

***This document has been transcribed by google and
may contain errors.***

**BY-LAWS OF
CAPISTRANO VILLAS HOMEOWNERS ASSOCIATION
NO. 1 #9585523**

ARTICLE I : PLAN OF CONDOMINIUM OWNERSHIP

Section 1. Name.

The name of the corporation is CAPISTRANO VILLAS HOMEOWNERS ASSOCIATION NO. 1, hereinafter referred to as the "Association". The principal office of the corporation shall be located in Orange County, California.

Section 2. Apartment Ownership.

The condominium project and Lot 13 is located in the City of San Juan Capistrano, County of Orange, State of California, as shown on that certain Tract Map No. 7183, recorded in Book 273 1 to 16 Pages Miscellaneous Maps, Records of Orange County, California, on inclusive, of November 23 1970.

Section 3. By-Laws Applicability.

The provisions of these By-Laws are applicable to the project and Lot 13. (The term "project" as used herein shall include the land and all structures and improvements thereon but not including Lot 13).

Section 4. Personal Application.

All present or future owners, tenants, future tenants, or their employees, or any other person that might use the facilities of the project in any manner are subject to the regulations set forth in these By-Laws and to the Regulatory Agreement, attached as Exhibit "C" to the recorded or to be recorded Declarations of Restrictions - (Enabling Declaration Establishing a Plan for Condominium Ownership) applicable to the property or any portion thereof, and as the same may be amended from time to time as herein provided, (the "Declaration" herein).

1 EXHIBIT B-page 8 #9535630

The mere acquisition or rental of any of the family units (hereinafter referred to as "units") of the project or the mere act of occupancy of any of the units will signify that these By-Laws and the provisions of the Regulatory Agreement are accepted, ratified, and will be complied with.

Section 5.

"Owner" shall mean and refer to the record owner, whether one or more persons or entities of the fee title to a unit, together with an undivided fractional fee interest as a tenant in common in the common area, all as more particularly described in the declaration of restrictions, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

ARTICLE II : VOTING, MAJORITY OF OWNERS, QUORUM, PROXIES

Section 1. Voting.

Voting shall be on a percentage basis and the percentage of the vote to which the owner is entitled is the percentage assigned to his condominium or condominiums in paragraph F in the Declaration.

Section 2. Majority of Owners.

As used in these By-Laws the term "majority of owners" shall mean those owners holding 51% of the votes in accordance with the percentages assigned in the Declaration.

Section 3. Quorum.

Except as otherwise provided in these By-Laws, the presence in person or by proxy of a "majority of owners" as defined in Section 2 of this Article shall constitute a quorum.

Section 4. Proxies.

Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time of each meeting.

ARTICLE III : ADMINISTRATION

Section 1. Association Responsibilities.

The owners of the units will constitute the Association of Owners (hereinafter referred to as "Association"), who will have the responsibility of administering the project and Lot 13, approving the annual budget, establishing and collecting monthly assessments and arranging for the management of the project and Lot 13 pursuant to an agreement, containing provisions relating to the duties, obligations, removal and compensation of a management agent. Except as otherwise provided, decisions and resolutions of the Association shall require approval by a majority of owners.

Section 2. Place of Meetings.

Meetings of the Association shall be held at the principal office of the project or such other suitable place convenient to the owners as may be designated by the Board of Directors.

Section 3. Annual Meetings.

The first annual meeting of the Association shall be held on February 15, 1971. Thereafter, the annual meetings of the Association shall be held on the second Wednesday of February each succeeding year. At such meetings there shall be elected by ballot of the owners, a Board of Directors in accordance with the requirements of Section 5 of Article IV of these By-Laws. The owners may also transact such other business of the Association as may properly come before them.

Section 4. Special Meetings.

It shall be the duty of the President to call a special meeting of the owners as directed by resolution of the Board of Directors or upon a petition signed by a majority of the owners and having been presented to the Secretary, or at the request of the Federal Housing Commissioner or his duly authorized representative. 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 four-fifths of the owners present, either in person or by proxy.

