replacing, managing and operating the Properties, which are to be paid uniformly and equally by each Owner to the Association, as provided herein.

Section 8. "Special Assessment" shall mean a charge against a particular Owner and his Lot, directly attributable to the Owner, equal to the cost by the Association for corrective action, pursuant to the provisions of this Restated Declaration.

Section 9. "Reconstruction Assessment" shall mean a charge against each Owner and his Lot, representing a portion of the cost to the Association for reconstruction of any portion of the Improvements on the Properties pursuant to the provisions of this Restated Declaration.

Section 10. "Capital Improvement Assessment" shall mean a charge against each Owner and his Lot, representing a portion of the costs to the Association for installation or construction of any Improvements on any portion of the Common Area which the Association may from time to time authorize, pursuant to the provisions of this Restated Declaration.

Section 11. "Properties" shall mean all of the real property described in the Declaration or any supplementary Declaration heretofore recorded pursuant to Article II, Section 4 of the Declaration, and any additions thereto as may hereafter be brought within the jurisdiction of the Association, pursuant to Article II of this Restated Declaration.

Section 12. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the members of the Association.

Section 13. "Lot" shall mean and refer to a recorded Lot within the Properties or any other Properties annexed pursuant to this Restated Declaration upon which there has been or will be constructed a single-family residence, but shall not mean or include any common area lot nor public streets and alleys.

Section 14. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 15. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 16. "Dwelling Unit" shall mean and refer to any portion of a building located on a Lot designed and intended for use and occupancy as a residence by a single family.

Section 17. "FHA" shall mean the Federal Housing Administration; "VA" shall mean the Veterans Administration.

Section 18. "Mortgage" shall mean the conveyance of any Lot or other portion of the Properties to secure the performance of an obligation, which conveyance shall be void upon the due performance of said obligation.

Section 19. "Mortgagee" shall mean a person or entity to whom a mortgage is made; "Mortgagor" shall mean a person or entity who mortgages his or its property to another (i.e., the maker of a mortgage).

Section 20. Wherever the word "Deed of Trust" is used herein, it shall mean and be synonymous with the word "Mortgage", and the same may be used interchangeably with the same meaning; and likewise the word "Truster" shall be synonymous with the word "Mortgagor"; and the word "Beneficiary" shall be synonymous with the word "Mortgagee".

Section 21. "Structural Maintenance Areas" shall mean, as the same may from time to time exist, the exterior surface of all row residential townhouse structures, the patio fences, the exterior roofing material of the townhouse structures, and the sidewalks on the Lots (except within the Patio Areas); Structural Maintenance Areas shall specifically exclude all glass surfaces, landscaping within the private patio areas; and patio covers or other additions built or maintained within said private patio area by an Owner. Such excluded items shall be the responsibility of the respective Owners in accordance with Article XI, Section 2.

The aforesaid definitions shall be applicable to this Restated Declaration and also to any Supplemental Declaration (unless the context shall prohibit), filed pursuant to Article II hereof.

ARTICLE II

ANNEXATION OF ADDITIONAL PROPERTIES

Additional properties may be annexed to and become subject to this Restated Declaration by any of the methods set forth hereinbelow in this Article, as follows:

Section 1. Annexation Pursuant to Approval. Additional real property may be annexed to the Properties and brought within the general plan and scheme of this Restated Declaration upon the

approval by vote or written consent of Members entitled to exercise no less than seventy-five percent (75%) of the voting power of the Association. Upon such approval, the Notice of Addition of Territory described in Section 3 of this Article shall be executed by two officers of the Association, signifying that the requisite approval of Members has been obtained.

Section 2. Mergers or Consolidations. Upon a merger or consolidation of the Association with another association, as provided in the Articles, its properties, rights and obligations may, by operation of law, be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may, by operation of law, be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the covenants and restrictions established by this Restated Declaration within the existing property, together with the covenants and restrictions established upon any other properties, as one scheme.

Section 3. Notice of Addition of Territory. The additions authorized under the foregoing Sections shall be made by filing of record a Notice of Addition of Territory, or other similar instrument, with respect to the additional property which shall be executed by the owner thereof and shall extend the general plan and scheme of this Restated Declaration to such added property. The filing of record of said Notice of Addition shall constitute and effectuate the annexation of the added property described therein, and thereupon said added property shall become and constitute a part of the Properties, become subject to this Restated Declaration and encompassed within the general plan and scheme of covenants, conditions, restrictions, reservation of easements and equitable servitudes contained herein, and become subject to the functions, powers and jurisdiction of the Association; and the owners of Lots in said added property shall automatically become members of the Association. Such Notice of Addition may contain such additions and modifications of the covenants, conditions, restrictions, reservation of easements and equitable servitudes contained in this Restated Declaration as may be necessary to reflect the different character, if any, of the added property, and as are not inconsistent with the general plan and scheme of this Restated Declaration. In no event, however, shall such Notice of Addition, merger or consolidation revoke, modify or add to the covenants, conditions, restrictions, reservation of easements, or equitable servitudes established by this Restated Declaration as the same shall pertain to the real property originally covered by this Restated Declaration.

ARTICLE III

MEMBERSHIP

Section 1. Membership. Every person or entity who is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. No Owner shall have more than one membership. Memberships in the Association shall not be assignable, except to the successor in interest of the Owner, and every member shall be appurtenant to and may not be separated from the fee ownership of such Lot. Ownership of such Lot shall be the sole qualification for membership.

Section 2. Transfer. The membership held by any Owner of a Lot shall not be transferred, pledged or alienated in any way, except upon the sale or encumbrance of such Lot, and then only to the purchaser or Mortgagee of such Lot. Any attempt to make a prohibited transfer is void, and will not be reflected upon the books and records of the Association. A Member who has sold his Lot to a contract purchaser under an agreement to purchase shall be entitled to delegate to such contract purchaser his membership rights in the Association. Such delegation shall be in writing and shall be delivered to the Board before such contract purchaser may vote. However, the contract seller shall remain liable for all charges and assessments attributable to his Lot until record title to the Lot sold is transferred.

ARTICLE IV

VOTING RIGHTS

Members shall be entitled to one (1) vote for each Lot in which they hold the interest required for membership. When more than one person holds such interest or interests in any Lot ("Co-owner"), all such Co-owners shall be Members and may attend any meetings of the Association, but only one such Co-owner shall be entitled to exercise the vote to which the Lot is entitled. Such Co-owners may from time to time all designate in writing one of their number to vote. Fractional votes shall not be allowed, and the vote for each Lot shall be exercised, if at all, as a unit. Where no voting Co-owner is designated or if such designation has been revoked, the vote for such Lot shall be exercised as the majority of the Co-owners of the Lot mutually agree. Unless the Board receives a written objection from a Co-owner, it

shall be presumed that the corresponding voting Co-owner is acting with the consent of his or her Co-owners. No vote shall be cast for any Lot where the majority of the Co-owners present in person or by proxy and representing such Lot cannot agree to said vote or other action. The non-voting Co-owner or Co-owners shall be jointly and severally responsible for all of the obligations imposed upon the jointly owned Lot and shall be entitled to all other benefits of ownership. All agreements and determinations lawfully made by the Association in accordance with the voting percentages established herein, or in the By-Laws, shall be deemed to be binding on all Owners, their successors and assigns. Said voting rights shall be subject to the restrictions and limitations provided in this Restated Declaration, the Articles and By-Laws.

ARTICLE V

PROPERTY RIGHTS IN THE COMMON PROPERTIES

Section 1. Members' Easements of Enjoyment. Every Member shall have a right and easement of ingress and egress and of enjoyment in, to and over the Common Area, and such easement shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) The right of the Association to reasonably limit the number of guests of Members using the Common Area facilities.

(b) The right of the Association to establish uniform rules and regulations pertaining to the use of the Common Area and the recreational facilities thereof.

(c) The right of the Association to charge uniform and reasonable admission and other fees for the use of any recreational facility situated upon the Common Area.

(d) The right of the Association in accordance with its Articles of Incorporation, By-Laws and this Restated Declaration, with the vote or written assent of two-thirds (2/3rds) of the voting power of Members, to borrow money for the purpose of improving the Common Area and facilities and in aid thereof, and, subject to the provisions of Article XVI of this Restated Declaration, to mortgage, pledge, deed in trust, or

hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, provided that the rights of such Mortgagee shall be subordinated to the rights of the Owners.

(e) The right of the Association to suspend the voting rights and right to use of the recreational facilities by a Member for any period during which any assessment against his Lot remains unpaid and delinquent; and for a period not to exceed thirty (30) days for any single infraction of the posted rules and regulations of the Association, provided that any suspension of such voting rights or right to use the recreational facilities, except for failure to pay assessments, shall be made only by the Board, after notice and hearing given and held in accordance with the By-Laws.

(f) Subject to the provisions of Article XVI of this Restated Declaration, the right of the Association to dedicate, release, alienate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication, release, alienation or transfer shall be effective unless an instrument signed by Members entitled to cast two-thirds (2/3rds) of the voting power of the Association has been recorded, agreeing to such dedication, release, alienation or transfer, and unless written notice of the proposed action is sent to every Member not less than thirty (30) nor more than sixty (60) days in advance:

(g) The right of the Association (by action of the Board) to reconstruct, replace or refinish any improvement or portion thereof upon the Common Area, in accordance with the original design, finish or standard of construction of such improvement, or of the general improvements within the Properties, as the case may be; and not in accordance with such original design, finish or standard of construction only with the vote or written consent of the Owners holding seventy-five percent (75%) of the voting power of the Association.

(h) The right of the Association to replace destroyed trees or other vegetation and plant trees, shrubs and ground cover upon any portion of the Common Area.

Section 2. Delegation of Use. Any Member may Delegate, in accordance with the By-Laws, his right of enjoyment to the Common Area and facilities to the members of his family, his tenants, or contract purchasers who reside in his Dwelling Unit.

Section 3. Waiver of Use. No Member may exempt himself from personal liability for assessments duly levied by the Association, nor release the Lot owned by him from the liens and charges hereof, by waiver of the use and enjoyment of the Common Area and the facilities thereon or by abandonment of his Lot, or any other property in the Properties.

Section 4. Taxes. Each Owner shall execute such instruments and take such action as may reasonably be specified by the Association to obtain separate real estate tax assessment of each Lot. If any taxes or assessments may, in the opinion of the Association, nevertheless be a lien on the Common Area, or any part thereof, they may be paid by the Association and each Owner shall be obligated to pay or to reimburse the Association for, as the case may be, the portion of the taxes and assessments assessed by the County Assessor or other taxing authority against the Common Area and attributable to his own Lot and interest in the Common Area.

