



November 22, 2005

Dear Homeowner,

Enclosed is the approved annual budget for the calendar year 2006. Please note that there will be an increase in monthly Association dues from \$62.00 to \$65.00. This increase becomes effective on January 1, 2006.

The Association is now going into its 28<sup>th</sup> year and the aging infrastructure is requiring more maintenance. We are replacing more of the irrigation system elements. The underground electrical, water, and drainage lines require more maintenance and repair. Our trees are larger and our landscaping is more mature and requires more frequently scheduled trimming, removal, rejuvenation and replacement. There are increases in the costs for utilities, insurance and our vendors are passing on increases in their costs for materials and labor. Overall, we appear to be in very fine financial condition and our increase still keeps us extremely competitive and we remain one of the best association bargains around!

Also enclosed are the billing policy for the year 2006, the Assessment and Reserve Funding Disclosure Summary and a summary of the Association's insurance coverage as required by California law.

Please note the monthly assessment is due by the 1<sup>st</sup> of each month, and will be delinquent 15 days after they are due. A courtesy statement will be mailed to homeowners every month. A late fee of \$10.00 will be assessed for all payments received after the 15<sup>th</sup> of each month.

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**  
**2006 Approved Operating Budget**

<b>Category</b>	<b>2005 Projected Actual Totals</b>	<b>2006 Approved Budget</b>
<b>INCOME</b>		
Assessment Fees	465,000.00	487,500.00
Late Fees	4,300.00	4,300.00
Fines-CC&R Violation	900.00	900.00
Key Fees	1,500.00	1,500.00
Transfer Fees	2,400.00	2,600.00
Interest Income	14,000.00	14,000.00
Document Fees	1,000.00	1,000.00
Miscellaneous Income	5,500.00	5,500.00
<b>Total Income</b>	<b>\$ 494,600.00</b>	<b>\$ 517,300.00</b>
<b>EXPENSE</b>		
<b>Facilities/Recreation</b>		
Electricity	22,000.00	24,250.00
Gas	13,300.00	14,300.00
Telephone	2,160.00	2,160.00
Waste Collection	1,100.00	1,140.00
Handyman Services	7,400.00	7,400.00
Janitorial Services	10,900.00	11,100.00
Janitorial Supplies	600.00	750.00
Pool Maintenance	11,200.00	12,290.00
Pool Supplies	700.00	900.00
Pool Repairs	8,000.00	6,000.00
Building Repairs/Plumbing	7,000.00	4,800.00
Electrical Repairs	900.00	900.00
Equipment Repairs	500.00	800.00
Lifeguard Services	25,000.00	25,000.00
Gate/Lock Repairs	3,480.00	3,500.00
Miscellaneous/Contingency	500.00	1,200.00
Tennis Repairs/Supplies	1,300.00	500.00
Pest Control	1,300.00	1,080.00
Security Services	46,000.00	47,600.00
Licenses/Permits	1,500.00	1,400.00
Subscriptions/Education	350.00	600.00
Social	1,200.00	950.00
<b>Total Facilities Expense</b>	<b>\$ 166,390.00</b>	<b>\$ 168,620.00</b>

**Landscape Expense**

Landscape Maintenance	121,080.00	121,080.00
Landscape Supplies	1,900.00	1,700.00
Irrigation Repair	6,900.00	7,900.00
Tree Trimming	10,000.00	10,000.00
Water	15,700.00	16,600.00
Concrete R/R Maintenance	1,800.00	1,900.00
<b>Total Landscape Expense</b>	<b>\$ 157,380.00</b>	<b>\$ 159,180.00</b>

**Administrative Expense**

Management Services	61,500.00	59,000.00
Administrative Support	5,500.00	6,240.00
Audit/Accounting	5,700.00	5,700.00
Federal/State Taxes	2,000.00	2,000.00
Property Taxes	71.00	73.00
NSF Bank Fees	900.00	900.00
Insurance	19,900.00	21,500.00
Legal	1,600.00	1,400.00
Postage	3,600.00	3,980.00
Office Expenses	1,600.00	1,700.00
Printing	2,100.00	2,200.00
Newsletter	2,600.00	2,800.00
Miscellaneous	1,400.00	1,600.00
<b>Total Administrative Expense</b>	<b>\$ 108,471.00</b>	<b>\$ 109,093.00</b>

Total Operating Expense	432,241.00	436,893.00
Reserve Allocations	76,922.00	81,475.00
Transfer from Unappropriated		
<b>Total Expense</b>	<b>\$ 509,163.00</b>	<b>\$ 518,368.00</b>

