



November 1, 1997

Dear Homeowner:

Enclosed is the annual budget for the 1998 calendar year. Please note that there has been no increase in monthly Association dues for the coming year. All reserve components are fully funded and it is expected that, by careful and responsible fiscal planning, the annual operating and administrative expenses will be met without an increase.

Also enclosed is the billing policy for 1998, the reserve summary for 1998, summary of insurance, and the alternative dispute resolution summary as required by California law.

If you have any questions concerning the enclosed documents, please call the Association office at 730-1560.

Thank you for your continuous input, participation and cooperation relative to Association operations. It is always appreciated and welcome.

Sincerely,

Your Board of Directors

STATEMENT DESCRIBING PARK PASEO HOMEOWNERS ASSOCIATION
POLICIES AND PRACTICES IN ENFORCING LIEN RIGHTS OR OTHER
LEGAL REMEDIES FOR DEFAULT IN PAYMENT OF ASSESSMENTS
(Civil Code Section 1365(d) AND FEE AND PENALTY PROCEDURES
OF THE ASSOCIATION(Civil Code 1367(a)).

1. Regular monthly assessments are due and payable on the **first** day of each month.

2. Special assessments are due and payable on the date(s) specified by the Board of Directors.

3. Regular and special assessments are delinquent **thirty (30) days** after they become due. If an assessment is delinquent, the Association may recover all of the following:

(a) Reasonable costs incurred in collecting the delinquent assessment, including reasonable attorney's fees.

(b) A late charge not exceeding ten (10) percent of the delinquent assessment or ten dollars (\$10), whichever is greater.

4. If an assessment is delinquent more than **sixty (60) days**, the Association may send a Pre-lien Letter by certified mail to the owner(s) of the property notifying them of and/or providing them with the following:

(a) The fee and penalty procedures of the Association.

(b) An itemized statement of the charges owed by the owner(s), including items on the statement which indicate the principal owed, any late charges and the method of calculation.

(c) Any attorneys fees.

(d) The collection practices used by the Association, including the right of the Association to the reasonable costs of collection.

(e) The fee being added for the preparation and mailing of the Pre-lien Letter.

(f) The amount being charged for obtaining a title report.

5. Failure of the owner(s) to pay the amount detailed in the Pre-lien Letter within **ten (10) days** of the date of such letter, shall result in a lien being recorded against the property for the amount of the delinquent assessments, plus any costs of collection, including reasonable attorney's fees, and late charges.

6. A copy of the may be mailed to all record owners, no later than **ten (10) calendar days** after it is recorded.

7. After the expiration of **thirty (30) days** following the recording of the lien, the lien may be enforced by way of judicial or non-judicial foreclosure proceedings, or in any other manner permitted by law.

8. If there is a dispute between the owner(s) of a property and the Association regarding the assessments imposed by the Association, the Association shall inform the owner(s) that they may resolve the dispute through alternative dispute resolution (ADR) as set forth in Civil Code Section 1354, a civil action, and any other procedures to resolve the dispute that may be available through the Association, **if** the owners first pay in full to the Association all of the following charges and **if** the owner(s) state by written notice that the amount is paid under protest **and** the written notice is mailed by certified mail not more than thirty days from the recording of the lien:

- (a) The amount of the assessment in dispute.
- (b) Late Charges.
- (c) All fees and costs associated with the preparation and filing of the lien, including all mailing costs, and including attorney's fees not to exceed \$425.00.

9. The right of any owner(s) to utilize ADR as indicated above may not be exercised more than twice in any single calendar year, and not more than three times within any five calendar years.

10. A regular or special assessment and any late charges, reasonable costs of collection, and interest are the personal debt of the owner(s) at the time the assessment or other sums are levied, and the Association may proceed to obtain a personal judgment against such owner(s) in addition to or in lieu of enforcing the lien.

11. Any payments by owner(s) who are delinquent in the payment of assessments shall first be applied to the principal owed, and only after the principal owed is paid in full shall such payments be applied to late charges or collection expenses.

ADOPTED BY A RESOLUTION OF THE ASSOCIATION BOARD OF DIRECTORS ON MARCH 10, 1997.

