



November 13, 2006

Dear Homeowner,

Enclosed is the approved annual budget for the calendar year 2007. Please note that there will be an increase in monthly Association dues from \$65.00 to \$68.00. This increase becomes effective on January 1, 2007.

The Association is now going into its 29th year. We continue to experience significantly increasing costs for utilities, (gas, electricity and water). The aging infrastructure is requiring more maintenance and anticipated costs for future repairs and replacement requires increasing funding to reserves. Among the significant future items will be replacement of the very large patio cover surrounding the clubhouse and the wrought iron fencing surrounding the two pool facilities in the community. Many of the very mature and large trees within the community require more frequent trimming and some areas of landscaping will require rejuvenation or removal and replacement. We are well funded, but must be prudent and not underestimate the constantly increasing expenses. Overall, we continue to be in very fine financial condition and our modest increase keeps us extremely competitive and we remain one of the best association values around!

Also enclosed are the billing policy for the year 2007, 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 1st of each month, and will be delinquent 15 days after it is 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 15th 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
2007 Approved Operating Budget**

Category	2006 Projected Actual Totals	2007 Approved Budget
INCOME		
Assessment Fees	487,500.00	510,000.00
Late Fees	4,900.00	4,300.00
Fines-CC&R Violation	900.00	900.00
Key Fees	1,500.00	1,500.00
Transfer Fees	1,600.00	2,250.00
Interest Income	16,000.00	18,600.00
Document Fees	950.00	1,150.00
Miscellaneous Income	12,000.00	12,000.00
Total Income	\$ 525,350.00	\$ 550,700.00
EXPENSE		
Facilities/Recreation		
Electricity	27,600.00	28,900.00
Gas	13,300.00	14,300.00
Telephone	2,700.00	2,700.00
Waste Collection	1,150.00	1,200.00
Handyman Services	8,880.00	8,880.00
Janitorial Services	11,100.00	11,100.00
Janitorial Supplies	1,150.00	1,150.00
Pool Maintenance	12,460.00	12,460.00
Pool Supplies	1,020.00	1,000.00
Pool Repairs	6,000.00	6,000.00
Building Repairs/Plumbing	2,600.00	3,600.00
Electrical Repairs	900.00	900.00
Equipment Repairs	600.00	800.00
Lifeguard Services	24,000.00	25,000.00
Gate/Lock Repairs	3,440.00	3,500.00
Miscellaneous/Contingency	500.00	1,200.00
Tennis Repairs/Supplies	650.00	500.00
Pest Control	1,100.00	1,100.00
Security Services	48,000.00	48,000.00
Licenses/Permits	1,600.00	1,600.00
Subscriptions/Education	350.00	600.00
Social	1,250.00	1,300.00
Total Facilities Expense	\$ 170,350.00	\$ 175,790.00

Landscape Expense		
Landscape Maintenance	121,900.00	121,900.00
Landscape Supplies	1,700.00	1,700.00
Irrigation Repair	12,000.00	11,000.00
Tree Trimming	9,500.00	10,000.00
Water	19,260.00	20,200.00
Concrete R/R Maintenance	8,000.00	3,000.00
Total Landscape Expense	\$ 172,360.00	\$ 167,800.00
Administrative Expense		
Management Services	61,500.00	61,500.00
Administrative Support	6,240.00	6,240.00
Audit/Accounting	6,950.00	6,950.00
Federal/State Taxes	2,000.00	2,000.00
Property Taxes	73.00	75.00
NSF Bank Fees	990.00	990.00
Insurance	18,000.00	20,000.00
Legal	1,600.00	1,600.00
Postage	4,100.00	4,100.00
Office Expenses	2,400.00	2,200.00
Printing	3,100.00	3,100.00
Newsletter	2,800.00	3,000.00
Miscellaneous	1,000.00	1,600.00
Total Administrative Expense	\$ 110,753.00	\$ 113,355.00
Total Operating Expense	453,463.00	456,945.00
Reserve Allocations	81,480.00	93,656.00
Transfer from Unappropriated		
Total Expense	\$ 534,943.00	\$ 550,601.00
Total Income	\$ 525,350.00	\$ 550,700.00
Total Expense	\$ 534,943.00	\$ 550,601.00
Net Income or <Deficit>	\$ (9,593.00)	\$ 99.00

Park Paseo Homeowners Association
Assessment and Reserve Funding Disclosure Summary

(1) The current assessment per unit is \$ 68⁰⁰ 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 2007 the association is projected to be 90% fully funded with a monthly reserve contribution of \$7,804. However if the association does not implement the reserve recommendations, the association may not meet future reserve obligations and may incur a special assessment.