Section 5. First Meeting.

The first meeting of the owners must be held after 51% of the units have been sold or within one year after the sale of the first lot in the project, whichever occurs first.

Section 6. Notice of Meetings.

It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each owner of record, at least 5 but not more than 10 days prior to such meeting. The mailing of a notice in the manner provided in this Section shall be considered a notice served. Notices of all meetings shall be mailed to the Director of the local insuring office of the Federal Housing Administration.

Section 7. Adjourned Meetings.

If any meeting of owners cannot be organized because a quorum has not attended, the owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than 48 hours from the time the original meeting was called.

Section 8. Order of Business.

The order of business at all meetings of the owners of units shall be as follows: (a) roll call; (b) proof of notice of meeting or waiver of notice; (c) reading of Minutes of preceding meeting; (d) reports of officers; (e) report of Federal Housing Administration representative, if present; (f) report of committees; (g) election of inspectors of election; (h) election of directors; (i) unfinished; and (j) new business.

Section 9 Action without Meeting.

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

ARTICLE IV : BOARD OF DIRECTORS

Section 1. Number and Qualification.

The affairs of the Association shall be governed by a Board of Directors composed of five persons all of whom must be owners of condominiums in the project, except the first Directors.

Section 2. Powers and Duties.

The Board of Directors shall have the powers and duties necessary for the 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 by the owners.

Section 3. Other Duties.

In addition to duties imposed by these By-Laws or by resolution of the Association, the Board of Directors shall be responsible for the following: (a) care, upkeep and surveillance of the project, the common areas and facilities and all the property lying West of the Westerly line of Avenida de la Vista, as shown on that certain Tract Map 7183 mentioned hereinabove; (b) collection of monthly and special assessments from the owners; and (c) designation and dismissal of the personnel necessary for the maintenance and operation of the project, the common areas and facilities and the property hereinabove described lying West of the Westerly line of Avenida de la Vista.

Section 4. Management Agent.

The Board of Directors may employ for the Association a management agent at a compensation established by the Board to perform such duties and services as the Board shall authorize including, but not limited to, the duties listed in Section 3 of this Article.

Section 5. Election and Term of Office.

At the first annual meeting of the Association the term of office of two Directors shall be fixed for three years. The term of office of Two Directors shall be fixed at two At years, and the term of office of one Director shall be fixed at one year. the expiration of the initial term of office of each respective Director, his successor shall be elected to serve a term of three years. The Directors

shall hold office until their successors have been elected and hold their first meeting. There shall be cumulative voting for the election of officers.

Section 6. Vacancies.

Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Association shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected at the next annual meeting of the Association.

Section 7. Removal of Directors.

At any regular or special meeting duly called, any one or more of the Directors may be removed with or without cause by a majority of the owners and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the owners shall be given an opportunity to be heard at the meeting. There shall be cumulative voting in the removal of Directors.

Section 8. Organization Meeting.

The first meeting of a newly elected Board of Directors shall be held within 10 days of election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, providing a majority of the whole Board shall be present.

Section 9. Regular Meetings.

Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors, but at least two such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, at least three days prior to the day named for such meeting.

Section 10. Special Meetings.

Special meetings of the Board of Directors may be called by the President on three days notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least three Directors

Section 11.. Waiver of Notice.

Before or at any meeting of the Board of Directors, any director may, in writing, waive notice of such meeting 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 If all the Directors waiver of notice by him of the time and place thereof. are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 12. Board of Directors' Quorum.

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 be 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.

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 written approval of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

Section 14. Fidelity Bonds.

The Board of Directors shall 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.

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 and from the Board of Directors. The Directors may appoint an assistant treasurer, and an assistant secretary, and such other officers as in their judgment may be necessary.

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 and shall hold office at the pleasure of the Board.