**PARK PASEO HOMEOWNERS ASSOCIATION
1998 PROPOSED OPERATING BUDGET**

Category	1997 Projected Actual Totals	1998 Approved Budget
INCOME:		
Assessment Fees	\$427,500	\$427,500
Interest Income	12,000	8,000
Late Fees	2,500	2,500
Document Fees	1,500	1,300
Transfer Fees	2,600	2,600
Misc. Income	2,000	3,000
Total Income	\$448,100	\$444,900
EXPENSE:		
Facilities/Recreation:		
Electricity	\$ 16,500	\$ 16,500
Gas	13,500	12,800
Telephone	1,500	1,500
Waste Collection	1,032	1,032
Handyman Services	7,500	7,500
Janitorial Services	8,400	8,400
Janitorial Supplies	1,500	1,500
Pool Maintenance	10,500	10,500
Pool Supplies	1,800	1,500
Pool Repairs	3,600	3,500
Bldg. Repairs/ Plumbing	1,500	2,000
Electrical Repairs	2,400	1,500
Equipment Repairs	1,500	1,000
Lifeguard Services	17,500	17,500
Gate/Lock Repair	875	500
Miscellaneous, Contingency	2,500	11,699
Tennis Repairs/Supplies	1,000	200
Pest Control	1,200	1,200
Security Services	32,000	32,000
Licenses/Permits	1,200	1,200
Subscriptions/Education	500	500
Social	1,000	1,000
Total Facilities Exp.	\$126,880	\$135,031
Landscaping Expense:		
Landscape Maintenance	\$119,880	\$119,880
Landscape Supplies	2,465	3,500
Irrigation Repair	8,000	9,500
Tree Trimming	17,055	19,000
Water	16,000	16,000
Total Landscape Expense	\$163,400	\$167,880

Administrative Expense:

Management Services	\$ 47,628	\$ 50,022
Audit	5,500	7,300
Federal/State Taxes	2,500	1,500
Insurance	26,000	26,000
Legal	4,000	4,000
Postage	3,500	3,500
Office Supplies	1,900	1,900
Newsletter	2,200	2,200
Printing	2,600	2,600
Miscellaneous	1,512	7,500
Total Admin. Expense	\$ 97,140	\$ 106,522
Total Operating Expense	\$387,420	\$409,433
Reserve Allocations	\$ 60,680	35,467
Total Expense	\$448,100	\$444,900
Net Income Or <Deficit>	\$ 0	\$ 0

Park Paseo Homeowners Association
Irvine, California
Reserve Analysis Report Summary

Report Date	October 3, 1997	Parameters:	
Version	009	Inflation	3.50%
Account Number	1393	Annual Contribution Increase	3.50%
Budget Year Beginning	1/ 1/98	Investment Yield	4.00%
Ending	12/31/98	Taxes on Yield	30.00%
Total Units Included	625	Contingency	3.00%
Phase Development	1 of 1	Reserve Fund Balance as of	
		1/ 1/98:	\$323,648.00

Phase Increment Detail/Age

For budgeting purposes, unless otherwise indicated, we have used the following placed-in-service dates for aging all of the original components throughout these areas:

Clubhouse/Main Pool.....January 1977
 Prosa Pool.....January 1982

RDA field inspections: September 26, 1997; January 11, 1995 & June 1986

RDA Summary of Calculations

Monthly Contribution to Reserves Required:	\$2,260.94
(\$3.62 per unit per month)	
Average Net Monthly Interest Contribution This Year:	694.66
Net Monthly Allocation to Reserves 1/ 1/98 to 12/31/98:	\$2,955.60
(\$4.73 per unit per month)	

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Park Paseo Homeowners Association
Distribution of Accumulated Reserves