ARTICLE VI

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. Each Owner of a Lot in the Properties, by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, hereby covenants and is deemed to covenant and agree to pay to the Association: (1) Regular Assessments or charges, (2) Special Assessments, (3) Capital Improvement Assessments and (4) Reconstruction Assessments; such assessments to be fixed, established, and collected from time to time as hereinafter provided. Such assessments, together with such interest thereon and costs of collection thereof, as hereinafter provided, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made. Each such assessment, together with such interest, costs, and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. Subject to the provisions of this Restated Declaration protecting first Mortgagees, the personal obligation for delinquent assessment shall pass to the successors-in-title of such Owner. The Board of Directors shall establish no fewer than two (2) separate accounts (the "Tanglewood Maintenance Funds")

into which shall be deposited all monies paid to the Association, and from which disbursements shall be made, as provided herein, in the performance of functions by the Association under the provisions of this Restated Declaration. The Tanglewood Maintenance Funds shall include: (1) an Operating Fund for current expenses of the Association, and (2) a Common Area Reserve Fund for replacements, painting and repairs (which would not reasonably be expected to recur on an annual or less frequent basis) of the Common Area facilities to the extent necessary under the provisions of this Restated Declaration. The Board of Directors shall not commingle any amounts deposited into any of the Tanglewood Maintenance Funds with one another.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for the purpose of promoting the recreation, health, safety, and welfare of the Members of the Association and, in particular, for the improvement and maintenance of the Properties, services and facilities devoted to this purpose, and related to the use and enjoyment of the Common Area, and to the extent provided for herein, of the Dwelling Units situated upon the Properties. However, disbursements from the Common Area Reserve Fund shall be made by the Board of Directors only for the specific purposes specified in this Article VI. Disbursements from the Operating Fund shall be made by the Board of Directors for such purposes as are necessary for the discharge of its responsibilities herein for the common benefit of all of the Owners, other than those purposes for which disbursements from the Common Area Reserve Fund are to be used. Nothing in this Declaration shall be construed in such a way as to permit the Association to use any Assessments to abate any nuisance or annoyance emanating from outside the boundaries of the Properties. Nothing contained herein shall limit, preclude or impair the establishment of additional Tanglewood Maintenance Funds by the Association, so long as the amounts deposited into any such Fund are earmarked for specified purposes authorized by this Restated Declaration.

Section 3. Basis and Maximum of Regular Assessments. The basis and maximum amount of the Regular Assessments shall be as follows:

(a) Until January 1, 1978, the maximum Regular Assessment shall not exceed thirty dollars (\$30.00) per lot per month.

(b) From and after January 1, 1978, the maximum Regular Assessment may be increased by the Board above the maximum Regular Assessment for the previous year,

without a vote of the membership, in an amount which shall not exceed the greater of (1) five percent (5%), or (2) the percentage by which the U. S. Bureau of Labor Statistics, Los Angeles - Long Beach Metropolitan Area, all items Consumer Price Index, has increased over the level of said Index as of the date the Regular Assessment was last established.

(c) From and after January 1, 1978, the maximum Regular Assessment may be increased by the Board of Directors of the Association in an amount greater than provided for in subsection (b) hereof for the next succeeding twelve (12) calendar months, provided that any such change shall be first approved by the vote or written consent of two-thirds (2/3) of the voting power of the Association. The limitations hereof shall not apply to any change in the maximum and basis of the assessments undertaken as an incident to a merger or consolidation in which the Association is authorized to participate under its Articles of Incorporation.

(d) After consideration of current maintenance costs and future needs of the Association, the Board of Directors may fix the Regular Assessment at a lesser amount than provided for above.

Section 4. Capital Improvement Assessments. In addition to the Regular Assessments authorized above, the Association may levy in any assessment year a Capital Improvement Assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, repair or replacement of a capital improvement or other such addition upon the Common Area, including the necessary fixtures and personal property related thereto, provided that any such Capital Improvement Assessment shall require the prior vote or written consent of two-thirds (2/3) of the voting power of the Association.

Section 5. Damage to Common Area by Owners. The foregoing maintenance, repairs or replacements within the Common Area arising out of or caused by the willful or negligent act of any Owner, his family, guests, tenants or invitees shall be done at said Owner's expense or, after Notice and Hearing, a Special Assessment therefor shall be made against his Lot; provided, however, that the liability of an individual Owner for such damage to the Common Area shall not be absolute, but shall only be that for which the Owner is legally responsible under State law.

Section 6. Uniform Rate of Assessment. Both Regular, Capital Improvement and Reconstruction Assessments shall be fixed at a uniform rate for all Lots; provided, however, that the Association may, subject to the provisions of Section 5 of this Article, levy Special Assessments against selected Owners who have caused the Association to incur special expenses due to willful or negligent acts of said Owners, their guests, tenants or agent. All Regular Assessments shall be collected on a regular basis by the Board of Directors, at such frequency as the Board shall determine.

Section 7. Fixing Regular Assessments. Subject to the provisions of Section 3 hereof, the Board of Directors shall determine and fix the amount of the Regular Assessment against each Lot at least thirty (30) days in advance of each assessment period. An assessment period shall be deemed to be for the twelve (12) months of each fiscal year as established from time to time by the Board. Written notice of the assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors.

Section 8. Certificate of Payment. The Association shall, upon demand, furnish a certificate signed by an officer of the Association, setting forth whether the assessments on a specified Lot have been paid, and the amount of the delinquency, if any. A reasonable charge may be made by the Board for the issuance of these certificates. A properly executed certificate of the Association as to the status of assessments against a Lot is binding upon the Association as of the date of its issuance.

Section 9. Budget Preparation. The Board of Directors shall cause to be prepared an annual balance sheet and operating statement reflecting income and expenditures of the Association for each fiscal year including deposits in and withdrawals from the Common Area Reserve Fund and the Operating Fund, and shall cause to be distributed a copy of each such statement to each Member. At least sixty (60) days prior to the beginning of each fiscal year, the Board of Directors shall prepare and distribute to the membership of the Association, a written, itemized estimate (budget) of the expenses to be incurred by the Association during such year in performing its functions under this Restated Declaration (including a reasonable provision for contingencies and deposits into the Common Area Reserve Fund, less any expected income and accounting for any surplus from the prior year's respective Tanglewood Maintenance Fund).

Each Regular Assessment shall constitute an aggregate of separate assessments for each of the Tanglewood Maintenance Funds, reflecting an itemization of the amounts assessed and attributable

to prospective deposits into the Common Area Reserve Fund, the Operating Fund and any other Tanglewood Maintenance Fund established by the Association. If the estimated sums prove inadequate for any reason, including nonpayment of any Owner's Regular Assessment, the Board may, at any time, levy supplemental Regular Assessments, subject to the provisions of Section 3 of this Article, for any of the Tanglewood Maintenance Funds which shall be assessed equally against the Owner of each Lot in the Properties.

Each Regular Assessment may be paid by the Owner to the Association in one check or payment or in separate checks, as payments attributable to deposits into specified Tanglewood Maintenance Funds. In the event that any installment of a Regular Assessment payment is less than the amount assessed and the payment does not specify the Tanglewood Maintenance Fund or Funds into which it should be deposited, the receipt by the Association from that Owner shall be credited in order of priority first to the Operating Fund, until that portion of the Regular Assessment has been satisfied, and second to the Common Area Reserve Fund.

Section 10. Exempt Property. The following property subject to this Restated Declaration shall be exempt from the assessments created herein: (a) all properties dedicated to and accepted by a local public authority, and (b) the Common Area.

ARTICLE VII

EFFECT OF NON-PAYMENT OF ASSESSMENTS

REMEDIES OF THE ASSOCIATION

Section 1. Effect of Non-Payment of Assessments: Remedies of the Association. All installments of Regular Assessments, Capital Improvement Assessments, Special Assessments or Reconstruction Assessments not paid within thirty (30) days after the due date shall, at the election of the Board of Directors, bear interest from the due date of such installment at a rate not to exceed the then legal rate. If any installment of an assessment is not paid within fifteen (15) days after it is due, the Owner responsible therefor may be required further by the Board of Directors to pay a late charge which shall in no event exceed the greater of five dollars (\$5.00) or five percent (5%) of each delinquent installment. The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against the Lot. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot. If any installment of an assessment is

not paid within thirty (30) days after its due date, the Board may mail an acceleration notice to the Owner and to each first Mortgagee of a Lot which has requested a copy of the notice. The notice shall specify (1) the fact that the installment is delinquent, (2) the action required to cure the default, (3) a date, not less than thirty (30) days from the date the notice is mailed to the Owner, by which such default must be cured, and (4) that failure to cure the default on or before the date specified in the notice may result in acceleration of the balance of the installments of the assessments for the then current fiscal year and sale of the Lot. The notice shall further inform the Owner of his right to cure after acceleration and to bring a court action to assert the non-existence of a default or any other defense of the Owner to acceleration and sale. If the delinquent installments of assessments and any charges thereon are not paid in full on or before the date specified in the notice, the Board at its option may declare all of the unpaid balance of the assessments for the then current fiscal year to be immediately due and payable without further demand and may enforce the collection of the full assessments and all charges thereon in any manner authorized by law and this Restated Declaration.

Section 2. Notice of Assessment. No action shall be brought to foreclose any assessment lien or to proceed under the power of sale herein provided, unless at least thirty (30) days has expired following the date a Notice of Assessment is deposited in the United States mail, certified or registered, postage prepaid, to the Owner of the Lot, and a copy thereof has been recorded by the Association in the office of the County Recorder in which the Properties are located; said Notice of Assessment must recite a good and sufficient legal description of any such Lot, the record Owner or reputed Owner thereof, the amount claimed (which may at the Association's option include interest on the unpaid assessment at the legal rate, plus reasonable attorneys' fees and expenses of collection in connection with the debt secured by said lien), and the name and address of the claimant. Such Notice of Assessment shall be signed and acknowledged by an officer of the Association, and said lien shall be prior to any declaration of home- stead recorded after the date on which this Restated Declaration is recorded. The lien shall continue until fully paid or otherwise satisfied.

Section 3. Foreclosure Sale. Any such sale provided for above may be conducted by the Board of Directors, its attorneys or other persons authorized by the Board in accordance with the provisions of Sections 2924, 2924a, 2924b, 2924c and 2924f of the Civil Code of the State of California, or in accordance with any

similar statute hereafter enacted applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted by law. The Association, through duly authorized agents, shall have the power to bid on the Lot at foreclosure sale, and to acquire and hold, lease, mortgage and convey the same.

Section 4. Curing of Default. Upon the timely curing of any default for which a Notice of Assessment was filed by the Association, the officers thereof shall record an appropriate Release of Lien, upon payment by the defaulting Owner of a fee, to be determined by the Association, but not to exceed Fifty Dollars (\$50.00), to cover the cost of preparing and recording such release. A certificate executed and acknowledged by any two (2) members of the Board stating the indebtedness secured by the liens upon any Lot created hereunder shall be conclusive upon the Association and the Owners as to the amount of such indebtedness as of the date of the certificate, in favor of all persons who rely thereon in good faith. Such certificate shall be furnished to any Owner upon request at a reasonable fee, not to exceed Ten Dollars (\$10.00).

Section 5. Cumulative Remedies. The assessment liens and the rights to foreclosure and sale thereunder shall be in addition to and not in substitution for all other rights and remedies which the Association and its assigns may have hereunder and by law, including a suit to recover a money judgment for unpaid assessments, as above provided.

