



October 22, 2002

Dear Homeowner,

Enclosed is the approved annual budget for the calendar year 2003. Please note that there will not be any increase in monthly Association dues.

The carefully planned preventative maintenance, adherence to the budget and maintenance of the Association's reserve accounts allow us to keep the dues at the present rate of \$61.00.

Also enclosed are the billing policy for the year 2003, 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
 2003 APPROVED OPERATING BUDGET

<u>Category</u>	<u>2002 Projected Actual Totals</u>	<u>2003 Approved Budget</u>
INCOME:		
Assessment Fees	\$457,500	\$457,500
Late Fees	5,000	3,000
Fines-CC&R Violation	300	300
Key Fees	4,000	3,000
Transfer Fees	4,000	4,000
Interest Income	14,000	14,000
Document Fees	2,000	1,700
Misc. Income	2,000	2,000
	=====	=====
Total Income	\$488,800	\$485,500
EXPENSE:		
Facilities/Recreation:		
Electricity	\$24,800	\$24,800
Gas	10,500	10,500
Telephone	2,200	2,400
Waste Collection	1,000	1,100
Handyman Services	7,400	7,400
Janitorial Services	9,600	9,600
Janitorial Supplies	400	400
Pool Maintenance	10,800	11,000
Pool Supplies	1,000	1,000
Pool Repairs	6,500	5,000
Bldg. Repairs/ Plumbing	3,200	2,000
Electrical Repairs	1,200	800
Equipment Repairs	1,100	1,100
Lifeguard Services	23,000	20,500
Gate/Lock Repairs	3,400	1,000
Miscellaneous, Contingency	400	5,000
Tennis Repairs/Supplies	100	1,000
Pest Control	1,100	1,100
Security Services	45,000	44,000
Licenses/Permits	1,300	1,300
Subscriptions/Education	400	600
Social	0	1,000
	=====	=====
Total Facilities Exp.	\$154,400	\$152,600
Landscaping Expense:		
Landscape Maintenance	\$121,100	\$121,100
Landscape Supplies	900	2,000
Irrigation Repair	10,000	9,000
Tree Trimming	18,900	23,000
Water	15,900	16,000
Concrete r/r maintenance		3,500
	=====	=====
Total Landscape Exp.	\$166,800	\$174,600

Administrative Expense:

Management Services	\$49,000	\$54,000
Audit/Accounting	7,400	6,000
Federal/State Taxes	5,300	3,500
Property Taxes		
NSF Bank Fees		
Insurance	18,000	18,000
Legal	900	1,000
Postage	3,900	3,500
Office Supplies	2,000	2,000
Printing	1,900	2,000
Newsletter	2,700	2,700
Miscellaneous	2,400	2,500
	=====	=====
Total Admin. Expense	\$ 93,500	\$ 95,200
Total Operating Expense	\$414,700	\$422,400
Reserve Allocations	\$ 49,402	66,136
	=====	=====
Total Expense	\$464,102	\$488,536
	=====	=====
Net Income Or <Deficit>	\$ 24,678	\$ (3,036)