<b>Total Income</b>	<b>\$ 494,600.00</b>	<b>\$ 517,300.00</b>
<b>Total Expense</b>	<b>\$ 509,163.00</b>	<b>\$ 518,368.00</b>
<b>Net Income or &lt;Deficit&gt;</b>	<b>\$ (14,563.00)</b>	<b>\$ (1,068.00)</b>

## Park Paseo Homeowners Association

### Assessment and Reserve Funding Disclosure Summary

(1) The current assessment per unit is \$ 65<sup>00</sup> per month. Note: If assessments vary by the size or type of unit the assessment applicable to this unit may be found on page \_\_\_\_ of the attached report.

(2) Additional assessments that have already been scheduled to be imposed or charged, regardless of the purposes, if they have been approved by the board and/or members:

Date assessment is due:	Amount per unit per month (If assessments are variable, See note immediately below):	Purpose of the assessment:
-		
	Total: \$	-

Note: If assessments vary by the size of the type of unit, the assessment applicable to this unit may be found on page \_\_\_\_ of the attached report.

(3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balance be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years? **Yes**

**Please Note:** For the fiscal year 2006 the association is 98% fully funded with a monthly reserve contribution of \$6,789. However if the association does not implement the reserve recommendations, the association may not meet future reserve obligations and may incur a special assessment.

**Explanation:** The Association's Board of Directors has relied on information, opinion, reports and statements presented to it by vendors, contractors, reserve specialists, CPA's, and/or other professionals (Professionals) in preparing the reserve study and is relying upon this information, financial data and reports pursuant to Corporations Code 7231 in providing the association membership and/or prospective purchasers the information contained in this assessment reserve funding summary. The information contained within the reserve study includes estimates of replacement value and life expectancies of the components and includes assumptions regarding future events based on information supplied to the Association's Board of Directors from said Professionals. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the date of this disclosure summary. Therefore, the actual replacement cost and remaining life may vary from the reserve study and the variation may be significant. Additionally, inflation, and other economic events may impact the reserve study, particularly over a thirty (30) year period of time, which could impact the accuracy of the reserve study and the funds available to meet the association's obligation for repair and/or replacement of major components during the next thirty (30) years. Furthermore, the occurrence of vandalism, severe weather conditions, earthquakes, floods or other acts of God cannot be accounted for and are excluded when assessing life expectancy of the components. The reserve study includes only items that the Association has a clear and express responsibility to maintain, pursuant to the Associations Covenants, Conditions, Restrictions (CC&R's) and the California Civil Code.

(4) If the answer to # 3 is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years?

Approximate date assessment will be due:	Amount per unit per month:
N/A	
	Total: N/A

**Park Paseo Homeowners Association**  
**Assessment and Reserve Funding Disclosure Summary**

(5) The following major components, which are included in the reserve study, are NOT included in the existing reserve funding:

Major component:	Useful remaining life in years:	Reason this major component was not included:
N/A		
N/A		

(6) As of the last reserve study or update, the current balance in the reserve fund is \$525,336. Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5 (b) (4), the required amount in the reserve fund is \$537,923 and if an alternate, but generally accepted, method of calculation is used, the required amount is \$ N/A. (See attached explanation).

The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change.

Note: Civil Code Section 1365.2.5 provides as follows:

- a) "Estimating remaining useful life," means the time reasonably calculated to remain before a major component will require replacement.
- b) "Major component" has the meaning used in Section 1365.5 Components with an estimated remaining life of more than 30 years may be included in a study as a capital asset of disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the assessment and reserve Funding Disclosure Summary.

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

Report Date	December 1, 2005	Parameters:	
Version	018	Inflation	3.00%
Account Number	1393	Annual Contribution Increase	3.00%
Budget Year Beginning	1/ 1/06	Investment Yield	3.00%
Ending	12/31/06	Taxes on Yield	30.00%
Total Units Included	625	Contingency	3.00%
Phase Development	1 of 1	Reserve Fund Balance as of	
		1/ 1/06:	\$525,336.00

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: November 11, 2005; September 2002; September 2000  
September 1997; January 1995 and June 1986

RDA Summary of Calculations

Monthly Contribution to Reserves Required:	\$6,789.61
( \$10.86 per unit per month)	
Average Net Monthly Interest Contribution This Year:	870.62
Net Monthly Allocation to Reserves 1/ 1/06 to 12/31/06:	<u>\$7,660.23</u>
( \$12.26 per unit per month)	