Section 6. Subordination of Assessment Liens. If any Lot subject to a monetary lien created by any provision hereof shall be subject to the lien of a first mortgage or deed of trust: (1) the foreclosure of any lien created by anything set forth in this Declaration shall not operate to affect or impair the lien of such mortgage or deed of trust; and (2) the foreclosure of the lien of such mortgage or deed of trust or the acceptance of a deed in lieu of the foreclosure by the mortgagee, shall not operate to affect or impair the lien hereof, except that the lien hereof for said charges as shall have accrued up to the foreclosure or the acceptance of the deed in lieu of foreclosure shall be subordinate to the lien of the mortgage or deed of trust, with the foreclosure-purchaser or deed-in-lieu-grantee taking title free of the lien hereof for all said charges that have accrued up to the time of the foreclosure or deed given in lieu of foreclosure, but subject to the lien hereof for all said charges that shall accrue subsequent to the foreclosure or deed given in lieu of foreclosure.

ARTICLE VIII

PARTY WALLS

The rights and duties of the Owners of Lots with respect to party walls shall be governed by the following:

Section 1. General Rules of Law to Apply. Each wall which is constructed as a part of the original construction on the Properties, and any part of which is placed on the dividing line between separate Lots, shall constitute a party wall, and with respect to such wall, each of the adjoining Owners shall assume the burdens and be subject to an easement for that portion of a party wall on his land and be entitled to the benefits of these restrictive covenants; and, to the extent not inconsistent herewith, the general rules of law regarding party walls and of liability for property damage due to negligence or willful acts or omissions shall apply thereto.

Section 2. Sharing of Repair and Maintenance. If any such party wall is damaged or destroyed through the act of one adjoining Owner or any of his agents, tenants or guests or members of his family (whether or not such act is negligent or otherwise culpable) so as to deprive the other adjoining Owner of the full use and enjoyment of such wall, then the first of such Owners shall forthwith proceed to rebuild and repair the same to as good condition as formerly, without cost to the adjoining Owner.

Section 3. Destruction by Fire or Other Casualty. If any such party wall is damaged or destroyed by fire or other casualty or by some cause other than the act of one of the adjoining Owners, his agents, tenants or family (including ordinary wear and tear and deterioration from lapse of time), then, in such event, both such adjoining Owners shall proceed forthwith to rebuild or repair the same to as good condition as formerly, at their joint and equal expense.

Section 4. Other Changes. In addition to meeting the other requirements of these restrictive covenants and of any building code or similar regulations or ordinances, any Owner proposing to modify, make additions to or rebuild his residence in any manner which requires the extension or other alteration of any party wall, shall first obtain the written consent of the adjoining owner, and the Architectural Committee.

Section 5. Right to Contribution Runs With Land. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

Section 6. Dispute. In the event of a dispute between Owner with respect to the repair or rebuilding of a party wall or with respect to the sharing of the cost thereof, then, upon written request of one of such Owners addressed to the Association, the matter shall be submitted to the Board of Directors who shall decide the dispute, and the decision of the Board of Directors shall be final and conclusive upon the parties.

ARTICLE IX

ARCHITECTURAL CONTROL

Section 1. Members of Committee. The Architectural Committee shall be composed of the Board of Directors of the Association or of three (3) or more representatives appointed by the Board, all of whom must be Members of the Association. Members of the Architectural Committee shall serve until their respective resignation or removal by the Board. The Committee shall have the right and duty to promulgate reasonable standards against which to examine any request made pursuant to this Article, in order to ensure that the proposed plans conform harmoniously to the exterior design and existing materials of the buildings in the Properties.

Section 2. Review of Plans and Specifications. The Committee shall consider and act upon any and all plans and specifications submitted for its approval under this Restated Declaration and perform such other duties as from time to time shall be assigned to it by the Board, including the inspection of construction in progress to assure its conformance with plans approved by the Committee. No construction, alteration, addition, modification, decoration, redecoration or reconstruction of an Improvement in the Properties shall be commenced or maintained, until the plans and specifications therefor showing the nature, kind, shape, height, width, color, materials and location of the same shall have been submitted to the Committee and approved in writing by the Committee. The Committee shall approve plans and specifications submitted for its approval only if it deems that the construction, alterations, or additions contemplated thereby in the locations indicated will not be detrimental to the appearance of the surrounding area of the Properties as a whole, that the appearance of any structure affected thereby will be in harmony with the surrounding structures, that the construction thereof will not detract from the beauty, wholesomeness and attractiveness of the Common Area or the enjoyment thereof by the Members, and that the upkeep and maintenance thereof will not become a burden on the Association. The Committee may condition its approval of proposals or plans and specifications on such changes therein as it

deems appropriate, upon the agreement by the Person (referred to in this Section 2 as "applicant") submitting the same to grant appropriate easements to the Association for the maintenance thereof, or to reimburse the Association for the cost of maintenance, or all three, and may require submission of additional plans and specifications or other information prior to approving or disapproving material submitted. The Committee may also issue rules or guidelines setting forth procedures for the submissions of plans for approval, requiring a fee payable to the Association to accompany each application for approval, or additional factors which it will take into consideration in reviewing submissions. The Committee may provide that the amount of such fee shall be uniform, or that it be determined in any other reasonable manner, such as by the reasonable cost of the construction, alterations or additions contemplated, provided that in no event shall each fee exceed Fifty Dollars (\$50.00). The Committee may require such detail in plans and specifications submitted for its review as it deems proper, including, without limitation, floor plans, site plans, drainage plans, elevation drawings and description or samples of exterior material and colors. Until receipt by the Committee of any required plans and specifications, the Committee may postpone review of any plans submitted for approval. Decisions of the Committee and the reasons therefor shall be transmitted by the Committee to the applicant at the address set forth in the application for approval, within thirty (30) days after receipt by the Committee of all materials required by the Committee. Any application submitted pursuant to this Section 2 shall be deemed approved, unless written disapproval or a request for additional information or materials by the Committee shall have been transmitted to the applicant within thirty (30) days after the date of receipt by the Committee of all required materials.

Section 3. No Waiver of Future Approvals. The approval of the Committee to any proposals or plans and specifications or drawings for any work done or proposed or in connection with any other matter requiring the approval and consent of the Committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any similar proposals, plans and specifications, drawings or matter whatever subsequently or additionally submitted for approval or consent.

Section 4. Compensation of Members. The members of the Committee shall receive no compensation for services rendered, other than reimbursement for expenses incurred by them in the performance of their duties hereunder.

Section 5. Correction of Defects. Inspection of work and correction of defects therein shall proceed as follows:

(a) The Committee or its duly authorized representative may at any time inspect any Improvement for which approval of plans is required under this Article IX; provided, however, that the Committee's right of inspection of Improvements for which plans have been submitted and approved shall terminate sixty (60) days after such work of Improvement shall have been completed and the respective Owner shall have given written notice to the Committee of such completion. The Committee's rights of inspection shall not terminate pursuant to this paragraph in the event plans for the work of Improvement have not previously been submitted to and approved by the Committee. If, as a result of such inspection, the Committee finds that such Improvement was done without obtaining approval of the plans therefor or was not done in substantial compliance with the plans approved by the Committee, it shall notify the Owner in writing of failure to comply with this Article IX within sixty (60) days from the inspection, specifying the particulars of noncompliance. The Committee shall have the authority to require the Owner to take such action as may be necessary to remedy the noncompliance.

(b) If upon the expiration of sixty (60) days from the date of such notification, the Owner shall have failed to remedy such noncompliance, the Committee shall notify the Board in writing of such failure. Upon Notice and Hearing, as provided in the By-Laws, the Board shall determine whether there is a noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. If a noncompliance exists, the Owner shall remedy or remove the same within a period of not more than forty-five (45) days from the date that notice of the Board ruling is given to the Owner. If the Owner does not comply with the Board ruling within such period, the Board, at its option, may record a notice of noncompliance in the Office of the County Recorder of Orange County and may peacefully remove the noncomplying Improvement or otherwise peacefully remedy the noncompliance, and the Owner shall reimburse the Association, upon demand, for all expenses incurred in connection therewith. If such expenses are not

promptly repaid by the Owner to the Association, the Board shall levy a Special Assessment against such Owner for reimbursement as provided in this Restated Declaration. The right of the Association to remove a noncomplying Improvement or otherwise remedy the noncompliance shall be in addition to all other rights and remedies which the Association may have at law, in equity or in this Restated Declaration.

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

Section 6. Nonliability of Committee Members. Neither the Committee, nor any member of the Committee, the Board nor their duly authorized representative shall be liable to the Association, or to any Owner for any loss, damage or injury arising out of or in any way connected with the performance of the Committee's duties hereunder, unless due to the willful misconduct or bad faith of the Committee. The Committee shall review and approve or disapprove all plans submitted to it for any proposed Improvement, alteration or addition, solely on the basis of aesthetic considerations and the overall benefit or detriment which would result to the immediate vicinity and the Properties generally. The Committee shall take into consideration the aesthetic aspects of the architectural designs, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features. The Committee's approval or disapproval shall be based solely on the considerations set forth in this Article IX, and the Committee shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of, any plan or design from the standpoint of structural safety or conformance with building or other codes.

ARTICLE X

DUTIES AND POWERS OF THE ASSOCIATION

In addition to the duties and powers enumerated in its Articles of Incorporation and By-Laws, or elsewhere provided for herein, and without limiting the generality thereof, the Association shall:

(a) Own, maintain, repair and otherwise manage all of the Common Areas and all facilities, improvements and landscaping thereon, and all other property acquired by the Association.

(b) Maintain the Lots and exteriors of the improvements thereon in the manner and subject to the limitations set forth in Article XI.

(c) Pay any real and personal property taxes and other charges which may be assessed against the Common Areas.

(d) Have the authority to obtain, for the benefit of all of the Lots and Common Areas, all commonly metered water, gas and electric service and refuse collection.

(e) Grant easements where necessary for utilities and sewer facilities over the Common Areas to serve the Common Areas and the Lots.

(f) Maintain such policy or policies of insurance as provided herein or as the Board of Directors of the Association may further deem necessary or desirable in furthering the purposes of and protecting the interests of the Association and its members.

(g) With the approval of a majority of the voting power of the Association have the authority to employ a manager or other persons and to contract with independent contractors or managing agents to perform all or any part of the duties and responsibilities of the Association, provided that any contract with a person or firm appointed as a manager or managing agent shall be for a term not in excess of one (1) year, subject to cancellation by the Association for cause at any time upon not less than thirty (30) days written notice, and without cause (and without penalty or the payment of a termination fee) at any time upon not less than ninety (90) days written notice.

ARTICLE XI

MAINTENANCE AND REPAIR OBLIGATIONS

Section 1. Maintenance Obligations of Owners. Subject to the duty of the Association to provide for maintenance as provided in Article XI, Section 3, of this Restated Declaration, it shall be the duty of each Owner, at his sole cost and expense, subject to the provisions of this Restated Declaration regarding Architectural

Committee approval, to maintain, repair, replace and restore areas subject to his exclusive control, in a neat, sanitary and attractive condition. Areas subject to the exclusive control of an Owner shall be deemed to include, but not be limited to, the interior and all glass portions of the Owner's Dwelling Unit and the Patio Area on that individual Owner's Lot. Each Owner shall also be responsible for the repairs or replacements to the Structural Maintenance Areas caused by vandals or by the willful or negligent act of such Owner, his family, guests, tenants or invitees. In the event that any Owner shall permit any Improvement, which is the responsibility of such Owner to maintain, to fall into disrepair or not to be so maintained so as to create a dangerous, unsafe, unsightly or unattractive condition, or to otherwise violate this Restated Declaration, the Board shall have either the right to seek any remedies at law or in equity which it may have, or upon thirty (30) days' prior written notice to the Owner of such Lot, the right, but not the duty, to correct such condition and, after Notice and Hearing, to enter upon such Owner's Lot to make such repairs or to perform such maintenance, and the cost thereof shall be charged to the Owner. Said cost shall be a Special Assessment and shall create a lien enforceable in the same manner as other assessments as set forth in this Restated Declaration.