**Park Paseo Homeowners Association
Irvine, California
RDA Owner's Summary**

<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Report Date</td> <td style="width: 30%;">October 15, 2002</td> <td style="width: 40%;"></td> </tr> <tr> <td>Version</td> <td>014</td> <td></td> </tr> <tr> <td>Account Number</td> <td>1393</td> <td></td> </tr> <tr> <td>Budget Year Beginning</td> <td>1/ 1/03</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Ending</td> <td>12/31/03</td> <td></td> </tr> <tr> <td>Total Units Included</td> <td>625</td> <td></td> </tr> <tr> <td>Phase Development</td> <td>1 of 1</td> <td></td> </tr> </table>	Report Date	October 15, 2002		Version	014		Account Number	1393		Budget Year Beginning	1/ 1/03		Ending	12/31/03		Total Units Included	625		Phase Development	1 of 1		<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">Parameters:</td> </tr> <tr> <td style="width: 70%;">Inflation</td> <td style="text-align: right;">3.00%</td> </tr> <tr> <td>Annual Contribution Increase</td> <td style="text-align: right;">3.00%</td> </tr> <tr> <td>Investment Yield</td> <td style="text-align: right;">2.40%</td> </tr> <tr> <td>Taxes on Yield</td> <td style="text-align: right;">30.00%</td> </tr> <tr> <td>Contingency</td> <td style="text-align: right;">3.00%</td> </tr> <tr> <td colspan="2">Reserve Fund Balance as of</td> </tr> <tr> <td>1/ 1/03:</td> <td style="text-align: right;">\$393,315.00</td> </tr> </table>	Parameters:		Inflation	3.00%	Annual Contribution Increase	3.00%	Investment Yield	2.40%	Taxes on Yield	30.00%	Contingency	3.00%	Reserve Fund Balance as of		1/ 1/03:	\$393,315.00
Report Date	October 15, 2002																																					
Version	014																																					
Account Number	1393																																					
Budget Year Beginning	1/ 1/03																																					
Ending	12/31/03																																					
Total Units Included	625																																					
Phase Development	1 of 1																																					
Parameters:																																						
Inflation	3.00%																																					
Annual Contribution Increase	3.00%																																					
Investment Yield	2.40%																																					
Taxes on Yield	30.00%																																					
Contingency	3.00%																																					
Reserve Fund Balance as of																																						
1/ 1/03:	\$393,315.00																																					

Project Profile & Introduction

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 4, 2002; September 2000
September 1997; January 1995; June 1986

RDA Summary of Calculations

Monthly Contribution to Reserves Required:	\$5,054.22
(\$8.09 per unit per month)	
Average Net Monthly Interest Contribution This Year:	457.09
Net Monthly Allocation to Reserves 1/ 1/03 to 12/31/03:	\$5,511.31
(\$8.82 per unit per month)	

RDA Reserve Management Software
Copyright 2002, Edwin G. Edgley
All Rights Reserved

Park Paseo Homeowners Association
RDA Owner's Summary

REPORT DATE: October 15, 2002
VERSION: 014
ACCOUNT NUMBER: 1393

DESCRIPTION	USE LIFE	+/- LIFE	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Parking Lot - Asphalt Overlay	20	0	14	4,943	1,394	0
Parking Lot - Repairs & Replacement	4	+2	0	1,554	1,554	1,554
Parking Lot - Slurry Sealing	4	+2	0	1,726	1,726	1,726
*** CATEGORY SUMMARY:				8,223	4,674	3,280
Roofs - Cedar Shake	25	+1	0	4,070	4,070	4,070
Roofs - Composition Roll, Clubhouse	15	+11	0	578	578	578
Roofs - Tile, Clubhouse, Unfunded	99	0	92	0	0	0
*** CATEGORY SUMMARY:				4,648	4,648	4,648
Painting - Int Restrooms, Clubhouse	8	+2	0	1,802	1,802	1,802
Painting - Int Restrooms, Prosa	8	+2	0	823	823	823
Painting - Main Spa, Equipment Room	5	0	2	1,870	1,039	1,039
Painting - Stucco, Unfunded	99	0	73	0	0	0
Painting - Woodwork, Clubhouse 2000	6	0	3	7,965	3,620	3,620
Painting - Woodwork, Prosa	7	0	4	2,183	840	840
Painting - Wrought Iron, Clubhouse	3	0	0	1,447	1,447	1,447
Painting - Wrought Iron, Prosa	3	+5	0	643	643	643
Painting - Wrought Iron, Streets	3	+3	0	657	657	657
*** CATEGORY SUMMARY:				17,389	10,870	10,870
Fencing - Wrought Iron, Main Pool	10	+7	6	28,497	18,439	18,439
Fencing - Wrought Iron, Street, '86	20	0	3	3,089	2,626	2,626
Fencing - Wrought Iron, Street, '90	20	0	7	538	345	345
Fencing - Wrought Iron, Prosa Pool	10	+8	6	13,387	8,925	8,925
*** CATEGORY SUMMARY:				45,512	30,335	30,335
Lighting - Exterior, Main Pool/Club	10	+4	3	9,198	7,167	7,167
Lighting - Exterior, Prosa, 1992	10	+4	3	1,808	1,409	1,409
Lighting - Interior, Clubhouse	25	+2	1	11,388	10,966	10,966
Lighting - Interior, Prosa Cabana	20	+4	3	1,190	1,041	1,041
Lighting - Parking Lot, 2000	22	0	19	1,009	107	0
Lighting - Parking Lot, Original	22	+8	4	5,045	4,372	4,372
Lighting - Walkway, 1990	15	0	2	6,556	5,625	5,625
Lighting - Walkway, Prosa 1997	15	0	9	3,892	1,490	1,490
*** CATEGORY SUMMARY:				40,086	32,177	32,070
Pool - Filter, 60 Sq Ft, Prosa	12	+1	3	700	538	538
Pool - Filter, 72 sq. ft., Main	12	0	5	3,800	2,217	2,217
Pool - Heater, 1,260K BTU, Main	12	0	9	18,500	4,126	1,180
Pool - Heater, 400K Prosa	12	+3	3	2,275	1,820	1,820
Pool - Motor, Main	8	0	6	1,630	408	408
Pool - Motor, Prosa	8	+5	2	575	487	487

