

Third Laguna Hills Mutual

NOTICE TO MEMBERS

November 1, 2007

ARCHITECTURAL REVIEW PROCEDURES

Summary of Civil Code § 1378

Section a) of Civil Code 1378 requires that this section applies if the association's governing documents require association approval before an owner of a separate interest may make a physical change to the owner's separate interest or the common area, the association shall satisfy {specific} requirements.

Civil Code 1378 applies to Third Laguna Hills Mutual, reference Article X – Architectural Control Committee of the Third Laguna Hills Mutual Covenants, Conditions and Restrictions (CCR's), which states:

1. Architectural Control:

(a) Except for the purposes of proper maintenance and repair and as provided in Paragraph (c) hereof, no person, persons, entity or entities shall install, erect, attach, apply, paste, hinge, screw, nail, paint, build or construct any lighting, shades, screens, awnings, patio covers, decorations, fences, aerials, antennas, radio or television broadcasting or receiving devices, or make any change or otherwise alter whatsoever the exterior of any residential dwelling unit, residential carport, or residential garage constructed on or to be constructed on the above described property. For the purpose of this provision the term "exterior" shall mean any outside walls, outward surfaces, roofs, outside doors or other outside structures of said residential dwelling units, but not limited to, the roof, outside wall, outward surface, outside doors, and outside structures of all atrium type residential dwelling units.

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

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

(i) the complete plans and specifications, showing the kind, nature, shape, height, material, type of construction, scheme, and all information specified by the hereinafter named committee for the proposed alteration, modification, addition, deletion or any other proposed

form of change to the exterior of any residential dwelling unit, residential carport or residential garage, as set forth in Paragraph (a), or changes to the property developed for residential use, as set forth in Paragraph (b); and

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

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

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

(e) The Board shall, from time to time, adopt and promulgate architectural standards to be administered through the Architectural Control Committee. Neither the Board, the Architectural Control Committee, any member of either nor any representative appointed by the Architectural Control Committee assumes any liability or responsibility for the design, engineering, structural safety or conformance of the plans and specifications with building codes and other applicable laws. The review and approval or disapproval of any plans and specifications submitted to the Architectural Control Committee shall take into consideration the aesthetic aspects of the architectural designs, placement of the buildings, landscaping, color schemes, exterior finishes

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

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

Further to the requirements provided by Civil Code 1378, the Mutual makes available to all its Members the Third Laguna Hills Mutual Alterations Standards. The Standards are available upon request at the Laguna Woods Village Community Center. These Standards identify established alterations that have been previously approved by the Mutual's Board of Directors. The Alterations Standards are reviewed and updated as needed by the Mutual's Alterations Standards Subcommittee, the Maintenance and Construction Committee, and the Board. Typically, a proposed alteration that meets the Alterations Standards requirements can be permitted without Board review.

In order that a Member may propose an alteration that is not an established Alteration Standard, the Mutual provides the Member the opportunity to submit a Request for Variance. Guidelines for submittals for Variance Requests, and submittals for Standard Alteration Permits follow:

**GUIDELINES FOR SUBMITTALS
FOR VARIANCE REQUESTS**

1. Variance Requests are submitted to obtain approval for a variance to construct a non-standard alteration, that which is different from the Mutual's Alteration Standards and/or Standard Plans. Variance Requests are submitted to the Permits and Inspections office for consideration by the Mutual's Maintenance and Construction Committee, and the Board.
2. The submitted proposal for a Variance Request must be legible, clear and concise and should not require assumptions on the part of the reviewing agent.
3. The Variance Request must include a letter signed by the Mutual member that describes the proposed alteration(s). The submittal must also include conceptual drawings, or plans, of the proposed alteration.
4. The plans must represent a true replication of both the existing floor plan and proposed floor plan modifications, inclusive of specific dimensional details of each.
5. The plans must identify the precise location of the proposed alteration *and* any related alterations/installations. For example, if the proposal is for a room expansion, the re-location of doors, if necessary, should be identified.
6. The plans must provide specific details of how the proposed alteration would be constructed. For example, if a window is being installed, information detailing its size and whether it would be constructed of white-vinyl, dual-pane glass, etc. should be included.
7. Where a Variance Request is for an alteration that is visible from the outside of a manor (room expansion, window installation, door re-location, etc), an exterior elevation must be submitted, inclusive of the alteration's proposed roofline.
8. All plans must be site specific and original. Plans submitted for another manor for a similar requested alteration would not be considered.
9. Do not change or alter standard plans; if an alteration will differ slightly from a standard plan, provide written documentation with a new manor plan indicating how the proposed alteration would vary from the standard plan.
10. The Permits and Inspections office must be informed in writing of any deviations from an approved alteration that is being performed, prior to making any field changes. Any deviations from an approved plan must