Section 2. Maintenance Obligations of Association. No Improvement, excavation or work which in any way alters the Structural Maintenance Areas from their natural or existing state shall be made or done by any person other than the Association or its authorized agents, unless such Improvement, excavation or work is approved by the Architectural Committee in accordance with Article IX hereof. The Association shall maintain, or provide for the maintenance of all of the Common Area and all Improvements thereon, including recreational facilities, in good order and repair, and, subject to the maintenance obligations of the Owners, shall likewise provide for the exterior painting and minor repair and replacement as necessary of the Structural Maintenance Areas, commonly metered utilities, and any and all utility laterals and buildings. In addition to building maintenance, the Association shall provide all necessary landscaping and gardening to properly maintain and periodically replace when necessary the trees, plants, grass and other vegetation which is located on the Common Area and on an Owner's Lot up to the foundation lines of the residential dwelling and up to the fences surrounding the Patio Areas. The Association shall further maintain, reconstruct, replace and refinish any paved surface in the Common Area. All of the foregoing obligations of the Association shall be discharged when and in such manner as the Board of Directors of the Association shall determine in their judgment to be appropriate.

Section 3. Damage and Destruction Affecting Residences -- Duty to Rebuild. If all or any portion of any Lot or Dwelling Unit is damaged or destroyed by fire or other casualty, it shall be the duty of the Owner of said Lot or Dwelling Unit to rebuild, repair or reconstruct said Dwelling Unit in a manner which will restore it substantially to its appearance and condition immediately prior to the casualty; provided, however, that if the Association is maintaining a blanket policy of fire insurance covering the Dwelling Unit of such Owner in accordance with Article XV of this Restated Declaration, then it shall be the duty of the Association to make such repairs.

Section 4. Time Limitation. The Owner or Owners of any damaged residence, the Association and the Architectural Committee shall be obligated to proceed with all due diligence hereunder, and the responsible party shall commence reconstruction within three (3) months after the damage occurs and complete reconstruction within six (6) months after damage occurs, unless prevented by causes beyond their reasonable control.

Section 5. Access at Reasonable Hours. For the purpose solely of performing the exterior maintenance authorized by this Article, the Association's agents or employees shall have the right, after reasonable notice to the Owner, to enter upon any Lot or exterior of any Dwelling Unit at reasonable hours.

ARTICLE XII

UTILITIES

Section 1. Rights and Duties. The rights and duties of the Owners of Lots within the Properties with respect to sanitary sewer and water, electricity, gas and telephone lines and facilities shall be governed by the following:

(a) Wherever sanitary sewer house connections and/or water house connections or electricity, gas, or telephone lines are installed within the Properties, which connections or any portion thereof lie in or upon Lots owned by other than the Owner of a Lot served by said connections, the Owners of any Lot served by said connections shall have the right, and are hereby granted an easement to the full extent necessary therefor, to enter upon the Lots or to have the utility companies enter upon the Lots within the Properties in or upon which said connections, or any portion thereof, lie, to repair, replace and generally maintain said connections as and when the same may be necessary as set forth below.

(b) Wherever sanitary sewer house connections and/or water house connections or electricity, gas, or telephone lines are installed within the Properties, which connections serve more than one Lot, the Owner of each Lot served by said connections shall be entitled to the full use and enjoyment of such portions of said connections as service his Lot.

(c) In the event of a dispute between Owners with respect to the repair or rebuilding of said connections, or with respect to the sharing of the cost thereof, then, upon written request of one of such Owners addressed to the Association, the matter shall be submitted to the Board of Directors who shall decide the dispute, and the decision of the Board shall be final and conclusive on the parties.

Section 2. Easements. Easements over the Common Area for the installation and maintenance of electric, telephone, water, gas, and sanitary sewer lines and facilities, and for drainage facilities as shown on the recorded map of the Properties, and as may be hereafter required or needed to service the Properties, are hereby reserved to the Association, together with the right to grant and transfer the same.

ARTICLE XIII

USE RESTRICTIONS

In addition to all other covenants contained herein, the use of the Properties and each Lot therein is subject to the following:

Section 1. Single Family Residence. None of the Lots shall be used except for residential purposes. No building shall be erected, altered, placed or permitted to remain on any such Lot other than a row or townhouse used as a single-family dwelling, and no such building shall exceed the height above ground level specified in the original plans and specifications (on file with the FHA or VA and the City of Cypress, as the case may be) for the improvements to be erected on each Lot. No Lot shall ever be used or caused to be used or allowed or authorized in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending, or other such non-residential purposes.

Section 2. Signs. No sign or billboard of any kind shall be displayed to the public view on any portion of the Properties or any Lot, except one sign for each building site, of not more than eighteen (18) inches by twenty-four (24) inches, advertising the

property for sale or rent. One additional directional sign of equivalent dimensions may be displayed for those Dwelling Units not visible from the street.

Section 3. Nuisances. No noxious or offensive activity shall be carried on upon any Lot or any part of the Properties, nor shall anything be done thereon which may be, or may become, an annoyance or nuisance to the neighborhood, or which shall in any way interfere with the quiet enjoyment of each of the Owners of his respective Dwelling Unit, or which shall in any way increase the rate of insurance.

Section 4. No structure of a temporary character, trailer, basement, tent, shack, garage, barn or other out-building shall be placed upon any portion of the Properties, either temporarily or permanently. No garage, trailer, camper, motor home or recreational vehicle shall be used on any Lot at any time as a residence, either temporarily or permanently.

Section 5. Parking and Vehicular Restrictions. No recreational vehicle, trailer, camper unit, motor home, boat, aircraft or similar vehicle or equipment shall be permitted to remain on any portion of the Properties, except in a garage or carport or upon a parking area designated for such use by the Board of Directors. No Owner shall conduct major repairs or major restorations of any motor vehicle, boat, trailer, aircraft or other vehicle upon any portion of any Lot or upon the Common Area, except wholly within the Owner's garage, and then only when the garage door is closed; provided, however, that such activity shall at no time be permitted if it is determined by the Board or its agent to be a nuisance.

Section 6. No animals, livestock or poultry of any kind, shall be raised, bred or kept on any Lot, except that dogs, cats or other household pets may be kept on the lots, provided they are not kept, bred or maintained for any commercial purpose, or in unreasonable numbers. Notwithstanding the foregoing, no animals or fowl may be kept on the Properties which result in an annoyance or are obnoxious to residents in the vicinity.

Section 7. No oil drilling, oil development operations, oil refining, quarrying, or mining operations of any kind, shall be permitted upon or in any Lot, nor shall oil wells, tanks, tunnels, or mineral excavations or shafts be permitted upon the surface of any Lot or within five hundred (500) feet below the surface of the Properties. No derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted upon any Lot.

Section 8. All rubbish, trash and garbage shall be regularly removed from the Properties, and shall not be allowed to accumulate thereon. All clotheslines, refuse containers, woodpiles, storage areas and machinery and equipment shall be prohibited upon any Lot, unless obscured from view of adjoining Lots and streets by a fence or appropriate screen approved by the Architectural Committee.

ARTICLE XIV

DAMAGE OR DESTRUCTION TO COMMON AREA

Damage to or destruction of all or any portion of the Common Area shall be handled in the following manner, notwithstanding any provision in this Restated Declaration to the contrary:

(a) In the event of damage or destruction to the Common Area, and the insurance proceeds are sufficient to effect total restoration, then the Association shall cause such Common Area to be repaired and reconstructed substantially as it previously existed.

(b) If the insurance proceeds are within Ten Thousand Dollars (\$10,000.00) or less of being sufficient to effect total restoration to the Common Area, then the Association shall cause such Common Area to be repaired and reconstructed substantially as it previously existed, and the difference between the insurance proceeds and the actual cost shall be levied as a Reconstruction Assessment equally against each of the Lot Owners.

(c) If the insurance proceeds are insufficient by more than Ten Thousand Dollars (\$10,000.00) to effect total restoration to the Common Area, then by written consent or vote of a majority of the voting power of the Association, the Members shall determine whether (1) 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 equal Reconstruction Assessments against all Lots, or (2) to rebuild and restore in a way which utilizes all available insurance proceeds and an additional amount not in excess of Ten Thousand Dollars (\$10,000.00), and which is assessable equally to all Owners but which is less expensive than replacing these Improvements in substantially the same manner as they existed prior to being damaged, or (3) subject to the provisions of Article

XVI, to not rebuild and to distribute the available insurance proceeds equally to the Owners and Mortgagees of the Lots as their interests may appear.

(d) Each Member shall be liable to the Association for any damage to the Common Area which may be sustained by reason of the negligence or willful misconduct of said Member, or the Persons deriving their right and easement of use and enjoyment of the Common Area from said Member, or of his respective Family and guests, both minor and adult. The Association reserves the right, after Notice and Hearing, to charge a Special Assessment equal to the increase, if any, in the insurance premium directly attributable to the damage caused by such Member or the Persons for whom such Member may be liable as described herein. In the case of joint ownership of a Lot, the liability of such Owners shall be joint and several, except to the extent that the Association has previously contracted in writing with such joint Owners to the contrary. After Notice and Hearing, the cost of correcting such damage shall be a Special Assessment against the Lot and may be collected as provided herein for the collection of Common Assessments.

ARTICLE XV

INSURANCE

Section 1. Common Area. The Association shall maintain fire insurance with extended coverage endorsements, insuring all buildings, Improvements and fixtures of the Common Area against loss in an amount as near as practicable to the full replacement cost thereof, without deduction for depreciation or coinsurance, and may obtain insurance against such other hazards and casualties as the Association may deem desirable. The Association may also insure any other property whether real or personal, owned by the Association, against loss or damage by fire and such other hazards as the Association may deem desirable, with the Association as the owner and beneficiary of such insurance. The insurance coverage with respect to the Common Area shall be written in the name of, and the proceeds thereof shall be payable to, the Association. Insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried. Premiums for all insurance carried by the Association are common expenses included in the Regular Assessments made by the Association.

