



November 1, 1998

Dear Homeowner:

Enclosed is the approved annual budget for the 1999 calendar year. Please note that there will be an increase in monthly Association dues from \$57 to \$59. This increase becomes effective on January 1, 1999.

The dues increase is primarily necessitated by the need to continue to maintain the Association's reserve requirements at a fully funded level as outlined in the enclosed reserve summary completed August 8, 1998.

Also enclosed is the billing policy for 1999, the reserve summary for 1998, and a summary of the Association's insurance coverage 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

**PARK PASEO HOMEOWNERS ASSOCIATION
1999 APPROVED OPERATING BUDGET

Category -----	1998 Projected Actual Totals -----	1999 Approved Budget -----
INCOME:		
Assessment Fees	\$427,500	\$442,500
Interest Income	8,000	12,000
Document Fees	1,000	1,300
Transfer Fees	3,000	2,600
Misc. Income	2,800	3,000
	-----	-----
Total Income	\$442,300	\$461,400
EXPENSE:		
Facilities/Recreation:		
Electricity	\$17,500	\$17,500
Gas	13,500	14,000
Telephone	1,500	1,500
Waste Collection	1,032	1,032
Handyman Services	7,000	7,500
Janitorial Services	9,000	9,000
Janitorial Supplies	1,300	1,500
Pool Maintenance	10,500	10,500
Pool Supplies	1,000	1,500
Pool Repairs	3,500	3,500
Bldg. Repairs/ Plumbing	2,000	3,000
Electrical Repairs	1,500	2,000
Equipment Repairs	1,000	1,000
Lifeguard Services	17,500	17,500
Gate/Lock Repair	600	750
Miscellaneous, Contingency	10,000	4,968
Tennis Repairs/Supplies	400	400
Pest Control	1,200	1,200
Security Services	32,000	32,000
Licenses/Permits	1,300	1,300
Subscriptions/Education	500	500
Social	1,000	1,000
	-----	-----
Total Facilities Exp.	\$134,832	\$133,150
Landscaping Expense:		
Landscape Maintenance	\$119,880	\$119,880
Landscape Supplies	3,500	3,500
Irrigation Repair	9,000	9,000
Tree Trimming	19,000	19,000
Water	18,000	17,500
	-----	-----
Total Landscape Expense	\$169,380	\$167,880

Administrative Expense:

Management Services	\$50,022	\$51,496
Audit	7,000	7,000
Federal/State Taxes	3,000	3,000
Insurance	24,699	23,000
Legal	3,000	3,000
Postage	3,800	3,500
Office Supplies	2,500	2,500
Newsletter	2,200	2,200
Printing	3,200	3,700
Miscellaneous	4,816	2,198
	-----	-----
Total Admin. Expense	\$102,621	\$101,594
Total Operating Expense	\$406,833	\$400,024
Reserve Allocations	\$ 35,467	58,776
	-----	-----
Total Expense	\$442,300	\$461,400
	-----	-----
Net Income Or <Deficit>	0	0

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 BOARD OF
DIRECTORS ON MARCH 10, 1997.

Park Paseo Homeowners Association
 Irvine, California
Reserve Analysis Report Summary

Report Date	August 8, 1998
Version	010
Account Number	1393
Budget Year Beginning	1/ 1/99
Ending	12/31/99
Total Units Included	625
Phase Development	1 of 1

Parameters:	
Inflation	3.50%
Annual Contribution Increase	3.50%
Investment Yield	4.00%
Taxes on Yield	30.00%
Contingency	3.00%
Reserve Fund Balance as of	
1/ 1/99:	\$292,405.00

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:	\$4,303.10
(\$6.88 per unit per month)	
Average Net Monthly Interest Contribution This Year:	595.03
Net Monthly Allocation to Reserves 1/ 1/99 to 12/31/99:	\$4,898.13
(\$7.84 per unit per month)	

Copyright 1998, Reserve Data Analysis, Inc.
 All Rights Reserved.