be approved by the Permits and Inspections office before it is made on the manor. Deviations from approved plans may require Board approval of an additional variance, thus a waiting period may result.

**GUIDELINES FOR SUBMITTALS
FOR STANDARD ALTERATION PERMITS**

1. An Application For Alteration Permit must be submitted to the Permits and Inspections office to perform previously-approved Standard Plan alterations or alterations conforming in all aspects to Board-approved Mutual Alteration Standards.
2. A Mutual permit is required for all alterations to the building. A City of Laguna Woods permit may be required. All fees for both Mutual and City permits shall be paid for by the Member and/or the Member's contractor. Member and/or the Member's contractor must supply the Permits and Inspections office with City permit numbers prior to beginning work.
3. The Member applying for a permit shall provide to the Permits and Inspections office a detailed plan(s), for approval, indicating all work to be done, i.e., size, location, description, and specifications.
4. Prior to the issuance of a permit, the Member's signature is required to indicate that the Member has received, read, understands and agrees to follow and adhere to all current Mutual Standards regarding the alteration.
5. A signed Neighbor Awareness Form may be required in order to obtain a permit.

Further to the requirements provided by Civil Code 1378, Variance Requests are processed as follows:

1. Variance Requests, and all required documentation, shall be submitted to the Permits and Inspections office 30 (thirty) days prior to the next regularly scheduled Third Laguna Hills Mutual Maintenance and Construction (TLHM M&C) Committee Meeting in order to be considered.
2. Staff prepares a Variance Request report on each proposed alterations, and the report includes a Summary/Recommendation, Background information, Analysis, and any recommended contingencies.
3. The report is written, and the Committee considers the Variance Request based on the following criteria:
 - Aesthetic Impact (Building, Common Area, Neighbors)

- Cost Impact (Original installation, Repair and Maintenance)
 - Conformity to Local and State Building Codes
 - Conformity to the Mutual requirements with respect to Davis-Sterling
 - Conformity to the Mutual governing documents
 - Value Impact (Resales, Other)
 - Comparison of the proposed alteration to the Alteration Standard
4. By a counted vote of Committee Members present at the Meeting, the TLHM M&C Committee makes a recommendation to the TLHM Board for approval or denial of the request.
 5. The recommendation of the Committee and the Variance Request report is considered at the next regularly scheduled Board Meeting, and by a counted vote of Board Members present at the Meeting, the TLHM Board either approves or denies the request, and passes a resolution of the Board's decision.
 6. The Member is notified in writing explaining the Board's decision, which may include, in the case of approval, required contingencies. The Member is notified that, in the case the Member wants to appeal a decision, in accordance with Resolution 03-03-08, the Member may appeal the Board's decision within thirty days to the Maintenance and Construction Committee. The Board will make a final decision upon review of a recommendation from the Maintenance and Construction Committee.
 7. Should the Mutual Member decide to appeal, the Member submits a request for appeal in writing to the Board via the Permits and Inspections office.
 8. A memorandum regarding the appeal is prepared by Staff and presented to the TLHM M&C Committee for review, and by a counted vote of Committee Members present at the Meeting, the TLHM M&C Committee makes a recommendation to the TLHM Board for approval or denial of the original proposed alteration.
 9. By a counted vote of Board Members present at the Meeting, the TLHM Board either approves or denies the request, and passes a resolution of the Board's decision.
 10. The Member is notified in writing explaining the Board's final decision, which may include, in the case of approval, required contingencies. The Member is notified that, in the case that the Board upholds its original denial of the proposed alteration that per Resolution 03-03-48, no further appeals will be granted for a twelve (12) month period from the date of the Board's decision on your appeal. This twelve-month period shall apply to both the original requesting Mutual Member and the subsequent member(s) if any.