Section 3. Removal of Officers.

Upon an affirmative vote of a majority of the members of the 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 any special meeting of the Board called for such purpose.

Section 4. 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 president of an Association, including but not limited to the power to appoint committees from among the owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

Section 5. Vice-President.

The Vice-President shall take the place of the President and perform his duties whenever the President shall be absent or 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 duties as shall from time to time be imposed upon him by the Board of Directors.

Section 6. Secretary.

The Secretary shall keep the Minutes of all meetings of the Board of Directors and the Minutes of all meetings of the Association; he shall have charge of such books and papers as the Board of Directors may direct; and he shall, in general perform all the duties incident to the office of Secretary.

Section 7. Treasurer.

The Treasurer shall have responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all moneys 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.

ARTICLE VI : OBLIGATIONS OF THE OWNERS

Section 1. Assessments.

(a) All owners are obligated to pay monthly (and any special) assessments imposed by the Association to meet all communal expenses dealing with the project and Lot 13, and the property hereinabove described lying West of the Westerly line of Avenida de la Vista, which may include a liability insurance policy premium and an insurance premium for a policy to cover repair and reconstruction work in case of hurricane, fire, earthquake, or other hazard. The assessments shall be made pro rata according to the proportionate shares of each condominium owner, as stipulated in paragraph F of the Declaration. Such assessments shall include monthly payments to a General Operating Reserve and a Reserve Fund for Replacements as required in the Regulatory Agreement attached as Exhibit "C" of the Declaration. Not later than 30 days prior to the beginning of each calendar year, the Association

shall estimate the total charges to be assessed against each condominium. Each owner thereof shall thereafter pay to the Association his assessment in 12 equal monthly installments, each installment to be paid on or before the 10th day of each month. In the event the Association shall determine that the estimate of total charges for the current year is, or will become, inadequate to meet all expenses of the project for any reason, including nonpayment of any owner's assessment on a current basis, it shall immediately determine the approximate amount of such inadequacy and issue a supplemental estimate of the total charges to be assessed against each condominium. If the special assessments are for capital improvements and the improvements are in excess of \$1,000.00, a majority of the voting power of the owners shall be required. The Association may, at its discretion, prorate any such supplemental assessment between the remaining months of the calendar year, or immediately levy a special assessment against each condominium. Each monthly installment shall become delinquent if not paid on or before the 20th day of each month. Each special assessment shall become delinquent if not paid within 20 days after the levy thereof. There shall accrue with each delinquent monthly installment and with each such delinquent special assessment, a late charge of \$5.00 together with interest at 8% per annum on such delinquent sums, calculated from the date of delinquency to and including the date full payment is received by the Association.

(b) The Board of Directors or the Management Agent of the Association, on behalf of the Association, may cause to be recorded in the office of the County Recorder of the county in which the project is situated, a notice of any delinquent sums due the Association from any condominium owner; which notice shall state the amount of such delinquent sums and other authorized charges and interest (including the cost of recording such notice), a sufficient description of the condominium against which the same has been assessed, and the name of the record owner or owners thereof. Upon payment to the Association of such delinquent sums and charges in connection therewith, or other satisfaction thereof, the Board of Directors or Management Agent shall cause to be recorded a further notice stating the satisfaction and release of such delinquent sums and charges. Such notices shall be signed on behalf of the Association by any member of the Board of Directors or by the Management Agent. The Association may demand and receive the cost of recordation of such release before recording same. Any purchaser or encumbrancer, acting in good faith and for value, may rely upon such notice of satisfaction and release as conclusive proof of the full satisfaction of the sums stated in the notice of delinquent sums.

(c) All such delinquencies shall be enforced, collected and/or foreclosed in the manner provided in the Declaration.

Section 2. Maintenance and Repair.

(a) Every owner must perform promptly all maintenance and repair work within his own unit, which if omitted would affect the project in its entirety or in a part belonging to other owners, being expressly responsible for the damages and liabilities that his failure to do so may engender.