(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:

(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		

(6) As of the last reserve study dated November 15, 2006 the current balance in the reserve fund is \$527,850. 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 \$583,670 and if an alternate, but generally accepted, method of calculation is used, the required amount is \$ N/A. (See attached explanation).

Please Note: 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 or 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	November 15, 2006	Parameters:	
Version	019	Inflation	3.50%
Account Number	1393	Annual Contribution Increase	3.50%
Budget Year Beginning	1/ 1/07	Investment Yield	4.00%
Ending	12/31/07	Taxes on Yield	30.00%
Total Units Included	625	Contingency	3.00%
Phase Development	1 of 1	Reserve Fund Balance as of	
		1/ 1/07:	\$527,850.00

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:	\$7,804.67
(\$12.49 per unit per month)	
Average Net Monthly Interest Contribution This Year:	1,161.50
Net Monthly Allocation to Reserves 1/ 1/07 to 12/31/07:	\$8,966.17
(\$14.35 per unit per month)	

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

REPORT DATE: November 15, 2006
VERSION: 019
ACCOUNT NUMBER: 1393

DESCRIPTION	USE LIFE	+/- LIFE	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Concrete - Repairs	10	0	7	56,550	16,965	16,965
*** CATEGORY SUMMARY:				56,550	16,965	16,965
Parking Lot - Asphalt Overlay	20	+2	12	5,649	2,496	0
Parking Lot - Asphalt Repairs	4	0	0	1,773	1,773	1,773
Parking Lot - Asphalt Slurry Seal	4	0	0	1,962	1,962	1,962
*** CATEGORY SUMMARY:				9,384	6,231	3,735
Roofs - Cedar Shake	25	+7	2	4,925	4,617	4,617
Roofs - Composition Roll, Clubhouse	18	+13	1	1,034	1,000	1,000
Roofs - Tile, Clubhouse, Repairs	5	0	4	1,802	360	360
*** CATEGORY SUMMARY:				7,761	5,978	5,978
Painting - Int Restrooms, Clubhouse	8	0	0	3,538	3,538	3,538
Painting - Int Restrooms, Prosa	8	0	0	1,616	1,616	1,616
Painting - Main Spa, Equipment Room	5	+2	0	2,178	2,178	2,178
Painting - Stucco	10	+1	0	2,000	2,000	2,000
Painting - Woodwork, Clubhouse 2000	5	+2	0	9,276	9,276	9,276
Painting - Woodwork, Prosa	5	+2	0	2,542	2,542	2,542
Painting - Wrought Iron, Clubhouse	3	-1	0	4,784	4,784	4,784
Painting - Wrought Iron, Prosa	3	0	0	2,124	2,124	2,124
Painting - Wrought Iron, Streets	3	-1	0	731	731	731
*** CATEGORY SUMMARY:				28,789	28,789	28,789
Fencing - Wrought Iron, Main Pool	10	+7	2	61,684	54,427	54,427
Fencing - Wrought Iron, Street, '04	20	0	17	2,964	358	0
Fencing - Wrought Iron, Street, '90	20	0	3	765	648	648
Fencing - Wrought Iron, Prosa Pool	10	+8	2	28,911	25,699	25,699
*** CATEGORY SUMMARY:				94,324	81,131	80,773
Lighting - Exterior, Main Pool/Club	10	+7	2	11,092	9,754	9,754
Lighting - Exterior, Prosa, 1992	10	+7	2	2,150	1,891	1,891
Lighting - Interior, Clubhouse	25	+10	5	12,390	10,620	10,620
Lighting - Interior, Prosa Cabana	25	+5	5	1,374	1,145	1,145
Lighting - Parking Lot, 2000	22	0	15	1,140	335	0
Lighting - Parking Lot, Original	22	+10	2	5,700	5,344	5,344
Lighting - Walkway, 1990	15	+4	2	7,480	6,653	6,653
Lighting - Walkway, Prosa 1997	15	0	5	4,399	2,891	2,891
*** CATEGORY SUMMARY:				45,725	38,633	38,297
Main Pool - Filter	12	0	1	4,292	3,934	3,934
Main Pool - Heater	12	0	5	20,921	11,890	11,890
Main Pool - Motor	8	0	2	1,841	1,381	1,381