With respect to a Member's disregard for the rules on alterations, such as the installation of an alteration that is not in compliance with the Board's determination, the Member may ultimately be brought forth for a member disciplinary hearing.

Unauthorized Alterations

Upon the discovery of an unauthorized alteration, the Permits and Inspections office provides the Member with a Notice of Unauthorized Alteration, which includes the requirements under which an alteration may be permitted.

Upon receipt of a Notice of Unauthorized Alteration, all work must cease immediately and the Member must obtain all required City and Mutual permits before performing additional work.

A re-inspection of the unauthorized alteration is performed no sooner than thirty days after the Notice of Unauthorized Alteration was issued.

Should the inspection reveal that the Member's alteration continues to be in violation, the Member is notified, in writing, of the violation and of the Board's requirement that the unauthorized alteration must be corrected within a specified time period. The Member is advised that failure to comply may result in member disciplinary action in the form of a hearing before the Board of Directors.

A second inspection is performed thirty days after the date of the notification, and should the inspection reveal that the Member's alteration continues to be in violation after the previous requests to comply have gone unheeded, then the Member is notified via Certified and First Class Mail of a Member Disciplinary Hearing. This notification includes background information regarding the subject violation, the reasons for a hearing, the time and place of the hearing, and possibility of any and/or all of the following: suspension, discipline, and fines. The Member is provided a copy of the Mutual's Bylaws with respect to Discipline:

THIRD – ARTICLE 4.5 and 4.6

4.5 DISCIPLINE OR SUSPENSION.

4.5.1 Grounds for Discipline or Suspension. The Board may discipline or suspend a Membership for the willful or repetitive failure of the Mutual Member to observe or perform the obligations of a Mutual Member as set forth in these Bylaws, the Covenants Conditions & Restrictions, the Articles of Incorporation, or any rules or regulations of this Corporation. The discipline or suspension may include the restriction of the right to use any facility managed by this Corporation for a period not to exceed ninety (90) days for each breach to run successively. The Board shall make a determination in each case of a discipline or suspension as to which common facilities shall be denied to the Mutual Member. The Board may also suspend or restrict the use of common facilities by all other persons claiming or exercising rights derived from the Mutual Member, such as Qualifying Resident, Co-occupant, Tenant, and Guests.

4.5.2 Disciplinary Action by Board. *The Board may take disciplinary action against any Mutual Member of this Corporation, Qualifying Resident, Co-occupant,*

Tenant, and their Guests for breach of these Bylaws, of the Restrictions, the Articles of Incorporation, or of any Rules or regulations of this Corporation on the part of the Mutual Member or Mutual Member's Guest(s), any Co-occupant of the Mutual Member's Manor or any Lessee of the Mutual Member's Manor who may use the facilities of this Corporation or the Foundation. Any disciplinary action authorized hereunder shall not act as a bar to the exercise of any other right or remedy available to this Corporation against any other party for any such breach.