Section 2. Blanket Fire Insurance. In addition to casualty insurance on the Common Area, the Association may elect to obtain and continue in effect adequate blanket casualty insurance and fire insurance in such form as the Board of Directors deems appropriate in an amount as near as possible to the full replacement cost without deduction for depreciation of all Dwelling Units, Improvements and fixtures in the Properties, including built-in, or set-in appliances, cabinets and initial basic floor coverings as provided in the original plans and specifications for the Dwelling units. Insurance premiums paid by the Association, shall be a common expense to be included in the regular Assessments of the Owners, as levied by the Association. The Association is hereby granted the authority to negotiate loss settlements with the appropriate insurance carrier or carriers. In no event, however, shall the Association enter into a settlement with an insurance carrier without the written consent of (1) each Owner whose Dwelling Unit was damaged or destroyed, and (2) the Mortgagees of each such Owner to the extent that they desire to exercise the right of prior approval and so notify the Association in writing. In the event such blanket insurance is obtained by the Association, and only for so long as such policy remains in effect, the provisions of Section 3 of this Article shall not be applicable to the Owners. Furthermore, no such blanket insurance shall be obtained without the prior vote or written consent of Members holding 2/3 of the voting power of the Association and the prior written consent of all Mortgagees then of record holding security interests of first priority over other Mortgages or Deeds of Trust in the property to be insured, the consent of which Mortgagees shall not be unreasonably withheld.

Section 3. Insurance Obligations of Owners. In the event the Association does not maintain blanket insurance upon the Dwelling Units and Improvements not owned by the Association, then each Owner shall insure his entire Dwelling Unit, including the structural portions of his Dwelling Unit, against loss or damage by fire or by any other casualty, under the standard form of extended endorsement now in use in the State of California or under such other insurance as may be required by any Mortgagee of the Dwelling Unit. All such insurance shall be in an amount as near as practicable to the full replacement value of the Dwelling Unit, without deduction for depreciation. Each Owner shall, at least ten (10) days prior to the expiration, termination, cancellation or modification of any existing policy, furnish to the Association duplicate copies of policies or certificates thereof, showing that such insurance is currently in force, certified by the insurance company or by its duly authorized agent. All such policies shall contain a provision that the same shall not be

cancelled or terminated except upon at least thirty (30) days' written notice to the Association and each Owner shall notify the Association of the existence or non-existence of any assignment of such insurance maintained by said Owner upon the sale of his Lot.

Section 4. Replacement or Repair of Property. In the event of damage to or destruction of any part of the Common Area facilities, the Dwelling Unit structures or other Improvements in the Properties insured by the Association, the Association shall repair or replace the same from the insurance proceeds available, subject to the provisions of Article XIV of this Restated Declaration. If such insurance proceeds are insufficient to cover the costs of repair or replacement of the property damaged or destroyed, the Association may levy a Reconstruction Assessment against all Lot Owners to cover the additional cost of repair or replacement not covered by the insurance proceeds, in addition to any other Common Assessments made against such Lot Owners, in accordance with the provisions of Article XIV of this Restated Declaration. In the event of total destruction of all of the Improvements in the Properties, the proceeds of the insurance carried by the Association shall be divided proportionately among the Lot Owners, such proportion to be based upon the relative square footage of the Dwelling Units, provided that the balance then due on any valid encumbrance of record shall be first paid in order of priority, before the distribution of any proceeds to an Owner whose Lot is so encumbered.

Section 5. Waiver of Subrogation. all policies of physical damage insurance maintained by the Association shall provide, if reasonably possible, for waiver of: (1) any defense based on co-insurance; (2) any right of set-off; counterclaim, apportionment, proration or contribution by reason of other insurance not carried by the Association; (3) any invalidity, other adverse effect or defense on account of any breach of warranty or condition caused by the Association, any Owner or any tenant of any Owner, or arising from any act, neglect, or omission of any named insured or the respective agents, contractors and employees of any insured; (4) any rights of the insurer to repair, rebuild or replace, and, in the event any Improvement is not repaired, rebuilt or replaced following loss, any right to pay under the insurance an amount less than the replacement value of the Improvements insured or the fair market value thereof; (5) notice of the assignment of any Owner of its interest in the insurance by virtue of a conveyance of any Lot. As to each policy of insurance maintained by the Association, which will not be voided or impaired thereby, the Association hereby waives and releases all claims against the Board, the Owners, the Manager, and the 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 that insurance proceeds are received in compensation for such loss.

Section 6. Liability and Other Insurance. The Association shall have the power to and shall obtain comprehensive public liability insurance, including medical payments, in such limits as it shall deem desirable, insuring against liability for bodily injury, death and property damage arising from the activities of the Association or with respect to property under its jurisdiction, including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured. The Association may also obtain, through the Board, Workmen's Compensation insurance and other liability insurance as it may deem desirable, insuring each Lot Owner and the Association, Board of Directors and Manager, from liability in connection with the Common Area, the premiums for which are common expenses included in the Regular Assessments made against the Owners. All insurance policies shall be reviewed at least annually by the Board of Directors and the limits increased 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 and the Manager thereof 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. Notwithstanding any other provisions herein, the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the requirements for planned unit developments established by the Federal National Mortgage Association ("FNMA"), the Government National Mortgage Association ("GNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"), so long as any of which is a Mortgagee or an Owner of a Lot in the Properties, except to the extent such coverage is not available or has been waived in writing by the FNMA, GNMA and FHLMC, as applicable.

ARTICLE XVI

MORTGAGEE PROTECTION CLAUSE

Notwithstanding any and all provisions hereof to the contrary, in order to induce the FHLMC, the GNMA, and the FNMA to participate in the financing of Lots within the Properties, the following provisions are added hereto (and to the extent these added provisions conflict with any other provisions of this Restated Declaration, these added provisions shall control):

(a) Each first Mortgagee of a Mortgage encumbering any Lot, at his written request, is entitled to written notification from the Association of any default by the Mortgagor of such Lot in the performance of such Mortgage's obligations under this Restated Declaration, the Articles of Incorporation of the Association or the By-Laws of the Association, which default is not cured within thirty (30) days after the Association learns of such default.

(b) Each Owner, including every first Mortgagee of a Mortgage encumbering any Lot which obtains title to such Lot pursuant to the remedies provided in such Mortgage, or by foreclosure of such Mortgage, or by deed (or assignment) in lieu of foreclosure, shall be exempt from any "right of first refusal".

(c) Each first Mortgagee of a Mortgage encumbering any Lot which obtains title to such Lot pursuant to the remedies provided in such Mortgage or by foreclosure of such Mortgage, shall take title to each Lot free and clear of any claims of unpaid assessments or charges against such Lot which accrued prior to the acquisition of title to such Lot by the Mortgagee.

(d) Unless at least seventy-five percent (75%) of first Mortgagees (based upon one vote for each Mortgage owned) or Owners have given their prior written approval, neither the Association nor the Owners shall:

(1) subject to California nonprofit corporation law to the contrary, by act or omission seek to abandon, partition, alienate, subdivide, release, hypothecate, encumber, sell or transfer the Common Area and the Improvements thereon which are owned by the Association;

[The granting of easements for public utilities or for other public purposes consistent with the intended use of such property by the Association shall not be deemed a transfer within the meaning of this clause.]

(2) change the method of determining the obligations, assessments, dues or other charges which may be levied against a Lot

Owner, or the method of allocating distributions of hazard insurance proceeds or condemnation awards;

(3) by act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design of the exterior appearance of the Dwelling Units, the maintenance of the exterior walls or common fences and driveways, or the upkeep of lawns and plantings in the Properties;

(4) fail to maintain Fire and Extended Coverage on insurable Common Area property on a current replacement cost basis in an amount as near as possible to one hundred percent (100%) of the insurance value (based on current replacement cost);

(5) use hazard insurance proceeds for losses to any Common Area property for other than the repair, replacement or reconstruction of such Improvements; or

(6) amend this Declaration or the Articles of Incorporation or By-Laws of the Association in such a manner that the rights of any first Mortgagee will be adversely affected.

(e) First Mortgagees, upon written request, shall have the right to (1) examine the books and records of the Association during normal business hours, (2) require from the Association the submission of audited annual financial reports and other financial data, (3) receive written notice of all meetings of the Members, and (4) designate in writing a representative to attend all such meetings.

(f) All first mortgagees shall be given (1) thirty (30) days' written notice prior to the effective date of any proposed, material amendment to this Declaration or the Articles of Incorporation or By-Laws of the Association and prior to the effective date of any termination of an agreement for professional management of the Properties following a decision of the Owners to assume self-management of the Properties; and (2) immediate notice following any damage to the Common Area whenever

the cost of reconstruction exceeds Ten Thousand Dollars (\$10,000.00), and as soon as the Board learns of any threatened condemnation proceeding or proposed acquisition of any portion of the Properties.

(g) First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any Common Area facilities and may pay any overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for such property, and first Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association.

In addition to the foregoing, the Board of Directors may enter into such contracts or agreements on behalf of the Association as are required in order to satisfy the guidelines of the FHLBC, the FNMA or the GNMA or any similar entity, so as to allow for the purchase, insurance or guaranty, as the case may be, by such entities of first Mortgages encumbering Lots with Dwelling Units thereon. Each Owner hereby agrees that it will benefit the Association and the membership of the Association, as a class of potential Mortgage borrowers and potential sellers of their Dwelling Units if such agencies approve the Properties as a qualifying subdivision under their respective policies, rules and regulations, as adopted from time to time. Mortgagees are hereby authorized to furnish information to the Board concerning the status of any Mortgage encumbering a Lot.

ARTICLE XVII

GENERAL PROVISIONS

Section 1. Enforcement. This Restated Declaration, the Articles of Incorporation and the By-Laws may be enforced by the Association as follows:

(a) Breach of any of the covenants contained in this Restated Declaration or the By-Laws and the continuation of any such breach may be enjoined, abated or remedied by appropriate legal proceedings by any Owner, by the Association or the successors-in-interest of the Association. Any judgment rendered in any action or proceeding pursuant hereto shall include a sum for attorneys' fees in an amount as the court may deem reasonable, in favor of the prevailing party, as well as the amount of any delinquent payment, interest thereon, costs of collection and court costs.

(b) The result of every act or omission whereby any of the covenants contained in this Restated Declaration or the By-Laws are violated in whole or in part is hereby declared to be and constitutes a nuisance, and every remedy allowed by law or equity against a nuisance either public or private shall be applicable against every such result and may be exercised by any Owner, by the Association or its successors-in-interest.

(c) The remedies herein provided for breach of the covenants contained in this Restated Declaration or in the By-Laws shall be deemed cumulative, and none of such remedies shall be deemed exclusive.

(d) The failure of the Association to enforce any of the covenants contained in this Restated Declaration or in the By-Laws shall not constitute a waiver of the right to enforce the same thereafter.

(e) A breach of the covenants, conditions or restrictions contained in this Restated Declaration or in the By-Laws shall not affect or impair the lien or charge of any bona fide first Mortgage or Deed of Trust made in good faith and for value on any residential lot or the Improvements thereon, provided, however, that any subsequent Owner of such property shall be bound by said covenants, whether such Owner's title was acquired by foreclosure in a trustee's sale or otherwise.

Section 2. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 3. Term. The covenants and restrictions of this Restated Declaration shall run with and bind the Properties, and shall inure to the benefit of and be enforceable by the Association or the Owner of any land subject to this Restated Declaration, their respective legal representatives, heirs, successors and assigns, for a term of forty (40) years from March 13, 1969, after which time said covenants, conditions, reservation of easements, equitable servitudes and restrictions shall be automatically extended for successive periods of ten (10) years, unless an instrument, signed by the then Owners of a majority of the Lots, has been recorded, agreeing to change said covenants and restrictions in whole or in part.