Park Paseo Homeowners Association
RDA Owner's Summary

REPORT DATE: October 15, 2002
VERSION: 014
ACCOUNT NUMBER: 1393

DESCRIPTION	USE LIFE	+/- LIFE	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Parking Lot - Asphalt Overlay	20	0	14	4,943	1,394	0
Parking Lot - Repairs & Replacement	4	+2	0	1,554	1,554	1,554
Parking Lot - Slurry Sealing	4	+2	0	1,726	1,726	1,726
*** CATEGORY SUMMARY:				8,223	4,674	3,280
Roofs - Cedar Shake	25	+1	0	4,070	4,070	4,070
Roofs - Composition Roll, Clubhouse	15	+11	0	578	578	578
Roofs - Tile, Clubhouse, Unfunded	99	0	92	0	0	0
*** CATEGORY SUMMARY:				4,648	4,648	4,648
Painting - Int Restrooms, Clubhouse	8	+2	0	1,802	1,802	1,802
Painting - Int Restrooms, Prosa	8	+2	0	823	823	823
Painting - Main Spa, Equipment Room	5	0	2	1,870	1,039	1,039
Painting - Stucco, Unfunded	99	0	73	0	0	0
Painting - Woodwork, Clubhouse 2000	6	0	3	7,965	3,620	3,620
Painting - Woodwork, Prosa	7	0	4	2,183	840	840
Painting - Wrought Iron, Clubhouse	3	0	0	1,447	1,447	1,447
Painting - Wrought Iron, Prosa	3	+5	0	643	643	643
Painting - Wrought Iron, Streets	3	+3	0	657	657	657
*** CATEGORY SUMMARY:				17,389	10,870	10,870
Fencing - Wrought Iron, Main Pool	10	+7	6	28,497	18,439	18,439
Fencing - Wrought Iron, Street, '86	20	0	3	3,089	2,626	2,626
Fencing - Wrought Iron, Street, '90	20	0	7	538	345	345
Fencing - Wrought Iron, Prosa Pool	10	+8	6	13,387	8,925	8,925
*** CATEGORY SUMMARY:				45,512	30,335	30,335
Lighting - Exterior, Main Pool/Club	10	+4	3	9,198	7,167	7,167
Lighting - Exterior, Prosa, 1992	10	+4	3	1,808	1,409	1,409
Lighting - Interior, Clubhouse	25	+2	1	11,388	10,966	10,966
Lighting - Interior, Prosa Cabana	20	+4	3	1,190	1,041	1,041
Lighting - Parking Lot, 2000	22	0	19	1,009	107	0
Lighting - Parking Lot, Original	22	+8	4	5,045	4,372	4,372
Lighting - Walkway, 1990	15	0	2	6,556	5,625	5,625
Lighting - Walkway, Prosa 1997	15	0	9	3,892	1,490	1,490
*** CATEGORY SUMMARY:				40,086	32,177	32,070
Pool - Filter, 60 Sq Ft, Prosa	12	+1	3	700	538	538
Pool - Filter, 72 sq. ft., Main	12	0	5	3,800	2,217	2,217
Pool - Heater, 1,260K BTU, Main	12	0	9	18,500	4,126	1,180
Pool - Heater, 400K Prosa	12	+3	3	2,275	1,820	1,820
Pool - Motor, Main	8	0	6	1,630	408	408
Pool - Motor, Prosa	8	+5	2	575	487	487