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	6	4,012	1,003	1,003
Main Pool - Refiberglass & Tile	14	0	4	43,150	30,748	30,748
Main Pool - Spa Filter	10	+6	1	790	739	739
Main Pool - Spa Heater	10	+2	2	2,571	2,143	2,143
Main Pool - Spa Pump/Motor	8	0	2	920	690	690
Main Pool - Spa Refiberglass & Tile	12	0	2	5,321	4,428	4,428
Main Pool - Wader Filter	12	0	5	619	348	348
Main Pool - Wader Heater	12	0	11	2,575	112	0
Main Pool - Wader Pump/Motor	8	0	1	580	506	506
Main Pool - Wader Refiberglassing	14	0	4	4,734	3,373	3,373
*** CATEGORY SUMMARY:				92,326	61,295	61,183
Main Pool Area - Barbecues	14	0	9	6,613	2,258	0
Main Pool Area - Barbecues, 1994	10	+4	1	623	576	576
Main Pool Area - Ceramic Shower	25	+10	5	1,735	1,487	1,487
Main Pool Area - Deck Caulking	4	0	0	7,613	7,613	7,613
Main Pool Area - Furniture	7	0	1	25,167	21,572	21,572
*** CATEGORY SUMMARY:				41,751	33,506	31,248
Prosa Pool - Filter	12	+3	1	790	737	737
Prosa Pool - Heater	12	+5	1	2,571	2,420	2,420
Prosa Pool - Motor	8	0	0	648	648	648
Prosa Pool - Pump	8	0	0	338	338	338
Prosa Pool - Refiberglass & Tile	14	0	5	24,154	15,476	15,476
*** CATEGORY SUMMARY:				28,501	19,619	19,619
Prosa Pool Area - Barbecues	10	+12	1	1,246	1,189	1,189
Prosa Pool Area - Ceramic Shower	25	+5	5	5,735	4,779	4,779
Prosa Pool Area - Deck Caulking	4	0	0	2,510	2,510	2,510
Prosa Pool Area - Furniture	7	0	1	6,092	5,222	5,222
Prosa Pool Area - Rstrm Counters	20	+7	2	882	817	817
Prosa Pool Area - Rstrm Fixtures	25	+2	2	4,477	4,145	4,145
Prosa Pool Area - Rstrm Partitions	20	+10	5	2,544	2,120	2,120
Prosa Pool Area - Rstrm Tile	25	+5	5	7,327	6,106	6,106
Prosa Pool Area - Water Heater	18	+11	4	2,802	2,416	2,416
*** CATEGORY SUMMARY:				33,615	29,304	29,304
Clubhouse - Billiard Tables	25	+8	3	7,918	7,198	7,198
Clubhouse - Carpet, 2005	8	0	6	4,462	970	970
Clubhouse - Carpet, Orig	8	+18	3	9,666	8,550	8,550
Clubhouse - Doors, Entry, 2005	25	0	23	10,350	699	0
Clubhouse - Doors, Entry, Orig	25	+10	5	8,216	7,042	7,042
Clubhouse - Doors, Interior	25	0	8	1,485	1,010	1,010
Clubhouse - Doors, Restrooms	25	+10	5	1,888	1,618	1,618
Clubhouse - Exterior Staircase	30	0	29	14,704	249	0
Clubhouse - Floor Tile	25	0	23	14,627	988	0
Clubhouse - Furnishings	10	0	9	30,000	3,000	0