(b) All the repairs of internal installations of the unit such as water, light, gas, power, sewage, telephones, air conditioners, sanitary installations, doors, windows, lamps and all other accessories belonging to the unit area shall be at the owner's expense.

(c) An owner shall reimburse the Association for any expenditures incurred in repairing or replacing any common area and facility damaged through his fault.

Section 3. Use of Family Units

Internal Chances.

(a) All units shall be utilized for residential purpose only. (b) An owner shall not make structural modifications or alterations in his unit or installations located therein without previously submitting the plans and specifications to the Board of Directors of the Association or to an Architectural Committee composed of three (3) or more representatives appointed by the Board, and obtaining approval thereof. The Association shall have the obligation to answer within 30 days and failure to do so within the stipulated time shall mean that there is no objection to the proposed modification or alteration.

Section 4. Right of Entry.

(a) An owner shall grant the right of entry to the Management Agent or to any other person authorized by the Board of Directors or the Association in case of any emergency originating in or threatening his unit, whether the owner is present at the time or not.

(b) An owner shall permit other owners, or their representatives, when so required, to enter his unit for the purpose of performing installations, alterations, or repairs to the mechanical or electrical services, provided that such requests for entry are made in advance and that such entry is at a time convenient to the owner. In case of an emergency, such right of entry shall be immediate.

Section 5. Rules of Conduct.

(a) No resident of the project shall post any signs, advertisements or posters of any kind in or on the project, except as authorized by the Association, except a sign of customary and reasonable dimensions advertising the unit for sale.

(b) No unit shall be used in such manner as to obstruct or interfere with the enjoyment by residents of other units or annoy them by unreasonable noises or otherwise, nor shall any nuisance or immoral or No noxious or illegal activity be committed or permitted to occur. offensive activity shall be carried on.

(c) No exterior clothesline shall be erected or maintained and there shall be no drying or laundering of clothes on the balconies, patios, porches or other areas. Dogs, cats, or other household pets may be kept provided that they are not kept, bred or maintained for any commercial purpose.

(d) No owner, resident or lessee shall install wiring for electrical or telephone installation, television antennae, machines or air conditioning units, etc., on the exterior of the buildings of the project or that protrude through the walls or the roof of the building except as authorized by the Association.

(e) No owner, resident or lessee shall install fences or walls of any kind or nature whatsoever on the project except as authorized by the Association.

ARTICLE VII : AMENDMENTS TO PLAY OF APARTMENT OWNERSHIP

These By-Laws and the Declaration may be amended by the Association in a duly constituted meeting for such purpose and no amendment shall take effect unless approved by owners representing at least 75% of the total voting interest of all condominiums in the project as shown in the Declaration.

ARTICLE VIII : MORTGAGES

Section 1. Notice to Association.

An owner who mortgages his condominium shall notify the Association through the Management Agent, if any, or the President of the Board of Directors in the event there is no Management Agent, the name and address of his mortgagee, and the Association shall maintain such information in a book entitled "Mortgagees of Units". Any such owner shall likewise notify the Association as to the release or discharge of any such mortgage.

Section 2. Notice of Unpaid Assessments.

The Association. shall at the request of a mortgagee of a unit report any unpaid assessments due from the owner of such unit.

ARTICLE IX

The following terms, as used in these By-Laws, shall have the same meaning as are applied to such terms in the Declaration: "Condominium", "Common Areas", "Unit", "Mortgage" and "Mortgagee". "Project",

ARTICLE X

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.

ARTICLE XI

The Board of Directors of the Association shall arrange for an independent examination and audit of the accounts of the Association on an annual basis. A copy of said annual examination will-be made available to each owner within thirty (30) days after completion thereof.