RDA Reserve Management Software  
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**Park Paseo Homeowners Association**  
**RDA Owner's Summary**

REPORT DATE: December 1, 2005  
VERSION: 018  
ACCOUNT NUMBER: 1393

DESCRIPTION	USE LIFE	+/- LIFE	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Concrete - Repairs	10	0	8	56,550	11,310	11,310
*** CATEGORY SUMMARY:				56,550	11,310	11,310
Parking Lot - Asphalt Overlay	20	+2	13	5,414	2,140	0
Parking Lot - Asphalt Repairs	4	0	1	1,738	1,303	1,303
Parking Lot - Asphalt Slurry Seal	4	0	1	1,938	1,453	1,453
*** CATEGORY SUMMARY:				9,090	4,897	2,757
Roofs - Cedar Shake	25	+7	3	4,716	4,274	4,274
Roofs - Composition Roll, Clubhouse	18	+13	2	918	859	859
Roofs - Tile, Clubhouse, Repairs	5	0	5	1,717	0	0
*** CATEGORY SUMMARY:				7,351	5,133	5,133
Painting - Int Restrooms, Clubhouse	8	0	0	3,309	3,309	3,309
Painting - Int Restrooms, Prosa	8	0	0	1,511	1,511	1,511
Painting - Main Spa, Equipment Room	5	+2	1	2,134	1,806	1,806
Painting - Stucco	10	+1	1	2,000	1,810	1,810
Painting - Woodwork, Clubhouse 2000	5	+2	1	9,089	7,691	7,691
Painting - Woodwork, Prosa	5	+2	1	2,491	2,108	2,108
Painting - Wrought Iron, Clubhouse	3	-1	0	4,141	4,141	4,141
Painting - Wrought Iron, Prosa	3	0	0	1,839	1,839	1,839
Painting - Wrought Iron, Streets	3	-1	0	632	632	632
*** CATEGORY SUMMARY:				27,145	24,845	24,845
Fencing - Wrought Iron, Main Pool	10	+7	3	60,111	49,503	49,503
Fencing - Wrought Iron, Street, '04	20	0	18	2,864	198	0
Fencing - Wrought Iron, Street, '90	20	0	4	663	527	527
Fencing - Wrought Iron, Prosa Pool	10	+8	3	17,420	14,517	14,517
*** CATEGORY SUMMARY:				81,058	64,744	64,547
Lighting - Exterior, Main Pool/Club	10	+7	3	10,756	8,810	8,810
Lighting - Exterior, Prosa, 1992	10	+7	3	2,086	1,709	1,709
Lighting - Interior, Clubhouse	25	+10	6	11,997	9,940	9,940
Lighting - Interior, Prosa Cabana	25	+5	6	1,334	1,067	1,067
Lighting - Parking Lot, 2000	22	0	16	1,102	272	0
Lighting - Parking Lot, Original	22	+10	3	5,510	4,993	4,993
Lighting - Walkway, 1990	15	+4	3	7,260	6,056	6,056
Lighting - Walkway, Prosa 1997	15	0	6	4,251	2,502	2,502
*** CATEGORY SUMMARY:				44,296	35,350	35,077
Main Pool - Filter	12	0	2	4,148	3,457	3,457
Main Pool - Heater	12	0	6	20,214	9,743	9,743
Main Pool - Motor	8	0	3	1,779	1,112	1,112