Park Paseo Homeowners Association
Distribution of Accumulated Reserves

REPORT DATE: August 8, 1998
 VERSION: 010
 ACCOUNT NUMBER: 1393

DESCRIPTION	REM LIFE	IDEAL ACCUM RESERVES	ACTUAL DISTRIBUTION
Clubhouse - Carpet	0	5,154.19	5,154.19
Clubhouse - Heat/Air Conditioning	0	18,767.00	18,767.00
Clubhouse - Office, Furnishings	0	1,763.00	1,763.00
Lighting - Exterior, Parking Lot	0	3,480.00	3,480.00
Painting - Main Spa, Equipment Room	0	1,782.00	1,782.00
Painting - Woodwork, Prosa	0	2,080.08	2,080.08
Pool Area - Deck Caulking, Prosa	0	2,077.20	2,077.20
Pool Area - Furniture, Prosa	0	5,980.00	5,980.00
Rec Area - Ceramic Shower, Prosa	0	4,429.00	4,429.00
Rec Area - Drinking Fntns, Concrete	0	4,315.00	4,315.00
Rec Area - Sand Repl, Main	0	2,021.20	2,021.20
Rec Area - Sand Repl, Prosa/Alba	0	2,282.00	2,282.00
Rec Area - Water Heater, Prosa	0	1,946.00	1,946.00
Tennis Court - Resurfacing	0	5,328.00	5,328.00
Wader - Replaster/Tile Repl, Main	0	2,796.00	2,796.00
Clubhouse - Appliances, 1977	1	442.87	463.00
Clubhouse - Office, Fax Machine	1	795.43	960.00
Landscape - Tree Trimming	1	14,820.00	15,179.78
Painting - Int Restrooms, Club	1	1,351.07	1,351.07
Painting - Int Restrooms, Prosa	1	616.97	616.97
Painting - Woodwork, Clubhouse, '94	1	3,115.18	3,115.18
Painting - Wrought Iron, Clubhouse	1	845.35	845.35
Painting - Wrought Iron, Streets	1	489.46	489.46
Pool - Filter, 60 Sq Ft, Prosa	1	1,919.11	1,919.11
Pool - Heater, 1,266K BTU, Main	1	7,080.17	7,080.17
Pool - Heater, 400K Prosa	1	1,608.39	1,608.39
Pool - Pump Motor, Main	1	3,587.08	3,587.08
Roofs - Cedar Shake, Prosa Cabana	1	3,113.48	3,113.48
Roofs - Composition Roll, Clubhouse	1	429.29	429.29
Spa - Filter, 60 Sq Ft, Main	1	909.05	909.05
Spa - Heater, 400K BTU, Main	1	1,581.36	1,581.36
Wader - Filter, 36 Sq Ft, Main	1	1,718.66	1,718.66
Wader - Heater, 125K BTU, Main	1	1,214.51	1,214.51
Clubhouse - Cabinets, Kitchen	2	1,705.00	1,705.00
Clubhouse - Ceramic Tile, Shower	2	1,229.53	1,229.53
Clubhouse - Office, Typewriter	2	265.22	265.22
Painting - Woodwork, Clubhouse, '95	2	2,455.49	2,455.49
Painting - Wrought Iron, Prosa	2	417.17	417.17
Parking Lot - Repairs & Replacement	2	606.94	606.94
Parking Lot - Slurry Sealing	2	614.86	614.86
Pool Area - Deck Caulking, Main	2	3,082.98	3,082.98

Park Paseo Homeowners Association
Distribution of Accumulated Reserves

DESCRIPTION	REM LIFE	IDEAL ACCUM RESERVES	ACTUAL DISTRIBUTION
Pool Area - Furniture, Main	2	15,711.37	15,711.37
Rec Area - Drinking Fntns, Chilled	2	1,687.47	1,687.47
Rec Area - Rstrm Partitions, Prosa	2	1,653.47	1,653.47
Clubhouse - Water Heater	3	2,679.49	2,679.49
Lighting - Exterior, Main Pool/Club	3	5,829.51	5,829.51
Lighting - Exterior, Prosa, 1992	3	1,159.58	1,159.58
Lighting - Interior, Clubhouse	3	9,078.96	9,078.96
Lighting - Interior, Prosa Cabana	3	929.90	929.90
Rec Area - Rstrm Counters, Prosa	3	544.00	544.00
Rec Area - Rstrm Tile, Prosa	3	4,899.30	4,899.30
Roofs - Cedar Shake, Spa Equipment	3	392.83	392.83
Tennis Court - Chain Link	3	10,066.32	10,066.32
Tennis Court - Lighting	3	8,166.40	8,166.40
Clubhouse - Furnishings	4	11,745.00	11,745.00
Clubhouse - Office, Comp./Monitor	4	696.73	696.73
Clubhouse - Office, Copier	4	399.40	399.40
Rec Area - Barbecues, Prosa	4	744.82	744.82
Tennis Court - Benches 8'	4	3,319.80	3,319.80
Tennis Court - Windscreen	4	542.91	542.91
Bulletin Board - Clubhouse	5	316.83	316.83
Clubhouse - Shades	5	3,401.60	3,401.60
Clubhouse - Billiard Tables	6	5,278.43	5,278.43
Clubhouse - Restroom Lockers	6	2,278.55	2,278.55
Clubhouse - Restroom Partitions	6	1,473.49	1,473.49
Fencing - Wrought Iron, Main Pool	6	14,219.69	14,219.69
Fencing - Wrought Iron, Prosa Pool	6	7,087.43	7,087.43
Irrigation Controllers	6	11,745.00	11,745.00
Lighting - Walkway, 1990	6	3,308.33	3,308.33
Rec Area - Barbecues, Main	6	1,022.70	1,022.70
Rec Area - Barbecues, Main, 1994	6	204.23	204.23
Clubhouse - Appliances, 1991	7	508.80	508.80
Clubhouse - Restroom Counters	7	405.56	405.56
Clubhouse - Restroom Shwr Door, 1990	7	266.64	266.64
Fencing - Wrought Iron, Street, '86	7	1,851.41	1,851.41
Clubhouse - Wallpaper	8	2,703.17	2,703.17
Monument Signs - Clubhouse	8	2,078.27	2,078.27
Pool - Replaster/Tile Repl, Main	8	6,319.20	6,319.20
Rec Area - Rstrm Fixtures, Prosa	8	3,115.08	3,115.08
Spa - Replaster/Tile Repl, Main	8	593.75	593.75
Pool - Filter, 70 sq. ft., Main	9	1,044.00	1,044.00
Pool - Replaster/Tile Repl, Prosa	9	1,694.46	1,694.46