(Signature Page of the ByLaws)

REGULATORY AGREEMENT'

(For use by condominiums under Sections 271 (i), 234 and 235)

AGREEMENT dated this 3rd day of December, 1970, by and between **(hereinafter called the CAPISTRANO VILLAS HOMEOWNERS ASSOCIATION NO. I Association) whose address is San Juan Capistrano, California party of the first part, and Housing Commissioner (hereinafter called the Commissioner) acting pursuant to authority granted him by the The X Federal National Housing Act, as amended, (hereinafter referred to as the Act) party of the second part.

WHEREAS, the Association has the responsibility for administering the Condominium and desires to aid members in obtaining financing for the purchase of family units in the condominium; and

WHEREAS, mortgagees may be unwilling to lend sums to the members of the Association without FHA mortgage insurance; and

WHEREAS, the Commissioner is unwilling to endorse notes for mortgage insurance pursuant to Section 234 of Title II of the Act unless and until the Association shall be entering into the covenants and agreements set forth below, consent to be regulated and restricted by the Commissioner as provided in the Ael:

NOW, THEREFORE, in consideration of One Dollar (31.00) in hand paid, and other good and valuable considerations by each party to the other, the receipt of which is hereby acknowledged, and in order to induce the Commissioner to endorse for mortgage Insurance the notes secured by mortgages covering family units in the condominium, and in order that the Association may be regulated and restricted by the Commissioner as provided for in the Act and the applicable Regulations, the parties hereto agree as follows:

that whenever a Contract of Mortgage Insurance for a mortgage covering a family unit in the condominium is in effect, or during any period of time as the Commissioner shall be the owner,

holder, or reinsurer of any mortgage covering a family unit in the condominium, or during any time the Commissioner is the owner of a family unit in the condominium or is obligated to insure a mortgage covering any family unit in the condominium:

The Association shall establish and maintain a reserve fund for replacements by the allocation and payment monthly to such reserve fund an amount to be designated from time to time by the Commissioner. Such fund shall be deposited in a special account with a safe and responsible depository approved by the Commissioner and may be in the form of a cash deposit or invested in obligations of, or fully guaranteed as to principal by, the United States of America. The reserve fund is for the purpose of effecting replacements of structural elements and mechanical equipment of the condominium and for such other purposes as may be agreed to in writing by the Commissioner. Disbursements from such fund may be made only after receiving the consent in writing of the Commissioner.

The Association shall establish and maintain a general operating reserve by allocation and payment thereto monthly of a sum equivalent to not less than 3 percent of the monthly assessments chargeable to the owners of family units in the condominium pursuant to the by-laws. Upon accrual in said General Operating Reserve Account of an amount equal to 15 percent of the current annual amount of assessments chargeable to the owners of family units in the condominium pursuant to the by-laws, the rate of such monthly allocations may, by appropriate action of the Association, be reduced from 3 percent to 2 percent provided, however, that in the event withdrawals from such account reduce it below said 15 percent accrual, the rate of such monthly deposits shall immediately be restored to 3 percent; at any time thereafter upon accrual in said General Operating Reserve Account of an amount equal to 25 percent of the current annual amount of assessments chargeable to the owners of family units in the condominium pursuant to the by-laws, such monthly deposits may, by appropriate action of the Association, be discontinued and no further deposits need be made into such General Operating Reserve so long as said 25 percent level is maintained and provided, further, that upon reduction of such reserve below said 25 percent level, monthly deposits shall forthwith be made at the 3 percent rate until the 25 percent level is restored. This reserve shall remain in a special account and may be in the form of cash deposit or invested in obligations of, or fully guaranteed as to principal by, the United States of America, and shall at all time be under the control of the Association. This cumulative reserve is intended to provide a measure of financial stability during periods of special stress and may be used to meet deficiencies from time to time as a Association of Owners as designated in the By-Laws of the Condominium, or the name of the Corporation, if the Association is incorporated.

result of delinquent payments of assessments by owners of family units in the condominium and other contingencies. Disbursements totalling in excess of 20 percent of the total balance in the reserve as of the close of the preceding annual period may not be made during any annual period without the consent of the Commissioner. Reimbursements shall be made to the account upon payment of delinquencies for which funds were withdrawn from the reserve.