Park Paseo Homeowners Association  
RDA Owner's Summary

DESCRIPTION	USE LIFE	+/- LIFE	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Main Pool - Pump	8	0	7	3,877	485	485
Main Pool - Refiberglass & Tile	14	0	5	41,722	26,732	26,732
Main Pool - Spa Filter	10	+6	2	764	665	665
Main Pool - Spa Heater	10	+2	3	2,485	1,864	1,864
Main Pool - Spa Pump/Motor	8	0	3	889	556	556
Main Pool - Spa Refiberglass & Tile	12	0	3	4,154	3,108	3,108
Main Pool - Wader Filter	12	0	6	599	284	284
Main Pool - Wader Heater	12	+4	2	1,708	1,492	1,492
Main Pool - Wader Pump/Motor	8	0	2	561	418	418
Main Pool - Wader Refiberglassing	14	0	5	3,635	2,329	2,329
*** CATEGORY SUMMARY:				86,535	52,245	52,245
Main Pool Area - Barbecues	14	0	10	6,390	1,714	1,714
Main Pool Area - Barbecues, 1994	10	+4	2	602	512	512
Main Pool Area - Ceramic Shower	25	+10	6	1,695	1,405	1,405
Main Pool Area - Deck Caulking	4	0	1	7,368	5,526	5,526
Main Pool Area - Furniture	7	0	2	24,277	17,341	17,341
*** CATEGORY SUMMARY:				40,332	26,497	26,497
Prosa Pool - Filter	12	+3	2	764	662	662
Prosa Pool - Heater	12	+5	2	2,485	2,193	2,193
Prosa Pool - Motor	8	0	0	627	627	627
Prosa Pool - Pump	8	0	1	327	286	286
Prosa Pool - Refiberglass & Tile	14	0	6	23,102	13,142	13,142
*** CATEGORY SUMMARY:				27,305	16,910	16,910
Prosa Pool Area - Barbecues	10	+12	2	1,204	1,095	1,095
Prosa Pool Area - Ceramic Shower	25	+5	6	5,602	4,482	4,482
Prosa Pool Area - Deck Caulking	4	0	0	2,429	2,429	2,429
Prosa Pool Area - Furniture	7	0	2	5,876	4,197	4,197
Prosa Pool Area - Rstrm Counters	20	+7	3	850	756	756
Prosa Pool Area - Rstrm Fixtures	25	+2	3	4,388	3,900	3,900
Prosa Pool Area - Rstrm Partitions	20	+10	6	2,473	1,978	1,978
Prosa Pool Area - Rstrm Tile	25	+5	6	7,205	5,764	5,764
Prosa Pool Area - Water Heater	18	+11	5	2,769	2,292	2,292
*** CATEGORY SUMMARY:				32,796	26,892	26,892
Clubhouse - Billiard Tables	25	+8	4	7,740	6,802	6,802
Clubhouse - Carpet, 2005	8	0	7	4,311	375	375
Clubhouse - Carpet, Orig	8	0	0	9,340	9,340	9,340
Clubhouse - Doors, Entry, 2005	25	0	24	10,000	270	0
Clubhouse - Doors, Entry, Orig	25	+10	6	8,000	6,629	6,629
Clubhouse - Doors, Interior	25	0	9	1,448	927	927
Clubhouse - Doors, Restrooms	25	+10	6	1,836	1,521	1,521
Clubhouse - Floor Tile	25	0	24	14,133	382	0
Clubhouse - Furnishings	10	0	10	30,000	0	0
Clubhouse - Heat/Air Conditioning	20	+12	3	21,940	19,883	19,883



Park Paseo Homeowners Association  
RDA Owner's Summary

DESCRIPTION	USE LIFE	+/- LIFE	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Clubhouse - Kitchen, Appliances	12	0	11	4,061	232	232
Clubhouse - Kitchen, Cabinets	25	0	24	18,800	508	0
Clubhouse - Kitchen, Sink	25	0	24	600	16	0
Clubhouse - Office, Refurbishment	20	0	0	15,000	15,000	15,000
Clubhouse - Restroom Ceramic Tile	25	0	9	15,285	9,783	9,783
Clubhouse - Restroom Counters	20	0	4	960	765	765
Clubhouse - Restroom Fixtures	25	0	9	5,716	3,658	3,658
Clubhouse - Restroom Lockers	22	0	6	4,524	3,290	3,290
Clubhouse - Restroom Partitions	20	0	4	3,285	2,625	2,625
Clubhouse - Restroom Shower Door	16	0	9	1,264	553	553
Clubhouse - Wallpaper	15	0	14	10,594	482	0
Clubhouse - Water Heater	12	0	4	2,769	1,846	1,846
Clubhouse - Window Blinds	10	0	9	12,100	834	834
*** CATEGORY SUMMARY:				203,706	85,721	84,063
Tennis Court - Benches 8'	15	+5	2	4,768	4,291	4,291
Tennis Court - Chain Link	25	+12	8	14,993	11,751	11,751
Tennis Court - Lighting	25	+12	8	10,688	8,377	8,377
Tennis Court - Resurfacing	6	+4	8	9,504	1,901	1,901
Tennis Court - Windscreen	6	+4	1	2,570	2,297	2,297
*** CATEGORY SUMMARY:				42,523	28,618	28,618
Rec Area - Drinking Fntns, Concrete	30	0	1	4,875	4,713	4,713
Rec Area - Drinking Fountains	16	+11	3	2,308	2,052	2,052
Rec Area - Play Equip, Alba	20	0	13	17,210	6,024	0
Rec Area - Play Equip, Main, Prosa	20	0	11	39,138	17,060	15,131
Rec Area - Sand Repl, Main	10	+7	1	2,555	2,401	2,401
Rec Area - Sand Repl, Prosa/Alba	10	+7	1	2,885	2,711	2,711
*** CATEGORY SUMMARY:				68,971	34,959	27,007
Trellis - Wood, Repairs	30	0	1	15,000	14,500	14,500
*** CATEGORY SUMMARY:				15,000	14,500	14,500
Signs - Bulletin Board, Clubhouse	12	+3	3	844	666	666
Signs - Monument	30	0	1	3,300	3,190	3,190
*** CATEGORY SUMMARY:				4,144	3,856	3,856
Golf Cart - Replacement	12	+7	5	5,000	3,684	3,684
*** CATEGORY SUMMARY:				5,000	3,684	3,684
Landscape - Tree Trimming	1	0	0	4,000	4,000	4,000
Landscape - Tree Trimming, Windrow	3	0	0	27,000	27,000	27,000
*** CATEGORY SUMMARY:				31,000	31,000	31,000
Irrigation - Backflow Devices	24	+8	3	8,400	7,613	7,613
Irrigation - Controllers	12	+4	3	34,704	28,197	28,197
Irrigation - Enclosures	24	+8	3	13,923	12,618	12,618