Park Paseo Homeowners Association
Distribution of Accumulated Reserves

DESCRIPTION	REM LIFE	IDEAL ACCUM RESERVES	ACTUAL DISTRIBUTION
Clubhouse - Restroom Ceramic Tile	11	5,317.63	5,317.63
Clubhouse - Restroom Shwr Door, 1994	11	139.94	139.94
Fencing - Wrought Iron, Street, '90	11	216.64	216.64
Clubhouse - Vinyl Sheet Floor, Ktcn	12	71.00	71.00
Lighting - Walkway, Prosa 1997	13	375.66	375.66
Clubhouse - Appliances, 1998	14	58.83	58.83
Clubhouse - Ceramic Tile, Counters	14	530.40	530.40
Clubhouse - Sink, Kitchen	14	199.43	199.43
Pool Area - Diving Board, Main	15	200.55	200.55
Clubhouse - Restroom Fixtures	16	2,068.41	2,068.41
Parking Lot - Asphalt Overlay	18	337.98	337.98
Rec Area - Play Equip, Main, Prosa	18	2,448.23	2,448.23
Painting - Stucco, Unfunded	77	0.00	0.00
Fencing - Wrought Iron, Fence Extn	95	0.00	0.00
Roofs - Tile, Clubhouse, Unfunded	96	0.00	0.00
Total Asset Summary:		283,343.87	283,888.35
Contingency @ 3.00%:		8,500.32	8,516.65
Grand Total:		291,844.19	292,405.00
Excess Reserves Not Used:			0.00
Percent Ideally Funded:	100.19%		



ROBCO INSURANCE SERVICES
License #0750612
27362 Calle Arroyo
San Juan Capistrano, CA 92675
Phone: 714-487-6131
Fax: 714-487-6150

ANNUAL INSURANCE DISCLOSURE FOR
COMMON INTEREST DEVELOPMENTS

California Civil Code Section 1365 requires that your Association provide annual notice of the following information regarding the Association's insurance coverage, as well as the disclosure below:

GENERAL LIABILITY

Insurance Company:	Reliance Insurance Company
Policy Limits:	Each Occurrence \$1,000,000 Aggregate \$2,000,000
Deductible:	None
Policy Dates:	1/1/98 to 1/1/99
Umbrella:	\$10,000,000 Ea. Occurrence \$10,000,000 Aggregate 1/1/98 to 1/1/99 with Chubb

PROPERTY COVERAGE

Insurance Company:	Reliance Insurance Company
Policy Limits:	\$510,000 All Risk, RC Common Area Only
Deductible:	\$1000.
Policy Dates:	1/1/98 to 1/1/99

FLOOD INSURANCE

Insurance Company:	None with Robco Insurance
Policy Limits:	
Deductible:	
Policy Dates:	

EARTHQUAKE INSURANCE

Insurance Company: Golden Bear
Policy Limits: \$500,000
Deductible: 10%
Policy Dates: 1/1/98 to 1/1/99

DIRECTORS AND OFFICERS LIABILITY

Insurance Company: Seaboard Surety
Policy Limits: \$5,000,000
Deductible: \$2500.
Policy Dates: 5/21/98 to 5/21/99

FIDELITY BOND/DISHONESTY

Insurance Company: St Paul Fire & Marine
Policy Limits: \$500,000
Deductible: \$2500.
Policy Dates: 2/20/97 to 2/20/98

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.