The Association will not employ a management agent for the buildings nor enter into a management contract nor undertake "self-management;" unless the Commissioner has approved in writing the proposed management agent, form of management contract or other management arrangement.

The Association shall not without prior approval of the Commissioner, given in writing, remodel, reconstruct, demolish or subtract from the premises constituting the condominium.

The Association shall not without prior approval of the Commissioner given in writing:

(a) amend or change the Plan of Apartment Ownership or the by-laws of the Association;
(b) fail to establish and maintain the Fund for Replacements and general operating reserve as set forth herein; or shall be able to

(c) fail to provide for the management of the condominium in a manner approved by the Commissioner;

(d) fail to keep in full force and effect an elevator contract satisfactory to the FHA covering the replacement and repair of any elevator or related equipment, or if such contract is to expire, then fail to accrue an amount as shall be designated by the Commissioner to be sufficient to allow for replacement and future replacement of such equipment as part of the annual Reserve for Replacement of such equipment collected by the Association so as to insure that funds are available for replacement of elevator parts and related equipment.

The Association shall maintain the common areas and facilities, and each owner of a family unit shall maintain the family unit, in good repair and in such condition as will preserve the health and safety of the members. See Legal Description on page 4

The books, contracts, records, documents and papers of the Association and all of the property of the condominium shall be subject to inspection and examination by the Commissioner or his duly authorized agent at all reasonable times. The Association shall file with the Commissioner the following reports by the signature of such officers of the Association as may be designated and in such form as may be prescribed by the Commissioner.

(a) monthly operating reports, when required by the Commissioner;

(b) annual financial reports prepared by a certified public accountant or other person acceptable to the Commissioner, within sixty days after the end of each fiscal year,

(c) specific answers to questions upon which information is desired from time to time relative to the operation and condition of the property;

(d) copies of minutes of all owner's meetings certified to by the secretary of the Association within thirty days after such meetings, and when required by the Commissioner, copies of minutes of directors' meetings.

The Association shall establish and collect from owners of family units monthly assessments pursuant to the conditions set forth herein. Monthly assessments charged to owners during the initial occupancy period shall be made by the Association in accordance with a schedule of charges filed with and approved in writing by the Commissioner prior to the opening of the

project for occupancy. Such assessments shall be in an amount sufficient to meet: the FHA estimate of management expense, operating expense, and maintenance expense, reserves, and all other expenses of the Association. Subsequent to the initial occupancy period, assessments made by the Association for its accommodations shall be in accordance with a schedule filed with and approved in writing by the Commissioner: and shall be in amounts sufficient to meet the Association's estimate of expenses set forth in an operating budget which shall be prepared and submitted to the FHA sixty days prior to the beginning of each fiscal year. The operating budget shall set forth the anticipated income of the Association and a sufficiently detailed estimate of expenses which will include separate estimates for administration expense, operating expense, maintenance expense utilities, hazard insurance, replacement reserve and operating reserve. Such assessments shall not be changed except with the written approval of the Commissioner. The Association agrees that if at any time the owner of a family unit fails to pay his monthly assessment as provided in the by-laws, the Association will, upon direction of the Commissioner, initiate necessary legal action to collect the assessment.

Upon violation of any of the provisions of this Agreement by the Association, or by any owner plan of Apartment Ownership and the By-Laws, the Commissioner may give written notice to the Association or to the owner of a family unit, by registered or certified mail. If such violation is not connected to the satisfaction of the Commissioner within 15 days after the date such notice is mailed or within such additional period of time as is set forth in the notice, without further notice the Commissioner may declare a default under this Agreement and upon such default the Commissioner may: (a) In the case of a default by the owner of a family unit:

(i) If the Commissioner holds the note of the defaulting owner – declare the whole of said indebtedness due and payable and then proceed with the foreclosure of the mortgage;

(if) If said note is held by an FHA-insured mortgagee - notify the mortgagee of such default, and the mortgagee, with the prior written consent of the Commissioner, may declare the whole indebtedness due, and thereupon proceed with the foreclosure of the mortgage, or assign the note and mortgage to the Commissioner as provided in the Regulations.