Park Paseo Homeowners Association
RDA Owner's Summary

DESCRIPTION	USE LIFE	+/- LIFE	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Pool - Pump, Main	8	+9	2	3,550	3,132	3,132
Pool - Pump, Prosa	8	0	4	300	150	150
Pool - Replaster/Tile Repl, Main	10	0	4	35,683	21,290	21,290
Pool - Replaster/Tile Repl, Prosa	10	0	5	21,051	10,437	10,437
Spa - Filter, 60 Sq Ft, Main	10	+3	2	700	588	588
Spa - Heater, 400K BTU, Main	10	+2	6	2,275	1,138	1,138
Spa - Pump/Motor, Main	8	0	6	815	204	204
Spa - Replaster/Tile Repl, Main	10	0	4	3,754	2,240	2,240
Wader - Filter, 36 Sq Ft, Main	9	0	6	550	158	158
Wader - Heater, 125K BTU, Main	10	+3	2	1,565	1,321	1,321
Wader - Pump/Motor, Main	8	0	5	515	186	186
Wader - Replaster/Tile Repl, Main	12	0	6	3,302	1,639	1,639
*** CATEGORY SUMMARY:				101,540	52,078	49,132
Pool Area - Deck Caulking, Main	4	0	2	7,315	3,658	3,658
Pool Area - Deck Caulking, Prosa	4	0	2	2,412	1,206	1,206
Pool Area - Diving Board, Main	18	-4	7	1,534	743	743
Pool Area - Furniture, Main	7	+9	2	22,731	19,829	19,829
Pool Area - Furniture, Prosa	7	+9	2	5,504	4,801	4,801
*** CATEGORY SUMMARY:				39,496	30,237	30,237
Rec Area - Barbecues, Main	14	0	13	5,849	285	0
Rec Area - Barbecues, Main, 1994	10	+1	2	552	445	445
Rec Area - Barbecues, Prosa	10	+8	1	1,104	1,043	1,043
Rec Area - Ceramic Shower, Prosa	25	0	4	4,807	4,038	4,038
Rec Area - Drinking Fntns, Chilled	12	+9	0	2,118	2,118	2,118
Rec Area - Drinking Fntns, Concrete	30	+3	7	4,525	3,565	3,565
Rec Area - Play Equip, Alba	20	0	16	15,751	3,150	0
Rec Area - Play Equip, Main, Prosa	20	0	14	35,819	10,103	0
Rec Area - Rstrm Counters, Prosa	20	+4	3	714	625	625
Rec Area - Rstrm Fixtures, Prosa	25	0	4	4,342	3,647	3,647
Rec Area - Rstrm Partitions, Prosa	15	+9	3	2,057	1,800	1,800
Rec Area - Rstrm Tile, Prosa	25	+2	6	6,141	4,776	4,776
Rec Area - Sand Repl, Main	10	+4	1	2,226	2,063	2,063
Rec Area - Sand Repl, Prosa/Alba	10	+4	1	2,514	2,329	2,329
Rec Area - Water Heater, Prosa	10	+11	0	4,058	4,058	4,058
*** CATEGORY SUMMARY:				92,577	44,044	30,506
Tennis Court - Benches 8'	15	+2	2	2,775	2,449	2,449
Tennis Court - Chain Link	25	+5	4	13,470	11,674	11,674
Tennis Court - Lighting	25	+7	6	10,656	8,658	8,658
Tennis Court - Resurfacing	6	+4	0	6,336	6,336	6,336
Tennis Court - Windscreen	6	0	0	2,372	2,372	2,372
*** CATEGORY SUMMARY:				35,609	31,489	31,489
Clubhouse - Appliances, 1977	15	+12	1	541	521	521
Clubhouse - Appliances, 1991	15	0	3	1,072	858	858