Park Paseo Homeowners Association
RDA Owner's Summary

DESCRIPTION	USE LIFE	+/-	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Clubhouse - Heat/Air Conditioning	20	+12	2	22,510	21,103	21,103
Clubhouse - Kitchen, Appliances	12	0	10	4,203	600	0
Clubhouse - Kitchen, Cabinets	25	0	23	19,458	1,315	0
Clubhouse - Kitchen, Sink	25	0	23	621	42	0
Clubhouse - Office, Refurbishment	20	0	20	6,500	0	0
Clubhouse - Restroom Ceramic Tile	25	0	8	15,426	10,490	3,618
Clubhouse - Restroom Counters	20	0	3	1,008	854	854
Clubhouse - Restroom Fixtures	25	0	8	5,831	3,965	0
Clubhouse - Restroom Lockers	22	0	5	4,618	3,568	3,568
Clubhouse - Restroom Partitions	20	0	3	3,370	2,862	2,862
Clubhouse - Restroom Shower Door	16	0	8	1,288	644	0
Clubhouse - Wallpaper	15	0	13	10,935	1,243	0
Clubhouse - Water Heater	12	0	3	2,802	2,102	2,102
Clubhouse - Window Blinds	10	0	8	12,523	2,159	0
*** CATEGORY SUMMARY:				214,408	82,273	60,496
Tennis Court - Benches 8'	15	+5	1	4,864	4,621	4,621
Tennis Court - Chain Link	25	+12	7	15,382	12,472	12,472
Tennis Court - Lighting	25	+12	7	10,912	8,848	8,848
Tennis Court - Resurfacing	6	+4	7	9,792	2,938	2,938
Tennis Court - Windscreen	6	+4	0	2,649	2,649	2,649
*** CATEGORY SUMMARY:				43,599	31,527	31,527
Rec Area - Drinking Fntns, Concrete	30	0	0	4,920	4,920	4,920
Rec Area - Drinking Fountains	16	+11	2	2,424	2,244	2,244
Rec Area - Play Equip, Alba	20	0	12	17,812	7,125	0
Rec Area - Play Equip, Main, Prosa	20	0	10	40,507	19,734	0
Rec Area - Sand Repl, Main	10	+7	0	2,607	2,607	2,607
Rec Area - Sand Repl, Prosa/Alba	10	+7	0	2,944	2,944	2,944
*** CATEGORY SUMMARY:				71,214	39,574	12,715
Trellis - Wood, Repairs	30	0	0	15,000	15,000	15,000
*** CATEGORY SUMMARY:				15,000	15,000	15,000
Signs - Bulletin Board, Clubhouse	12	+3	2	873	750	750
Signs - Monument	30	0	0	3,404	3,404	3,404
*** CATEGORY SUMMARY:				4,277	4,154	4,154
Golf Cart - Replacement	12	+7	4	5,000	3,947	3,947
*** CATEGORY SUMMARY:				5,000	3,947	3,947
Landscape - Tree Trimming	1	0	0	4,000	4,000	4,000
Landscape - Tree Trimming, Jac.	4	0	3	9,000	1,465	1,465
Landscape - Tree Trimming, Windrow	3	0	2	30,000	6,774	6,774
*** CATEGORY SUMMARY:				43,000	12,239	12,239
Irrigation - Backflow Devices	24	+8	2	8,400	7,875	7,875

Park Paseo Homeowners Association
RDA Owner's Summary

DESCRIPTION	USE LIFE	+/- LIFE	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Irrigation - Controllers	12	+4	2	36,423	31,870	31,870
Irrigation - Enclosures	24	+8	2	14,749	13,827	13,827
*** CATEGORY SUMMARY:				59,572	53,572	53,572
Termite Control/Fumigation	15	0	4	4,000	2,933	2,933
*** CATEGORY SUMMARY:				4,000	2,933	2,933
TOTAL ASSET SUMMARY:				898,796	566,671	512,476
CONTINGENCY @ 3.00%:					17,000	15,374
GRAND TOTAL:					583,671	527,850

Percent Fully Funded: 90%

**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 **16 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 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.

Insurance Disclosure Statement

(As required by California Civil Code Section 1365)

Park Paseo HOA

Park Paseo HOA
25 Christamon West
Irvine, CA 92720

The California Civil Code Section 1365 requires that the Association send an insurance disclosure statement to each of its members. Accordingly, we are providing you the following information in compliance with the Civil Code.