4.5.3 Disciplinary or Suspension Action Authorized. *Disciplinary or suspension action authorized hereunder may consist of any or all of the following: (1) a fine for each breach, not to exceed the maximum established in the adopted Schedule of Monetary Penalties; (2) suspension of the right to use any facilities operated or managed by the corporation for a period not to exceed ninety (90) days for each breach, and (3) suspension of the right to vote, whether by voice, ballot or written consent, on any or all matters brought before the Members for a period not to exceed one (1) year; and (4) may recommend to GRF to take disciplinary action against the Mutual Member, such as suspension of the right to use GRF's facilities, to the extent permissible under its Bylaws, rules or regulations; this Corporation may also make an application to a court of competent jurisdiction for legal or equitable relief.*

4.5.4 Right to Hearing. *Before any disciplinary action is taken, the party charged with a violation shall be entitled to a hearing pursuant to the provisions of 4.6, except for traffic violations governed by 4.5.7 and 7.3, and except for the exercise of the remedies provided for in § 1367 of the Common Interest Development Law for collection of delinquent assessments, and monetary penalties for reimbursement of costs.*

4.5.5 Additional Remedies. *The prevailing party shall be entitled to recover costs of suit and a reasonable sum for attorney's fees incurred in enforcing these Bylaws, or any rule or regulation of this Corporation.*

4.5.6 Authority to Adopt Rules. *The Board is hereby authorized to adopt rules and regulations to carry out the purpose of this Section.*

4.5.7 Exception for Certain Traffic Violations. *Except when a hearing is required by the traffic enforcement program approved by the Board of Directors of this Corporation, a Member, Qualifying Resident, Co-occupant, Lessee, or Guest who is cited for a traffic violation of any type may, in certain instances specified in the traffic rules enforcement program as revised and approved by the Board of Directors from time to time, elect to waive his/her right to a hearing and commit to a traffic violation disciplinary action alternative as specified in the traffic rules enforcement program then in effect.*

4.6 PROCEDURE FOR SUSPENSION OR DISCIPLINE. *A Membership may be suspended or a Mutual Member disciplined according to the procedure set forth below. The term "Mutual Member" in this Section shall include persons claiming or*

THIRD LAGUNA HILLS MUTUAL ARCHITECTURAL REVIEW PROCEDURE

Page 9 of 9

exercising rights under the Mutual Member, including Qualifying Resident, Co-occupant, Lessee or Guest or invitee of Mutual Member.

4.6.1 Notice to Mutual Member. A notice shall be sent to the Mutual Member not less than fifteen (15) days prior to the effective date of the proposed suspension or proposed discipline, by First Class mail, to the most recent address of the Mutual Member shown on the Mutual records. Such notice shall set forth the proposed action to be taken against the Mutual Member or the Membership, the reasons therefore, the right to be heard, orally or in writing, at a time which is not less than five (5) days before the effective date of the suspension or discipline, and the date, time and place of the hearing on the proposed suspension or discipline.

4.6.2 Opportunity to be Heard and Present Evidence. *The Mutual Member shall be given an opportunity to be heard and present evidence either in person, by counsel, or by both, or in writing, at a hearing before the Board of Directors to be held not less than five (5) days before the effective date of the proposed suspension or discipline.*

4.6.3 Decision, Communication. *Following the hearing, the Board of Directors shall decide in good faith and in a fair and reasonable manner whether the Mutual Member should be suspended or disciplined and the terms and period of the suspension or discipline. The decision of a majority of the Board of Directors shall be final and binding upon the Mutual Member, and shall be communicated together with notice of the right to appeal the decision as set forth in 4.6.4, in writing to the Mutual Member.*

4.6.4 Limitation on Challenge. *Any action challenging a suspension, or other disciplinary action taken against a Mutual Member, including a claim of defective notice, must be commenced within one year after the effective date of the suspension or other action.*

4.6.5 No Relief from Obligations. *The suspension of a Membership in this Corporation or disciplinary action against a Mutual Member shall not relieve the Mutual Member from any obligation for charges incurred, services or benefits actually rendered, or dues, assessments or fees relating thereto, or from any obligation arising from contract, a condition of ownership, or otherwise.*

4.6.6 Effect of Termination. *In the event of a termination of a Membership, this Corporation, at its election, thereupon shall either (1) repurchase said Membership at its market value, or (2) proceed with reasonable diligence to effect a sale of the Membership to a purchaser at a sales price acceptable to this Corporation.*