Section 4. Interpretation. The provisions of this Restated Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development of a residential community and for the maintenance of community recreational facilities and Common Area. The article and section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction. Unless the context requires a contrary construction, the singular shall include the plural and the plural the singular; and the masculine, feminine and neuter shall each include the masculine, feminine and neuter.

Section 5. Amendments. This Restated Declaration of Covenants and Restrictions may be amended only by an affirmative vote of not less than seventy-five percent (75%) of the Owners, and, further, this amendment provision shall not be amended to allow amendments by vote of less than seventy-five percent (75%) of the Owners.

Section 6. No Public Right or Dedication. Nothing contained in this Declaration shall be deemed to be a gift or dedication of all or any part of the Properties to the public, or for any public use.

Section 7. Constructive Notice and Acceptance. Every person who owns, occupies or acquires any right, title, estate or interest in or to any Lot or other portion of the Properties does and shall be conclusively deemed to have consented and agreed to every limitation, restriction, easement, reservation, condition and covenant contained herein, whether or not any reference to these restrictions is contained in the instrument by which such person acquired an interest in the Properties, or any portion thereof.

Section 8. Encroachment Easement. Each Lot within the Properties is hereby declared to have an easement over all adjoining Lots for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settlement or shifting of the building, or any other cause. There shall be valid easements for the maintenance of said encroachments so long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachment, settlement or shifting; 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 misconduct of said Owner or Owners. In the event a structure on any lot is partially or totally destroyed and then repaired or rebuilt, the Owners of each Lot agree that minor encroachments over adjoining Lots shall be permitted, and that there shall be valid easements for the maintenance of said encroachments so long as they shall exist.

Section 9. 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 delivered forty-eight (48) hours after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to any person at the address given by such person to the Association for the purpose of service of such notice, or to the residence of such person if no address has been given to the Association. Such address may be changed from time to time by notice in writing to the Association.

BY-LAWS
OF
TANGLEWOOD WEST HOMEOWNERS ASSOCIATION

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BY-LAWS
OF
TANGLEWOOD WEST HOMEOWNERS ASSOCIATION

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AMENDED AND RESTATED
BY-LAWS
OF
TANGLEWOOD WEST HOMEOWNERS ASSOCIATION

ARTICLE I
GENERAL PLAN OF OWNERSHIP

Section 1. Name. The name of the corporation is TANGLEWOOD WEST HOMEOWNERS ASSOCIATION, hereinafter referred to as the "Association". The principal office of the Association shall be located in Orange County, California.

Section 2. Application. The provisions of these By-Laws are applicable to the planned residential development known as Tanglewood West Townhomes, located in the City of Cypress, County of Orange, State of California (the "Properties"). All present and future Owners and their tenants, future tenants, employees, and any other person that might use the facilities of the Properties in any manner, are subject to the regulations set forth in these By-Laws and in the Restated Declaration of Covenants, Conditions, and Restrictions for Tanglewood West Townhomes (the "Restated Declaration") recorded in the Office of the Orange County Recorder and applicable to the Properties. The mere acquisition or rental of any Lot in the Properties or the mere act of occupancy of any Lot in the Properties will signify that these By-Laws are acceptable, ratified, and will be complied with.

Section 3. Meaning of Terms. The following terms, as used in these By-Laws shall have the same meanings as are applied to such terms in the Restated Declaration: "Properties", "Common Area", "Lot", "Member", "Owner", "Board", "Mortgage", "Mortgagee", "Association", "Improvement", "Regular Assessments", "Architectural Committee", "Dwelling Unit", "Articles", "Structural Maintenance Area", "Special Assessments", "Capital Improvement Assessments", and "Reconstruction Assessments".

ARTICLE II
VOTING BY ASSOCIATION MEMBERSHIP

Section 1. Voting Rights. Members shall be entitled to one (1) vote for each Lot in which they hold the interest required for membership. When more than one person holds such interest or interests in any Lot, the vote attributable to such Lot shall be exercised in accordance with the provisions of the Restated Declaration.

Section 2. Majority of Quorum. Unless otherwise expressly provided in the Articles, the By-Laws or the Restated Declaration, any action which may be taken by the Association may be taken by a majority of a quorum of the Members of the Association.

Section 3. Quorum. Except as otherwise provided in these By-Laws, the presence in person or by proxy of at least fifty-one percent (51%) of the voting power of the Membership of the Association shall constitute a quorum of the Membership. Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

Section 4. Proxies. Votes may be cast in person or by proxy. Proxies must be in writing and filed with the Secretary at least twenty-four (24) hours before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease after completion of the meeting for which the proxy was filed.

ARTICLE III ADMINISTRATION

Section 1. Association Responsibilities. In accordance with the provisions of the Restated Declaration, the Association shall have the responsibility of administering the Properties, approving the annual budget, establishing and collecting all assessments authorized under the Restated Declaration, and arranging for overall architectural control of the Properties.

Section 2. Place of Meetings of Members. Meetings of the Members shall be held on the Properties or such other suitable place in Orange County as proximate thereto as practicable and convenient to the Members as may be designated by the Board of Directors.

Section 3. Annual Meetings of Members. Regular annual meetings of Members shall be held on the second Wednesday of January of each year at the hour of 7:30 O'clock P.M. If the day for the annual meeting of the Members is a legal holiday, the meeting shall be rescheduled by the Board of Directors to a date not more than seven (7) days from the date on which the annual meeting was originally scheduled. At each annual meeting there shall be elected by ballot of the Members a Board of Directors, in accordance with the requirements of Section 6 of Article IV of these By-Laws. The Members may also transact such other business of the Association as may properly come before them. Each first Mortgagee of a Lot in the Properties may designate a representative to attend all annual meetings of the Members.

Section 4. Special Meetings of Members. Special meetings of Members may be called at any time by the President and it shall be the duty of the President to call a special meeting of the Members, as directed by resolution of a majority of a quorum of the Board of Directors, or upon a petition signed by Members representing at least twenty-five percent (25%) of the total voting power of the Association. The notice

of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice, unless by consent of those Members present, in person or by proxy, representing at least eighty percent (80%) of the voting power of the Association. Each first Mortgagee of a Lot in the Properties may designate a representative to attend all special meetings of the Members.

Section 5. Notice of Meetings of Members. It shall be the duty of the Secretary to mail a notice of each annual or special meeting of Members, stating the purpose thereof as well as the day, hour and place where it is to be held, addressed to each Member of record at the Member's most recent address appearing on the books of the Association or supplied by such Member to the Association for purpose of notice, and to each first mortgagee of a Lot which has filed a written request for notice with the Secretary, at least ten (10) but not more than thirty (30) days prior to such meeting. The mailing of a notice, postage prepaid, in the manner provided in this Section, shall be considered notice served, forty-eight (48) hours after said notice has been deposited in a regular depository of the United States mail. Such notice shall be posted in a conspicuous place on the Common Area, and such notice shall be deemed served upon a Member upon posting if no address has been then furnished the Secretary. The Board of Directors may fix a date in the future as a record date for the determination of the Members entitled to notice of and to vote at any meeting of Members. The record date so fixed shall not be more than thirty (30) days nor less than ten (10) days prior to the date of the meeting. When a record date is so fixed, only Members of record on that date shall be entitled to notice of and to vote at the meeting, notwithstanding any transfer of Memberships on the books of the Association after the record date.

Section 6. Adjourned Meetings. If any meetings of Members cannot be organized because a quorum is not present, the Members who are present, either in person or by proxy, may adjourn the meeting to a time not less than two (2) days nor more than thirty (30) days from the time the original meeting was called, at which meeting the quorum requirement shall be the presence in person or by proxy of the Members holding at least twenty-five percent (25%) of the voting power of the Association. Such adjourned meetings may be held without notice thereof, provided that notice is given by announcement at the meeting at which such adjournment is taken. If a meeting is adjourned for more than thirty (30) days, notice of the adjourned meeting shall be given in the manner provided in Section 5 of this Article III.

Section 7. Order of Business. The order of business at all meetings of the Members shall be as follows:
(a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice;

(c) reading of minutes of preceding meeting; (d) reports of officers; (e) reports of committees; (f) election of inspector of election (at annual meetings or special meetings held for such purpose); (g) election of Directors (at annual meetings or special meetings held for such purpose); (h) unfinished business; and (i) new business. Meetings of Members shall be conducted by the officers of the Association as provided in these By-Laws.

Section 8. Action Without Meeting. Any action, which under the provisions of the California Corporations Code may be taken at a meeting of the Members, may be taken without a meeting if authorized by a writing signed by all of the Members who would be entitled to vote at a meeting for such purpose, and filed with the Secretary.

Section 9. Consent of Absentees. The transactions of any meeting of Members, either annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the Members not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 10. Minutes, Presumption of Notice. Minutes or a similar record of the proceedings of meetings of Members, when signed by the President or Secretary, shall be presumed truthfully to evidence of matters set forth therein. A recitation in the minutes of any such meeting that notice of the meeting was properly given shall be prima facie evidence that such notice was given.

ARTICLE IV BOARD OF DIRECTORS

Section 1. Number of Qualification. The property, business and affairs of the Association shall be governed and managed by a Board of Directors composed of seven (7) persons, each of whom must be resident Owners of Lots in the Properties. The authorized number of Directors of the Association may be increased or decreased from time to time by amendment of these By-Laws; provided, however, that in no event shall there be less than five (5) Directors. Directors shall not receive any salary or compensation for their services as Directors unless such compensation is first approved by a majority of the voting power of the Association; provided, however, that (1) nothing herein contained shall be construed to preclude any Director from serving the Association in some other capacity and receiving compensation therefor, and (2) any Director may be reimbursed

for his actual expenses incurred in the performance of such Director's duties.

Section 2. Powers and Duties. The Board of Directors has the powers and duties necessary for the conduct, management, control and administration of the affairs of the Association and may do all such acts and things as are not by law or by these By-Laws directed to be exercised and done exclusively by the Members.

Section 3. Special Powers and Duties. Without prejudice to such foregoing general powers and duties and such powers and duties as are set forth in the Restated Declaration, the Board of Directors is vested with, and responsible for, the following powers and duties:

(a) To select, appoint, and remove all officers, agents, and employees of the Association, to prescribe such powers and duties for them as may be consistent with law, with the Articles of Incorporation, the Restated Declaration and these By-Laws; to fix their compensation and to cause all officers and employees having fiscal responsibilities to be bonded, as the Board may deem appropriate.

(b) To change the principal office for the transaction of the business of the Association from one location to another within the County of Orange, as provided in Article I hereof; to designate any place within said County for the holding of any annual or special meeting or meetings of Members consistent with the provisions of Article III, Section 2 hereof; and to adopt and use a corporate seal and to alter the form of such seal from time to time, as the Board, in its sole judgment, may deem best, provided that such seal shall at all times comply with the provisions of law.

(c) With the approval of Members representing at least two-thirds (2/3rds) of the voting power of the Association, to borrow money and to incur indebtedness for the purposes of the Association, and to cause to be executed and delivered therefor, in the Association's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor.