REPORT DATE: October 3, 1997
 VERSION: 009
 ACCOUNT NUMBER: 1393

DESCRIPTION	REM LIFE	IDEAL ACCUM RESERVES	ACTUAL DISTRIBUTION
Clubhouse - Carpet	0	5,070.73	5,070.73
Clubhouse - Office, Copier	0	5,842.00	5,842.00
Clubhouse - Office, Furnishings	0	4,630.00	4,630.00
Painting - Woodwork, Prosa	0	2,028.72	2,028.72
Pool - Replaster/Tile Repl, Prosa	0	7,504.00	7,504.00
Pool Area - Deck Caulking, Prosa	0	1,961.80	1,961.80
Pool Area - Furniture, Prosa	0	5,814.00	5,814.00
Rec Area - Sand Repl, Main	0	2,108.00	2,108.00
Rec Area - Sand Repl, Prosa/Alba	0	2,380.00	2,380.00
Rec Area - Water Heater, Prosa	0	1,897.00	1,897.00
Wader - Replaster/Tile Repl, Main	0	2,876.00	2,876.00
Clubhouse - Heat/Air Conditioning	1	17,754.55	18,600.00
Lighting - Exterior, Parking Lot	1	3,465.00	3,630.00
Painting - Main Spa, Equipment Room	1	1,431.29	1,738.00
Rec Area - Ceramic Shower, Prosa	1	3,941.63	4,187.98
Rec Area - Drinking Fntns, Concrete	1	4,095.00	4,290.00
Tennis Court - Resurfacing	1	4,624.94	5,616.00
Clubhouse - Appliances, 1977	2	1,809.65	1,982.00
Clubhouse - Office, Fax Machine	2	612.46	932.00
Landscape - Tree Trimming	2	5,757.00	23,028.00
Painting - Int Restrooms, Club	2	1,117.23	1,408.68
Painting - Int Restrooms, Prosa	2	510.19	643.28
Painting - Woodwork, Clubhouse, '94	2	2,375.36	3,701.15
Painting - Wrought Iron, Clubhouse	2	391.66	1,246.20
Painting - Wrought Iron, Prosa	2	380.88	553.35
Painting - Wrought Iron, Streets	2	375.21	575.32
Pool - Filter, 60 Sq Ft, Prosa	2	1,722.67	1,938.00
Pool - Heater, 1,266K BTU, Main	2	6,625.96	7,257.00
Pool - Heater, 400K Prosa	2	1,523.56	1,714.00
Pool - Pump Motor, Main	2	3,249.23	3,840.00
Roofs - Cedar Shake, Prosa Cabana	2	2,876.09	3,150.00
Roofs - Composition Roll, Clubhouse	2	419.09	459.00
Spa - Filter, 60 Sq Ft, Main	2	765.00	969.00
Spa - Heater, 400K BTU, Main	2	1,469.14	1,714.00
Wader - Filter, 36 Sq Ft, Main	2	1,494.72	1,843.00
Wader - Heater, 125K BTU, Main	2	1,045.95	1,313.00
Clubhouse - Cabinets, Kitchen	3	1,534.75	1,754.00
Clubhouse - Ceramic Tile, Shower	3	1,108.49	1,266.84
Clubhouse - Office, Typewriter	3	220.67	331.00
Fencing - Wrought Iron, Prosa Pool	3	8,292.20	11,846.00