Park Paseo Homeowners Association
RDA Owner's Summary

DESCRIPTION	USE LIFE	+/- LIFE	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Clubhouse - Appliances, 1998	15	0	10	1,299	418	0
Clubhouse - Billiard Tables	25	+3	2	7,150	6,639	6,639
Clubhouse - Cabinets, Kitchen	20	+8	2	2,082	1,933	1,933
Clubhouse - Carpet	8	+5	0	5,903	5,903	5,903
Clubhouse - Ceramic Tile, Counters	20	-5	5	1,976	1,317	1,317
Clubhouse - Ceramic Tile, Shower	20	+10	4	1,454	1,260	1,260
Clubhouse - Floor, Vinyl Sheet	15	0	8	397	185	185
Clubhouse - Furnishings	10	0	0	25,000	25,000	25,000
Clubhouse - Heat/Air Conditioning	18	+9	1	20,350	19,596	19,596
Clubhouse - Office, Comp./Monitor	5	0	0	4,200	4,200	4,200
Clubhouse - Office, Copier	5	0	0	2,245	2,245	2,245
Clubhouse - Office, Fax Machine	6	+3	0	1,078	1,078	1,078
Clubhouse - Office, Furnishings	4	+8	1	2,464	2,259	2,259
Clubhouse - Restroom Ceramic Tile	20	0	7	13,127	8,455	8,455
Clubhouse - Restroom Counters	16	+4	7	816	526	526
Clubhouse - Restroom Fixtures	25	0	12	5,528	2,839	0
Clubhouse - Restroom Lockers	15	0	2	4,208	3,634	3,634
Clubhouse - Restroom Partitions	15	+1	3	2,735	2,220	2,220
Clubhouse - Restroom Shwr Door, 1999	16	0	12	1,128	264	
Clubhouse - Sink, Kitchen	20	0	10	738	364	
Clubhouse - Wallpaper	15	-3	1	7,094	6,502	6,502
Clubhouse - Water Heater	12	+2	1	4,058	3,761	3,761
Clubhouse - Window Blinds	12	0	1	6,316	5,789	5,789
Trellis - Wood, Patio Cover	15	0	15	10,000	0	0
*** CATEGORY SUMMARY:				132,958	107,767	103,882
Irrigation Controllers - Enclosures	25	0	0	8,750	8,750	8,750
Irrigation Controllers - Replace	12	+1	3	26,229	20,176	20,176
Landscape - Tree Trimming	3	0	0	21,660	21,660	21,660
*** CATEGORY SUMMARY:				56,639	50,586	50,586
Bulletin Board - Clubhouse	10	+2	3	774	568	568
Signs - Monument	30	+3	7	3,076	2,424	2,424
*** CATEGORY SUMMARY:				3,850	2,991	2,991
Golf Cart - Replacement	12	0	1	2,000	1,833	1,833
*** CATEGORY SUMMARY:				2,000	1,833	1,833
TOTAL ASSET SUMMARY:				580,526	403,730	381,859
CONTINGENCY @ 3.00%:					12,112	11,456
GRAND TOTAL:					415,841	393,315

Percent Fully Funded: 95%

**STATEMENT DESCRIBING 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 (Civil Code Section 1367(a)) OF
PARK PASEO HOMEOWNERS ASSOCIATION**