(d) To fix and levy from time to time Regular Assessments, Special Assessments, and Reconstruction Assessments upon the Members, as provided in the Restated Declaration; to fix and levy from time to time in any fiscal year Capital Improvement Assessments applicable to that year only for capital improvements; to determine and fix the due date for the payment of such assessments, and the date upon which the same shall become delinquent; provided, however, that such assessments shall be fixed and levied only to provide for the payment of the expenses of the Association and of taxes and assessments upon real or personal property owned, leased, controlled or occupied

by the Association, or for the payment of expenses for labor rendered or materials or supplies used and consumed, or equipment and appliances furnished for the maintenance, improvement or development of such property or for the payment of any and all obligations in relation thereto or in performing or causing to be performed any of the purposes of the Association for the general benefit and welfare of its Members, in accordance with the provisions of the Restated Declaration. The Board of Directors is hereby authorized to incur any and all such expenditures for any of the foregoing purposes and to provide, or cause to be provided, adequate reserves for replacements as it shall deem to be necessary or advisable in the interest of the Association or welfare of its Members. The funds collected by the Board of Directors from the Members, attributable to replacement reserves for maintenance recurring less frequently than annually, and for capital improvements, shall at all times be held in trust for the Members and shall not be commingled with other assessments collected from the Members. Disbursements from such trust reserve fund shall be made only in accordance with the provisions of the Restated Declaration. Such Regular Assessments, Reconstruction Assessments, Special Assessments and Capital Improvement Assessments shall be fixed in accordance with the provisions of the Restated Declaration. Should any Member fail to pay such Assessments before delinquency, the Board of Directors in its discretion is authorized to enforce the payment of such delinquent assessments as provided in the Restated Declaration.

(e) To enforce the provisions of the Restated Declaration covering the Properties, these By-Laws or other agreements of the Association.

(f) To contract for and pay fire, casualty, errors and omissions, blanket liability, malicious mischief, vandalism, liquor liability and other insurance, insuring the Members, the Association, the Board of Directors and other interested parties, in accordance with the provisions of the Restated Declaration, covering and protecting against such damages or injuries as the Board deems advisable (which may include without limitation, medical expenses of persons injured on the Common Area). The Board shall review, not less frequently than annually, all insurance policies and bonds obtained by the Board on behalf of the Association.

(g) To contract for and pay maintenance, gardening, utilities, materials and supplies, and services relating to the Common Area and the Structural Maintenance Areas, and to employ personnel necessary for the operation of the Properties, including legal and accounting services, and to contract for and pay for improvements and any recreational facilities on the Common Area.

(h) To delegate its powers according to law, and subject to the approval of the Members, to adopt these By-Laws.

(i) To grant easements where necessary for utilities and sewer facilities over the Common Areas to serve the Properties.

(j) To fix, determine and name from time to time, if necessary or advisable, the public agency, fund, foundation or corporation which is then or there organized or operated for charitable purposes, to which the assets of this Association shall be distributed upon liquidation or dissolution, according to the Articles of Incorporation of the Association. The assets so distributed shall be those remaining after satisfaction of all just debts and obligations of the Association, and after distribution of all property held or acquired by the Association under the terms of a specific trust or trusts.

(k) To adopt, publish, distribute and enforce such rules and regulations as the Board may deem necessary for the management of the Properties, which rules and regulations shall become effective and binding after (1) they are adopted by a majority of the Board at a meeting, or by the written consent of such number of Directors attached to a copy of the rules and regulations of the Association, and (2) they are posted in a conspicuous place in the Common Area. Such rules and regulations may concern, without limitation, use of the Association Property; signs, parking restrictions, minimum standards of property maintenance consistent with the Restated Declaration and the procedures of the Architectural Committee; and any other matter within the jurisdiction of the Association as provided in the Restated Declaration; provided, however, that such rules and regulations shall be enforceable only to the extent that they are consistent with the Restated Declaration, the Articles of Incorporation and these By-Laws.

(l) To keep, or cause to be kept, a complete record of all acts and corporate affairs of the Association and to present a statement thereof to the Members at the annual meeting of the Members and at any other time that such statement is requested by at least twenty percent (20%) of the Members who are entitled to vote.

(m) To sell property of the Association, provided, however, that the prior vote or written approval of Members entitled to cast at least two-thirds (2/3rds) of the voting power of the Association must be obtained to sell during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for the fiscal year.

(n) With the approval of a majority of the voting power of the Association, to contract with a professional manager or managing agent to perform all or any part of the duties and responsibilities of the Association, provided that any contract with a person or firm appointed as a manager or managing agent shall be in accordance with the provisions of the Restated Declaration.

(c) To declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors.

(p) With the approval of two thirds (2/3rds) of the voting power of the Association, fix reasonable admission and other fees for the use of any recreational facilities situated upon the Common Areas.

Section 4. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at meetings held for the purpose of electing Directors. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting, and each appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations shall be made from among members of the Association.

Section 5. Election and Term of Office. Commencing with the annual meeting of the members held in 1978, the three (3) Directors receiving the highest number of votes shall each be elected for a term of two (2) years, and the four (4) Directors receiving the fewest number of votes shall each be elected for a term of one (1) year. At each annual meeting thereafter, new Directors shall be elected to fill vacancies created by resignations or expirations of the terms of past Directors. In the event that an annual meeting is not held, or the Board is not elected thereat, the Board may be elected at any special meeting of the Members held for that purpose. Unless a Director resigns before expiration of his term of office, each Director shall hold his office until his successor has been elected and the first meeting involving such successor is held. Following the annual meeting for 1978, the term of office of each Director elected to fill a vacancy created by the expiration of the term of office of the respective past Director shall be for two (2) years. Any person serving as a Director may be re-elected, and there shall be no limitation on the number of terms during which he may serve. Each member may accumulate his votes for the election and removal of Directors as provided in this Article IV. At any election of the Board, each Member may accumulate his votes by giving one or more candidate for Director a number of votes equal to the number of Lots owned by the Member, multiplied by the number of Directors to be elected.

Section 6. Removal of Directors. At any regular or special meeting of the Members duly called, any one or more

of the Directors may be removed with or without cause by a majority vote of a quorum of Members, and successor Directors may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting. If more than one Director is to be removed at any one time, each Member may accumulate his votes and vote for or against such removal of one or more of the Directors a number of votes equal to the number of lots owned by such Member, multiplied by the number of Directors sought to be removed. Where the entire Board of Directors is not removed at one time, no Director shall be removed if the number of votes cast against his removal exceeds the quotient arrived at when the total number of Lots in the Properties is divided by one (1) plus the authorized number of Directors.

Section 7. Vacancies. A vacancy within the Board of Directors shall be deemed to exist in the case of the death, resignation or removal of any director (the "Predecessor Director") or if the Members of the Association shall increase the authorized number of Directors but shall fail at the meeting at which such increase is authorized, or at any adjournment thereof, to elect additional Directors so provided for, or in the case where the Members of the Association fail at any time to elect the full number of authorized Directors. Vacancies in the Board may be filled by a majority of the remaining Directors, though less than a quorum, and each Director so elected (the "Interim Director") shall hold office until his successor (the "Successor Director") is elected at an annual meeting of the Association or at a special meeting of the Association called for that purpose. The Members of the Association may at any time elect Directors to fill any vacancy not filled by the Directors, and may elect the additional Directors at the meeting at which an amendment of the By-Laws is voted authorizing an increase in the number of Directors. If any Director tenders his resignation to the Board of Directors, the Board shall have the power to elect an Interim Director to take office at such time as the resignation shall become effective. The term of office of any Successor Director elected by the Members shall be either (a) the balance, if any, of the unserved term of his respective Predecessor Director, or (b) two (2) years if the term of such Predecessor Director is then expired. No reduction of the number of Directors shall have the effect of removing any Director prior to the expiration of his term of office.

Section 8. Organization Meeting of Board. The first regular ("Organization") meeting of a newly elected Board of Directors shall be held within ten (10) days of election of the Board, at such place as shall be fixed and announced by the Directors at the meeting at which such Directors were elected, for the purpose of organization, election of officers and the transaction of other business. No notice shall be necessary to the newly elected Directors in order legally to constitute

such meeting, provided a majority of the whole Board shall be present when the time and place are announced.

Section 9. Regular Meetings of Board. Regular meetings of the Board of Directors shall be open to all Members; provided that Members who are not Directors may not participate in any deliberations or discussions at such regular meetings unless expressly so authorized by a vote of a majority of quorum of the Board of Directors. Regular meetings of the Board shall be held monthly at such day, hour and place on the Properties; or such other suitable place as proximate thereto as is practicable and convenient, as may be fixed, from time to time, by resolution of the Board. Notice of regular meetings shall not be required as long as such regular meetings are held according to the scheduled time and place previously fixed by the Board. Should a regular meeting fall upon a legal holiday, then that meeting shall be rescheduled by the Board and held on a date within fourteen (14) days of the originally scheduled meeting. Notice of the time and place of rescheduled regular meetings of the Board of Directors shall be given to each Director, personally or by mail as provided in Section 11 of this Article, at least seventy-two (72) hours prior to the date named for such meeting, and shall be posted at a prominent place or places within the Common Area.

Section 10. Special Meetings of Board. Special meetings of the Board of Directors shall be open to all Members; provided, that Members who are not Directors may not participate in any deliberations or discussions at such special meetings, unless expressly so authorized by a vote of a majority of a quorum of the Board of Directors. Special meetings may be called by the President (or, if he is absent or refuses to act, by the Vice President) or by any two (2) Directors. At least seventy-two (72) hours notice of special or rescheduled regular meetings shall be given to each Director, personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and the purpose of the meeting, and shall be posted at a prominent place or places within the Common Area. If served by mail, each such notice shall be sent, postage prepaid, to the address of each Director as reflected on the records of the Association, and shall be deemed given, if not actually received earlier, at 5:00 o'clock p.m. on the second day after it is deposited in a regular depository of the United States mail as provided herein. Whenever any Director has been absent from any special or rescheduled regular meeting of the Board, an entry in the minutes to the effect that notice has been duly given shall be conclusive and incontrovertible evidence that due notice of such meeting was given to such Director, as required by law and as provided herein.

Section 11. Waiver of Notice. Any Director may, in writing, waive notice of any meeting of the Board of Directors for which notice is required, and such waiver shall be deemed equivalent to the giving of such notice. Attendance

by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting. The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present, and if, either before or after the meeting, each of the Directors not present signs such a written waiver of notice, a consent to holding such meeting, or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the records of the Association or made a part of the minutes of the meeting.

Section 12. Quorum and Adjournment. Except as otherwise expressly provided herein, at all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If at any meeting of the Board of Directors, there is less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice. The Board may, with the approval of a majority of a quorum of the Directors, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 13. Action Without Meeting. The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the vote or written consent of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

Section 14. Books, Audit. The Board of Directors shall cause to be maintained a full set of books and records showing the financial condition of the affairs of the Association in a manner consistent with generally accepted accounting principles, and at no greater than annual intervals shall obtain an independent certified audit of such books and records. A copy of each such audit shall be delivered to a Member within thirty (30) days after the completion of such audit upon written request from a Member. An annual balance sheet and an annual audited operating (income) statement for the Association shall be prepared and distributed to each Member (and to any institutional holder of a first Mortgage on a Lot in the Properties upon request) prepared as of the last day of the Association's fiscal year and, within ninety (90) days of such accounting date.