Park Paseo Homeowners Association
Distribution of Accumulated Reserves

DESCRIPTION	REM LIFE	IDEAL ACCUM RESERVES	ACTUAL DISTRIBUTION
Painting - Woodwork, Clubhouse, '95	3	1,741.72	3,701.15
Parking Lot - Repairs & Replacement	3	192.23	1,345.59
Parking Lot - Slurry Sealing	3	176.06	1,443.66
Pool Area - Deck Caulking, Main	3	1,392.55	5,950.00
Pool Area - Furniture, Main	3	13,468.00	18,130.00
Rec Area - Drinking Fntns, Chilled	3	1,564.63	1,858.00
Rec Area - Rstrm Partitions, Prosa	3	1,437.47	1,707.00
Clubhouse - Water Heater	4	2,301.31	3,502.00
Fencing - Wrought Iron, Main Pool	4	15,129.60	24,113.00
Lighting - Exterior, Main Pool/Club	4	4,932.37	4,932.37
Lighting - Exterior, Prosa, 1992	4	995.10	995.10
Lighting - Interior, Clubhouse	4	8,522.64	8,522.64
Lighting - Interior, Prosa Cabana	4	844.80	844.80
Rec Area - Rstrm Counters, Prosa	4	464.00	464.00
Rec Area - Rstrm Tile, Prosa	4	4,276.56	4,276.56
Roofs - Cedar Shake, Spa Equipment	4	362.88	362.88
Tennis Court - Chain Link	4	9,730.56	9,730.56
Tennis Court - Lighting	4	8,131.20	8,131.20
Clubhouse - Furnishings	5	9,750.00	9,750.00
Rec Area - Barbecues, Main	5	1,024.83	1,024.83
Rec Area - Barbecues, Prosa	5	667.76	667.76
Tennis Court - Benches 8'	5	2,964.00	2,964.00
Tennis Court - Windscreen	5	155.12	155.12
Bulletin Board - Clubhouse	6	235.23	235.23
Clubhouse - Shades	6	2,897.38	2,897.38
Rec Area - Barbecues, Main, 1994	6	168.93	168.93
Clubhouse - Billiard Tables	7	4,969.50	4,969.50
Clubhouse - Restroom Lockers	7	1,994.20	1,994.20
Clubhouse - Restroom Partitions	7	1,212.71	1,212.71
Irrigation Controllers	7	10,127.92	10,127.92
Lighting - Walkway, 1990	7	2,832.66	2,832.66
Clubhouse - Appliances, 1991	8	432.60	432.60
Clubhouse - Restroom Counters	8	323.61	323.61
Clubhouse - Restroom Shwr Door, 1990	8	229.02	229.02
Fencing - Wrought Iron, Street, '86	8	1,659.46	1,659.46
Clubhouse - Wallpaper	9	2,267.44	2,267.44
Monument Signs - Clubhouse	9	1,946.00	1,946.00
Pool - Replaster/Tile Repl, Main	9	2,949.66	2,949.66
Rec Area - Rstrm Fixtures, Prosa	9	2,800.64	2,800.64
Spa - Replaster/Tile Repl, Main	9	290.16	290.16
Clubhouse - Restroom Ceramic Tile	12	4,458.97	4,458.97

Park Paseo Homeowners Association
Distribution of Accumulated Reserves

DESCRIPTION	REM LIFE	IDEAL ACCUM RESERVES	ACTUAL DISTRIBUTION
Clubhouse - Restroom Shwr Door, 1994	12	105.68	105.68
Fencing - Wrought Iron, Street, '90	12	185.34	185.34
Clubhouse - Vinyl Sheet Floor, Ktcn	13	46.00	46.00
Lighting - Walkway, Prosa 1997	14	134.40	134.40
Clubhouse - Ceramic Tile, Counters	15	408.40	408.40
Clubhouse - Sink, Kitchen	15	162.82	162.82
Pool Area - Diving Board, Main	16	119.41	119.41
Clubhouse - Restroom Fixtures	17	1,748.00	1,748.00
Pool - Filter, 70 sq. ft., Main	18	402.00	402.00
Parking Lot - Asphalt Overlay	19	109.64	109.64
Rec Area - Play Equip, Main, Prosa	19	792.31	792.31
Painting - Stucco, Unfunded	78	0.00	0.00
Fencing - Wrought Iron, Fence Extn	96	0.00	0.00
Roofs - Tile, Clubhouse, Unfunded	97	0.00	0.00
Total Asset Summary:		259,337.30	314,221.36
Contingency @ 3.00%:		7,780.12	9,426.64
Grand Total:		267,117.42	323,648.00
Excess Reserves Not Used:			0.00
Percent Ideally Funded:		121.16%	

INSURANCE NOTIFICATION

CIVIL CODE SECTION 1365

Effective January 1, 1996, the California Civil Code was amended to require the Association to prepare and distribute summaries of certain insurance policies carried by the Association. The Association's General Liability, Directors and Officers and Earthquake policies are summarized below.

GENERAL LIABILITY

INSURER	AMOUNT	DEDUCTIBLE
State Farm	\$5,000,000 each	\$500 property and
Bodily injury,	occurrence, \$10	none for liability
property damage	million aggregate	Assoc. pays deduct
Firemans Fund	\$5,000,000 each	None(excess over
Bodily injury,	occurrence and in	above policy)
property damage	the aggregate	
TOTAL: \$10,000.00		

DIRECTORS AND OFFICERS LIABILITY POLICY

Seaboard Surety	\$5,000,000	\$2500. Assoc.pays
	each policy yr.	deductible

EARTHQUAKE

State Farm	Replacement value	ten percent
	of property	Assoc. pays
		deductible

An insurance agent assisted the Board of Directors in the development of the insurance portfolio and the recommendations of the insurance agent were followed.