The following is a summary of the association's insurance coverage for policy period 2005-2006:

1. Property Insurance

- (A) Insurance carrier: Philadelphia Insurance
- (B) The policy limits of insurance: \$435,000.
- (C) The amount of deductible \$1,000.
- (D) The policy term is: 1/16/06 to 1/16/07

2. Liability Insurance

- (A) Insurance carrier: Philadelphia Insurance
- (B) The policy limits of insurance: \$1,000,000 with -0- Deductible
\$5,000,000 Umbrella with \$10,000 Retentio
Equals total \$6,000,000 Limit.
- (D) The policy term is: 1/16/06 to 1/16/07

3. Fidelity Bond

- (A) Insurance carrier: St Paul Travelers
- (B) The policy limits of insurance: \$500,000.
- (C) The amount of deductible \$10,000.
- (D) The policy term is: 1/16/06 to 1/16/07

4. Directors & Officers Insurance

- (A) Insurance carrier: CNA
- (B) The policy limits of insurance: \$1,000,000 plus \$5,000,000 Umbrella limit
- (C) The amount of deductible \$1,000.
- (D) The policy term is: 1/16/06 to 1/16/07

5. Earthquake Insurance

- (A) Insurance carrier: Great American E&S
- (B) The policy limits of insurance: \$500,000.
- (C) The amount of deductible 5%
- (D) The policy term is: 1/1/06 to 1/1/07

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 those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance 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 of a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.

ACORD CERTIFICATE OF LIABILITY INSURANCE

OP ID JH
R001093

DATE (MM/DD/YYYY)
11/20/06

PRODUCER Robco Insurance Branch #1 7362 Calle Arroyo San Juan Capistrano CA 92675 Phone: 949-487-6131 Fax: 949-487-6151	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.	
	INSURED Park Paseo HOA Park Paseo HOA 25 Christamon West Irvine CA 92720	INSURERS AFFORDING COVERAGE
	INSURER A: Philadelphia Insurance	
	INSURER B: St. Paul Travelers Insurance Co.	
	INSURER C: CNA Insurance Co.	
	INSURER D: Great American Insurance Co.	
	INSURER E:	

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR/ADD'L LTR	INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A		GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR	PHPK149110	01/16/06	01/16/07	EACH OCCURRENCE	\$ 1000000
C		<input checked="" type="checkbox"/> D&O Claims Made 2500 Deduct. GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC	0250503666	01/16/06	10/16/07	DAMAGE TO RENTED PREMISES (Ea occurrence)	\$ 100000
						MED EXP (Any one person)	\$ 5000
						PERSONAL & ADV INJURY	\$ 1000000
						GENERAL AGGREGATE	\$ 2000000
						PRODUCTS - COMP/OP AGG	\$ 2000000
						D&O	1000000
A		AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS	PHPK149110	01/16/06	01/16/07	COMBINED SINGLE LIMIT (Ea accident)	\$ 1000000
						BODILY INJURY (Per person)	\$
						BODILY INJURY (Per accident)	\$
						PROPERTY DAMAGE (Per accident)	\$
		GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT	\$
						OTHER THAN EA ACC AGG	\$
A		EXCESS/UMBRELLA LIABILITY <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE DEDUCTIBLE <input checked="" type="checkbox"/> RETENTION \$10,000	PHUB055648	01/16/06	01/16/07	EACH OCCURRENCE	\$ 5,000,000.
						AGGREGATE	\$ 5,000,000.
							\$
							\$
							\$
		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				WC STATUTORY LIMITS	OTHER
						E.L. EACH ACCIDENT	\$
						E.L. DISEASE - EA EMPLOYEE	\$
						E.L. DISEASE - POLICY LIMIT	\$
A		PROP/COMMON AREA	PHPK149110	01/16/06	01/16/07	1000 Ded	435,000.
B		FIDELITY BOND	104663496	01/16/06	01/16/07	10000 Ded	500,000.

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

CERTIFICATE HOLDER Evidence of Coverage	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE
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NOTEPAD:

INSURED'S NAME Park Paseo HOA

R001093

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OP ID JH

DATE 11/20/06

Earthquake -Policy No. CGP5549766 with Great American E&S effective 1/1/06 to 1/1/07 limit \$500,000 with 5% deductible.

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.

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 schedule, shall be imposed by action of the Board of Directors after reasonable notice and hearing.

Returned Checks:

Checks returned from banks as uncollectible will result in a \$10.00 charge to the homeowner.