All Books, records and papers of the Association shall be made available for inspection and copying by any Member or his duly appointed representative during reasonable business hours at the principal office of the Association or at such other place within the Properties as the Board may prescribe. The Board shall establish reasonable rules with respect to (1) notice to be given to the custodian of the records by the Member desiring to make the inspection, (2) hours and days of the week when such an inspection may be made and (3) payment of the cost of reproducing copies of documents requested by a Member. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association, and the physical properties owned or controlled by the Association. The right of the inspection by a Director shall include the right to make extracts and copies of documents.

Section 15. Fidelity Bonds. The Board of Directors may require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

Section 16. Committees. The Board of Directors shall appoint an Architectural Committee as provided in the Restated Declaration, and a Nominating Committee as provided in these By-Laws. The Board of Directors, by resolution, may from time to time designate such additional committees as it shall desire, and may establish the purposes and powers of each such committee created. The resolution designating and establishing the committee shall provide for the appointment of its members, as well as a chairman, shall state the purposes of the committee, and shall provide for reports, termination, and other administrative matters as deemed appropriate by the Board. Such additional committees may include, but need not be limited to the following:

(a) A Recreation Committee which shall advise the Board of Directors on all matters pertaining to the recreational program and activities of the Association, and shall perform such other functions as the Board, in its discretion determines;

(b) A Maintenance Committee which shall advise the Board of Directors on all matters pertaining to the maintenance, repair or improvement of the Properties, and shall perform such other functions as the Board, in its discretion, determines;

(c) A Publicity Committee which shall inform the Members of activities and functions of the Association and shall, after consulting with the Board of Directors, make such public releases and announcements as are deemed to be in the best interests of the Association; and

(d) An Audit Committee which shall supervise the annual audit of the Association's books and approve the annual budget and statement of income and expenditures to be presented to the membership at its regular annual meeting, as provided in Section 15 of this Article. The Treasurer shall be an ex officio member of the Committee.

It shall be the duty of each committee to receive complaints from members on any matter involving Association functions, duties, and activities within its field of responsibility. It shall dispose of such complaints as it deems appropriate, or refer them to such other Committee, Director or Officer of the Association as is further concerned with the matter presented.

ARTICLE V OFFICERS

Section 1. Designation. The principal officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an Assistant Treasurer and an Assistant Secretary, and such other officers as in their judgment may be necessary. Officers other than the President and Vice President need not be Directors. The Office of Secretary and Treasurer may be held by the same person, but no person may concurrently hold the office of the President, Vice President or Secretary.

Section 2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the Organization Meeting of each new Board of Directors, and each officer shall hold his office at the pleasure of the Board of Directors, until he shall resign or be removed or otherwise disqualified to serve or his successor shall be elected and qualified to serve.

Section 3. Removal of Officers. Upon an affirmative vote of a majority of the entire Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors, called for such purpose. Any officer may resign at any time by giving written notice to the Board or to the President or Secretary of the Association. Any such resignation shall take effect on the date of receipt of such notice or at any later time specified therein; and unless otherwise specified in said notice, acceptance of such resignation by the Board shall not be necessary to make it effective.

Section 4. Compensation. Officers, agents, and employees shall receive such reasonable compensation for their

services as may be authorized or ratified by the Board; provided, however, that no officer shall receive any compensation for services performed in the conduct of the Association's business unless such compensation is approved by the vote or written consent of Members representing at least a majority of the voting power; and provided further, that (1) nothing herein contained shall be construed to preclude any officer from serving the Association in some other capacity and receiving compensation therefore; and (2) any officer may be reimbursed for his actual expenses incurred in the performance of his duties. Appointment of any officer, agent, or employee shall not of itself create contractual rights of compensation for services performed by such officer, agent, or employee.

Section 5. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of the President of a corporation, including but not limited to the power, subject to the provisions of Article IV, Section 17, to appoint committees from among the Members from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association. The President shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business of the Association. The President shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes of the Association.

Section 6. Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent, disabled, refuses or is unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board to so do on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors or these By-Laws of the Association.

Section 7. Secretary. The Secretary shall record the votes and keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association at the principal office of the Association or at such other place as the Board of Directors may order. The Secretary shall keep the seal of the Association in safe custody and shall have charge of such books and papers as the Board of Directors may direct; and the Secretary shall, in general, perform all of the duties incident to the office of Secretary. The Secretary shall maintain a record book of Members, listing the names and addresses of the Members as furnished the Association, and such books shall be changed only at such time as satisfactory evidence of a change in ownership of a Lot is presented to the

Secretary. The Secretary shall perform such other duties as may be prescribed by the Board of Directors.

Section 3. Treasurer. The Treasurer shall have responsibility for Association funds and securities and shall be responsible for keeping, or causing to be kept, full and accurate accounts, tax records and business transactions of the Association, including accounts of all assets, liabilities, receipts and disbursements in books belonging to the Association. The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board of Directors, and shall cause an annual audit of the Association's books to be made at the completion of each fiscal year; the Treasurer shall disburse the funds of the Association as may be ordered by the Board of Directors, in accordance with the Restated Declaration, shall sign all checks and promissory notes of the Association, shall render to the President and Directors, upon request, an account of all of his transactions as Treasurer and of the financial conditions of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these By-Laws.

ARTICLE VI OBLIGATIONS OF MEMBERS

Section 1. Assessments.

(a) All Members are obligated to pay, in accordance with the provisions of the Restated Declaration, all assessments imposed by the Association, to meet all common expenses of the Association.

(b) All delinquent assessments shall be enforced, collected or foreclosed in the manner provided in the Restated Declaration.

Section 2. Maintenance and Repair.

(a) Every Member must perform promptly, at his sole cost and expense, all maintenance and repair work on his Lot, as required under the provisions of the Restated Declaration. As further provided in the Restated Declaration, all plans for alterations and repair of Improvements on the Lots within the Properties must receive the prior written consent of the Architectural Committee. The Architectural Committee shall establish reasonable procedures for the granting of such approval, in accordance with the Restated Declaration.

(b) As further provided in the Restated Declaration, each Member shall reimburse the Association for any expenditures incurred in repairing or replacing any portions

of the Common Area or Structural Maintenance Area, which are damaged through the fault or neglect of such Member. Such expenditures shall include all court costs and reasonable attorneys' fees incurred in enforcing any provision of these By-Laws or the Restated Declaration.

ARTICLE VII AMENDMENT TO BY-LAWS

These By-Laws may be amended by the Association in a duly constituted meeting of the Members for such purpose. No amendment to these By-Laws shall take effect unless approved by at least a majority of a quorum of Members present, in person or by proxy, at a duly constituted regular or special meeting of the Members. The prior written approval of each institutional holder of a first deed of trust lien of record made in good faith and for value on a Lot in the Properties must be secured before any material amendment to these By-Laws may take effect which adversely affects the rights of any such institutional holder, and this sentence may not be amended without such prior written approval. The term "institutional holder" as used herein shall mean a Mortgagee which is a bank or savings and loan association or established mortgage company, or other entity chartered under federal or state laws, any corporation or insurance company, or any federal or state agency.

ARTICLE VIII MORTGAGEE

Section 1. Notice to Association. A Member who mortgages his Lot shall notify the Association of the name and address of his mortgagee, which notice shall be given through the Manager or the Secretary of the Association in the event there is no Manager. The Association shall maintain such information in a book entitled "Mortgagees of Lots". Any such Member shall likewise notify the Association as to the release or discharge of any such Mortgage.

Section 2. Notice of Unpaid Assessments. The Board of Directors of the Association shall, at the request of a Mortgagee of a Lot, report any unpaid assessments due from the Owner of such Lot, in accordance with the provisions of the Restated Declaration.

ARTICLE IX CONFLICTING PROVISIONS

In case any of these By-Laws conflict with any provisions of the laws of the State of California, such conflicting By-Laws shall be null and void upon final court determination to such effect, but all other By-Laws shall remain in full force

and effect. In case of any conflict between the Articles and these By-Laws, the Articles shall control; and in the case of any conflict between the Restated Declaration and these By-Laws, the Restated Declaration shall control.

ARTICLE X INDEMNIFICATION OF DIRECTORS AND OFFICERS

Except to the extent that such liability or damage or injury is covered by insurance proceeds, the Board of Directors may or shall (as appropriate) authorize the Association to pay expenses incurred by, or to satisfy a judgment or fine rendered or levied against, a present or former Director, officer, committee member, or employee of the Association in an action brought by a third party against such person, whether or not the Association is joined as a party defendant, to impose a liability or penalty on such person for an act alleged to have been committed by such person while a Director, officer, committee member or employee; provided the Board of Directors determines in good faith that such Director, officer or employee was acting in good faith within what he reasonably believed to be the scope of his employment or authority and for a purpose which he reasonably believed to be in the best interests of the Association or its Members; and provided, further, that the payment of such expenses is otherwise permitted or required pursuant to the applicable provisions of the California Corporations Code. Payments authorized hereunder include amounts paid and expenses incurred in settling any such action or threatened action. The provisions of this Section shall apply to the estate, executor, administrator, heirs, legatees, or devisees of a Director, officer, committee member, or employee, and the term "Person" where used in the foregoing Section shall include the estate, executor, administrator, heirs, legatees, or devisees of such person.

ARTICLE XI NOTICE AND HEARING

Section 1. Suspension After Hearing. The Board of Directors or a Committee duly appointed by the Board to act in such matters, after notice and hearing and by a majority vote, shall have the right to suspend the voting rights and rights of a Member to use the recreational facilities of the Association for:

- a) His failure to pay any regular or special assessments. Such suspension shall not exceed the period for which said payment remains delinquent; and
- b) His violation of the rules and regulations of the Association, provided that suspension for such cause shall not exceed thirty (30) days for any single violation.

Section 2. Notices. Before any action may be taken which requires notice and hearing under these By-Laws

or the Restated Declaration, at least ten (10) days written notice must be given to such Member, specifying the charges and stating the time and place of hearing on such charge. At such hearing, the Member shall be given an opportunity to be heard and to present evidence in answer to such charge.

ARTICLE XII
MISCELLANEOUS

Section 1. Execution of Documents. The Board of Directors, except as in these By-Laws otherwise provided, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name and on behalf of the Association, and such authority may be general or confined to specific instances; and unless so authorized by the Board of Directors, no officer, agent, committee member, or employee shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 2. Inspection of Documents. The Association shall keep in its office for the transaction of business the original or a copy of these By-Laws, certified by the Secretary, the Articles and the Restated Declaration, as amended or otherwise altered to date, which shall be open to inspection and copying by the Members and all first Mortgagees. The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Members.

Section 3. Fiscal Year. The fiscal year of the Association shall be determined by the Board of Directors, and having been so determined, is subject to change from time to time as the Board of Directors shall determine.

Section 4. Membership Book. The Association shall keep and maintain in its office for the transaction of business a book containing the name and address of each Member. Termination or transfer of ownership of any Lot by a Member shall be recorded in the book, together with the date on which such ownership was transferred, in accordance with the provisions of the Restated Declaration.