1. Regular monthly assessments are due and payable on the 1st 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 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 10 percent of the delinquent assessment or ten dollars (\$10.00), whichever is greater, unless the CC&R's specify a late charge in a smaller amount, in which case any late charge imposed shall not exceed the amount specified in the CC&R's.
4. If an assessment is delinquent more than 60 days, the Association shall send a "Pre-Lien Letter" by certified mail to the owner(s) of the property notifying them 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 attorney's 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 amounts detailed in the Pre-Lien Letter within 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 fees, late charges and interest.
6. A copy of the lien shall be mailed by certified mail to all record owners, no later than 10 calendar days after it is recorded.

7. After the expiration of 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 owners state by written notice that the amount is paid under protest and the written notice is mailed by certified mail not more than 30 days from the recording of the lien:
 - (a) The amount of the assessment in dispute.
 - (b) late charges.
 - (c) Interest.
 - (d) All fees and costs associated with the preparation and filing of the lien, including all mailing costs, and including attorney' not to exceed \$425.00.
9. The right of any owner(s) to utilize ADR as indicated above may not be exercised more than two times 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 of 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 the 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 interest or collection expenses.

ASSOCIATION INSURANCE DISCLOSURE

Civil Code Section 1365.9 provides that 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 (I) 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 individual 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 the 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 sixteen million dollars (\$16,000,000) of general liability insurance. The association also carries sixteen million dollars (\$16,000,000) 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.

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

PLEASE TAKE NOTICE: *California Civil Code Section 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 Section 1354, as amended effective January 1, 1994:*

In general, Civil Code Section 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 Section 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 Section 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 Section 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.

ROBCO INSURANCE SERVICES
License #0750612
27362 Calle Arroyo
San Juan Capistrano, CA 92675
Phone: 949-487-6131
Fax: 949-487-6150

October 25, 2002

PARK PASEO HOA
Park Paseo HOA
25 Christamon West
Irvine, CA 92720

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: NEW HAMPSHIRE/ZURICH
Policy Limits: \$16,000,000 Each Occurrence
\$17,000,000 Aggregate
Deductible: -0-
Policy Dates: 1/1/02 TO 1/1/03

PROPERTY COVERAGE

Insurance Company: NEW HAMPSHIRE
Policy Limits: \$510,000 All Risk Replacement Cost
Common Area Only
Deductible: \$1,000
Policy Dates: 1/1/02 TO 1/1/03

FLOOD INSURANCE

Insurance Company: N/A
Policy Limits:
Deductible:
Policy Dates:

EARTHQUAKE INSURANCE

Insurance Company: GREAT AMERICAN
Policy Limits: \$500,000 LIMIT
Deductible: 5% PER BLDG/\$25,000 MIN

ROBCO INSURANCE SERVICES
License #0750612
27362 Calle Arroyo
San Juan Capistrano, CA 92675
Phone: 949-487-6131
Fax: 949-487-6150

PARK PASEO HOA
Date: 10/25/2002
Page: 2

Policy Dates: 1/1/02 TO 1/1/03

DIRECTORS AND OFFICERS LIABILITY
Insurance Company: KEMPER/ZURICH
Policy Limits: \$16,000,000
Deductible: \$1,000
Policy Dates: 1/1/02 TO 1/1/03

FIDELITY BOND/DISHONESTY
Insurance Company: ST PAUL FIRE & MARINE
Policy Limits: \$500,000
Deductible: \$2,500
Policy Dates: 2/20/02 TO 2/20/03

This summary of the association's policies of insurance provides only certain information, as required by subdivision (e) of Section 1365 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and upon request and payment of reasonable duplication charges, obtain copies of these policies. Although the association maintains the policies of insurance specified in this summary, the association's policies may not cover your property, including personal property or, real property improvements to or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.

LLP

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 suspension 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.

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. Escrow Fees:

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

2. Escrow transfer fee is \$100.00.

3. Lenders certification letter fee is \$25.00.

C. 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.