Park Paseo Homeowners Association  
RDA Owner's Summary

DESCRIPTION	USE +/- LIFE	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
*** CATEGORY SUMMARY:			57,027	48,427	48,427
Termite Control/Fumigation	15	0	5	4,000	2,667
*** CATEGORY SUMMARY:			4,000	2,667	2,667
TOTAL ASSET SUMMARY:			843,828	522,255	510,035
CONTINGENCY @ 3.00%:				15,668	15,301
GRAND TOTAL:				537,923	525,336

Percent Fully Funded: 98%

**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 1<sup>st</sup> 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 **16 days** after they become due (this has been changed from 30 to 16 days). 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 30 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, as permitted by law.
  - (d) All fees and costs associated with the preparation and filing of the lien, including all mailing costs, and including attorney's fees as permitted by law.
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.

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.

## 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 six million dollars (\$6,000,000) of general liability insurance. The association also carries one million dollars (\$1,000,000) 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.**

Park Paseo HOA  
Summary of Insurance

California Civil Code Section 1365.9 requires that the Association provide notice of the amount and type of insurance carried by the association. Park Paseo HOA carries the following policies of insurance:

**1. Property Coverage**

Carrier: Philadelphia Indemnity  
Limit: \$ 453,000  
Deductible: \$ 1,000  
Policy Term: 01-16-05 through 01-16-06

**2. Liability Coverage**

Carrier: Philadelphia Indemnity  
Limit: \$ 1,000,000 occurrence/ \$ 2,000,000 aggregate  
Deductible: N/A  
Expiration Date: 01-16-05 through 01-16-06

**3. Excess Liability**

Carrier: Philadelphia Indemnity  
Limit: \$ 5,000,000  
Deductible: N/A  
Expiration Date: 01-16-05 through 01-16-06

**4. D&O**

Carrier: CNA Insurance  
Limit: \$ 1,000,000  
Deductible: \$ 2,500  
Expiration Date: 01-16-05 through 01-16-06

**5. Employee Dishonesty/ Fidelity Bond**

Carrier: Great American Insurance  
Limit: \$ 500,000  
Deductible: \$ 10,000  
Expiration Date: 01-16-05 through 01-16-06

**6. Earthquake Coverage**

Carrier: Great American Insurance  
Limit: \$ 500,000  
Deductible: 7.5% of total replacement cost per building  
Expiration Date: 01-01-05 through 01-01-06

**Agent Information:**

Robco Insurance Services, Inc. (800) 525-7596

The Association carries the levels of insurance specified by Civil Code Section 1365.9 and pursuant to that section, owners may not be held individually liable only for their proportional share of assessments levied to pay the amounts of any judgment which may be rendered in favor of a plaintiff bringing action in tort arising solely by the reason of an ownership interest in the common area which exceeds the limits of the Association's insurance.



PARK PASEO HOMEOWNERS ASSOCIATION

**SCHEDULE OF FINES AND FEES**

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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.
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In the event a member fails to abide by the Architectural Guidelines and Standards, a penalty of \$25.00 may be levied by the Board of Directors for each day the violation exists. This may occur after a third offense has been noted and ignored.

**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.