Under certain conditions described in the policies, either the Named Insured or an Insured is responsible to pay the deductible. The words Named Insured and Insured are defined in the policy, and include, depending upon the circumstances, both the Association and members of the Association.

The insurance does not extend to the real property improvements on the individually owned lots.

The Association's property manager and the Association's Board members are not able to provide you with individual advice or recommendations concerning your own insurance needs. If you have questions concerning your current insurance coverage or additional coverage that may be available to you as a member of a homeowners association, please contact your insurance agent.

Civil Code Section 1365.9 provides:

"Any cause of action in tort against any person arising solely by reason of an ownership interest in the common area of a common interest development shall be brought against the association and not against the individual owners of the separate interests, as defined in subdivision (1) of Section 1351, provided that all of the following insurance requirements are met:

- (a) The association maintained and had in effect at the time the alleged act or omission occurred and at the time a claim is made, one or more policies of insurance which include coverage for (1) general liability of the association, and (2) individual liability of officers and directors of the association for negligent acts or omissions of those persons acting in their capacity as officers and directors.
- (b) Both types of coverage described in paragraphs (1) and (2) of subdivision (a) are in the following minimum amounts: (1) at least two million dollars (\$2,000,000) per occurrence if the common interest development consists of 100 or fewer separate interests, and (2) at least three million dollars (\$3,000,000) per occurrence if the common interest development consists of more than 100 separate interests.
- (c) The association shall, upon issuance or renewal of insurance, but no less than annually, notify its homeowners as to the amount and type of insurance carried by the association, and it shall accompany this notification with statements to the effect that the association is or is not insured to the levels specified by this section, and that if not so insured, owners may be individually liable for the entire amount of a judgment, and if the association is insured to the levels specified in this section, then the owners may be individually liable only for their proportional share of assessments levied to pay the amount of any judgment which exceeds the limits of the association's insurance."

YOUR ASSOCIATION IS COMPRISED OF 625 SEPARATE INTERESTS AS DEFINED BY CIVIL CODE SECTION 1351 AND CARRIES TEN MILLION DOLLARS OF GENERAL LIABILITY INSURANCE. THE ASSOCIATION ALSO CARRIES FIVE MILLION DOLLARS OF DIRECTORS AND OFFICERS LIABILITY INSURANCE. THEREFORE, HOMEOWNERS MAY BE INDIVIDUALLY LIABLE ONLY FOR THEIR PROPORTIONAL SHARE OF ASSESSMENTS LEVIED, IF ANY, TO PAY THE AMOUNT OF ANY JUDGMENTS WHICH EXCEED THE LIMITS OF THE ASSOCIATION'S INSURANCE.

PARK PASEO HOMEOWNERS ASSOCIATION

SCHEDULE OF FINES AND FEES

Whereas it is the policy of the Park Paseo Homeowners Association to protect the rights and priveleges of the members and to enforce the CC&Rs and Rules and Regulations of the Association, therefore pursuant to the authority vested in the Board of Directors by the CC&Rs and the Bylaws, the following schedule of fines and fees is hereby established and supercedes all previously adopted schedules for such fines and fees:

TYPE OF VIOLATION	1st OFFENSE	2nd OFFENSE	3rd OFFENSE
A. Failure to comply with animal control	Warning	\$25.00	\$50.00 plus possible suspension of privileges.
B. Damage to Association property.	\$50.00 plus repair & legal costs.	\$100.00 plus repair & legal costs.	Legal Action.
C. Littering or disposal of debris on or around common areas.	Warning	\$25.00	\$100.00 plus possible suspension of privileges.
D. Trash containers put out earlier than evening before scheduled pick up and left after eve of pick up.	Warning	\$25.00	\$50.00
E. Unauthorized vehicles in driveway(boats, trailers, RV, etc.)	Warning	\$25.00	\$50.00
F. Use of motor driven vehicles on common area.	Warning	\$50.00	\$100.00 plus possible suspension of

privileges and
legal action.