(b) In the case of a default by the Association or by the owner of a family unit:

Apply to any court, State or Federal, for specific performance of this Agreement, for an injunction against any violation of the Agreement, or for such other relief as may be appropriate, since the injury to the Commissioner arising from a default under any of the terms of this Agreement would be irreparable and the amount of damage would be difficult to ascertain. The covenants and agreements herein set out shall be deemed to run with the land and the property described in the Plan of Apartment Ownership, and to bind all owners of family units, present and future.

As used in this Agreement the term:

(n) "Mortgage" shall include "Deed of Trust":

(b) "Note" shall include "Bond";

(c) "Mortgagee" shall include the "Beneficiary" under Mortgage or Deed of Trust however designated,

(d) "Default" means a default declared by the Commission: when a violation of this Agreement is not corrected to his satisfaction within the time allowed by this Agreement or such further time as may be allowed by the Commissioner after written notice,

(e) "Plan of Apartment Ownership" shall include all legal documents, deeds, by-laws, plans and specifications, required by the laws of the jurisdiction to establish condominium ownership.

(file see Page 4 use of the plural shall include the singular; the singular: the plural; and the use of any gender: shall be deemed to include all genders.) This instrument shall bind, and the benefits shall inure to, the respective parties hereto, their legal representatives, executors, administrators, successors in office or interest, and assigns. The invalidity of any clause, part or provision of this agreement shall not affect the validity of the remaining portions thereof.

The Association agrees and assumes the obligation to have this Agreement recorded in the appropriate land records in the jurisdiction in which the real property herein described is situated, and in the event of failure to do so, it is agreed that the Commissioner may have the same recorded at the expense of the Association. It is specifically agreed between, the parties hereto that the breach of any of the terms of this Agreement by the Association or by an owner of a family unit will substantially damage and injure the Commissioner in the proper performance of his duties under the provisions of the Act, and will impede and injure the proper operations intended under such Act; that such damage will be irrespective of and in addition to any damage to the security of the mortgaged premises or to any financial damage the Commissioner may suffer as insures; that, except for the agreements herein contained, the Commissioner would not issue and would not be authorized to issue a Contract of Mortgage Insurance, and that mortgagees may not be willing to lend sums of money to owners of the family units on the security of mortgages covering such units, unless the same were insured by the Commission.

(Signature Page of the Regulatory Agreement)

FIRST AMENDMENT TO BY-LAWS OF CAPISTRANO VILLAS HOMEOWNERS ASSOCIATION NO. 1

The By-Laws of CAPISTRANO VILLAS HOMEOWNERS ASSOCIATION NO. 1 adopted December 1, 1970, are hereby amended in the following manner:

Section 3 of the By-Laws, entitled "Annual Meetings" is hereby deleted in its entirety from those By-Laws and the following is inserted in lieu thereof:

The First Annual Section 3. Annual Meetings. Meeting of the Association shall be held on November 15, 1971, but in any event within one (1) year following the sale of the first unit, or within sixty (60) days following the sale of 50% of the units, whichever shall first occur.

Thereafter, the Annual Meetings of the Association shall be held on the second Wednesday of November. At such meetings there shall each succeeding year, be elected by ballot of the owners, a Board of The Directors in accordance with the requirements of Section 5 of Article IV

of these By-Laws. owners may also transact such other business of the Association as may properly come before them.

Section 5 of the By-Laws, entitled "First Meeting" hereby deleted in its entirety from said By-Laws.