G. Failure to comply with or violation of CC&Rs or Rule not set forth above.	Warning	\$25.00	\$50.00 plus possible suspension of privileges.
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ADMINISTRATIVE FEES:

A. Facility Keys:

If both keys are lost, two new keys will be issued at a charge of \$200.00. If one key is lost, the remaining key must be turned in and two new keys will be issued at a charge of \$100.00.

B. Provision of a copy of CC&Rs, Bylaws and Articles of Incorporation will cost \$50.00 or \$25.00 each if the set is not needed.

C. Escrow transfer fee is \$100.00.

D. Delinquent Account Collection :

1. Preparation of lien and release documents will be charged at attorney's fees plus actual costs.

2. Attorney's fees are as charged to the Association.

3. Foreclosure costs are attorney's fees plus actual costs.

This Schedule of Fines and Fees was adopted by the Association's Board of Directors on March 11, 1996 and shall be binding on the members of the Association, and shall not be the exclusive remedy of the Association to deal with violations of the CC&Rs, Bylaws or Rules and Regulations. Members shall be responsible for the acts or omissions of their guests, lessees or invitees.

All fines and fees, pursuant to this shedule, shall be imposed by action of the Board of Directors after reasonable notice and hearing.



**SUMMARY OF CALIFORNIA CIVIL CODE § 1354(b)
RELATING TO ENFORCEMENT OF GOVERNING DOCUMENTS
THROUGH ALTERNATIVE DISPUTE RESOLUTION**

PLEASE TAKE NOTICE: *California Civil Code § 1354 addresses your rights to sue the association or another member of the association regarding the enforcement of the governing documents. The following is a summary of the provisions of Civil Code § 1354, as amended effective January 1, 1994:*

In general, Civil Code § 1354 encourages parties to a dispute involving enforcement of an association's governing documents to submit the dispute to a form of alternative dispute resolution (ADR) such as mediation or arbitration prior to filing a lawsuit. The intent of the statute is to promote speedy and cost-effective resolution of such disputes, to better preserve community cohesiveness and to channel CC&R disputes away from our state's court system.

Under Civil Code § 1354, the form of alternative dispute resolution may be binding or non-binding and the costs will be borne as agreed to by the parties involved.

Any party to a dispute regarding enforcement of the governing documents may initiate the process of ADR by serving a Request for Resolution on another party to the dispute. A Request for Resolution must contain (1) a brief description of the nature of the dispute, (2) a request for ADR, and (3) a notice that the party receiving the Request for Resolution is required to respond within 30 days of receipt or the Request will be deemed rejected.

If the Request is accepted, the ADR must be completed within 90 days of receipt of the acceptance, unless otherwise agreed by the parties. Any Request for Resolution sent to the owner of a separate interest must include a copy of Civil Code § 1354 in its entirety.

**FAILURE BY ANY MEMBER OF THE ASSOCIATION TO COMPLY WITH THE
PREFILING REQUIREMENTS OF SECTION 1354 OF THE CIVIL CODE MAY
RESULT IN THE LOSS OF YOUR RIGHTS TO SUE THE ASSOCIATION OR
ANOTHER MEMBER OF THE ASSOCIATION REGARDING ENFORCEMENT
OF THE GOVERNING DOCUMENTS.**

Should the association or an individual member wish to file a lawsuit for enforcement of the association's governing documents, the law requires the association or the individual to file a certificate with the court stating that ADR has been completed prior to the filing of the suit. Failure to file this certificate can be grounds for dismissing the lawsuit. There are limited exceptions to the filing of this required certificate when (1) one of the other parties to the dispute refused ADR prior to the filing of the complaint, (2) preliminary or temporary injunctive relief is necessary, or (3) the statute of limitations period for filing the suit will expire within 120 days of the lawsuit being filed. Each of these exceptions, however, must also be certified in writing to avoid the court's dismissing the action.

Furthermore, in any lawsuit to enforce the governing documents, while the prevailing party may be awarded attorney's fees and costs, under Civil Code § 1354 the court may consider any party's refusal to participate in ADR prior to the lawsuit being filed when it determines the amount of the award.