

Homeowners Association

November 19, 2009

Dear Homeowner:

Enclosed is the Board-approved Park Paseo Homeowners Association (the "Association") annual budget for calendar year 2010. As you will note, the dues necessary to meet the obligations of the Association require a five-dollar (\$5.00) increase over the current monthly dues. Therefore, effective January 1, 2010, the monthly dues will be eighty-one dollars (\$81.00).

Each year the Association contracts with an outside reserve study company to ensure that we are setting aside sufficient funds to be able to maintain, repair and replace our community assets as needed. As a result of the 2009 survey, the Board has designated four dollars (\$4.00) of the monthly dues increase to be allocated to fund reserves.

In these challenging economic times, the Board was very concerned about the impact a dues increase may have on the community. While making sure that the reserves are appropriately funded according to the reserve study, the Board sought to minimize operating expense increases while allocating as much as possible to reserves.

Over the next year you will continue to see activity as we update our main clubhouse facility and other common areas, such as replacement of the main pool fencing, concrete replacement of needed sections in the greenbelt walkways and roof replacement at the Prosa pool restroom and main pool spa equipment buildings. The Board's goal is always to protect the value of your investment in not only your home but also your association common area amenities, which real estate agents have pointed out as a selling feature for our community when compared to other neighborhoods in Irvine.

Also enclosed with this letter are the Association's billing policy for calendar year 2010, the Assessment and Reserve Funding Disclosure, and a summary of insurance coverages. Please note that the monthly assessment payment is due by the 1st of each month, and is delinquent fifteen (15) days after it is due. A late fee of ten dollars (\$10.00) is assessed for all payments received after the 15th of the month. Courtesy reminder statements are mailed to homeowners each month but failure to receive one does not absolve homeowners of timely payment.

Thank you for your continued involvement and cooperation to make our Association the wonderful community it is. If you have any questions, please call the Association office at (714) 730-1560.

Sincerely,

Your Board of Directors

25 Christamon West, Irvine, California 92620 • (714) 730-1560

PARK PASEO HOMEOWNERS ASSOCIATION
2010 Approved Operating Budget

Category	2009 Projected Actual Totals	2010 Approved Budget
INCOME		
Assessment Fees	570,000.00	607,500.00
Late Charges	4,400.00	4,400.00
Interest Income	14,000.00	10,000.00
Clubhouse Rental	13,000.00	13,000.00
Transfer Fees	1,450.00	1,350.00
Fines-CC&R Violation	1,000.00	1,000.00
Document Fees	1,600.00	1,500.00
Key Income/Fees	1,000.00	1,000.00
Miscellaneous/NSF Income	30.00	50.00
Total Income	\$ 606,480.00	\$ 639,800.00
EXPENSE		
Utilities Expense		
Electricity	28,000.00	30,500.00
Gas	12,000.00	14,900.00
Water	25,000.00	26,500.00
Telephone	3,200.00	3,400.00
Waste Collection/Refuse	1,400.00	1,455.00
Total Utilities Expense	69,600.00	76,755.00
Facilities/Recreation		
Pool & Spa		
Pool Maintenance Contract	13,580.00	13,700.00
Pool Supplies/Chemicals	2,400.00	2,000.00
Pool Repairs	5,000.00	5,700.00
Lifeguard Services	16,600.00	16,500.00
Total Pool & Spa Expense	37,580.00	37,900.00
Landscape & Irrigation		
Landscape Maintenance Contract	124,800.00	124,800.00
Landscape Renovation & Supplies	4,300.00	3,300.00
Irrigation Repair	6,500.00	6,500.00
Concrete R/R Maintenance	3,500.00	2,500.00
Tree Trimming	4,500.00	4,000.00
Total Landscape & Irrigation	143,600.00	141,100.00
General Maintenance		
Miscellaneous/Contingency	1,200.00	1,200.00

Janitorial Services Contract	10,700.00	10,925.00
Janitorial Supplies	1,150.00	1,150.00
Janitorial Maintenance Extras		790.00
Pest Control (also bees)	1,300.00	1,500.00
Gate/Lock Repairs	1,200.00	500.00
Maintenance & Repair (handyman)	7,000.00	7,000.00
Building Repairs	3,500.00	2,500.00
Plumbing		600.00
Electrical Repairs	1,950.00	1,400.00
Equipment Repairs	500.00	600.00
Tennis Repairs/Supplies	400.00	500.00
Vandalism	50.00	200.00
Security Services	37,900.00	37,900.00
Common Area Misc		300.00
Total General Maintenance	66,850.00	67,065.00
Total Facilities/Rec Expense	248,030.00	246,065.00

Administrative Expense

Federal/State Taxes	10,000.00	9,500.00
Property Taxes	80.00	
Audit		2,000.00
Reserve Study		1,700.00
Licenses/Permits/Property Taxes	800.00	880.00
Legal/Professional	3,700.00	4,000.00
Accounting Services (Asyst)	20,000.00	21,660.00
Computer & Internet services		600.00
Insurance (liab,D&O,erthqk,wrkr cr	17,770.00	18,000.00
Management Services	70,876.00	72,996.00
Administrative Support	10,869.00	4,680.00
Subscriptions/Education/Membersh	400.00	600.00
Postage	600.00	1,350.00
Social & Meetings	2,100.00	2,050.00
Office Supplies/Expenses/Mileage	950.00	1,115.00
Printing	700.00	700.00
NSF Bank Fees	40.00	40.00
Miscellaneous	1,000.00	1,000.00
Total Administrative Expense	139,885.00	142,871.00

Total Operating Expense	457,515.00	465,691.00
Reserve Allocations	144,665.00	174,665.00
Total Expense	\$ 602,180.00	\$ 640,356.00

Total Income	\$ 606,480.00	\$ 639,800.00
Total Expense	\$ 602,180.00	\$ 640,356.00
Net Income or <Deficit>	\$ 4,300.00	\$ (556.00)

Park Paseo Homeowners Association

Assessment and Reserve Funding Disclosure Summary

- (1) The current assessment per ownership interest is \$ 81 per mo. *Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page N/A of the attached summary.*
- (2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:

Date assessment will be due:	Amount per ownership interest per month or year (If assessments are variable, See note immediately below):	Purpose of the assessment:
N/A		
	Total: \$	

Note: If assessments vary by the size of the type of ownership interest, the assessment applicable to this ownership interest 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 balances 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**
- (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 that have not yet been approved by the board or the members?

Approximate date assessment will be due:	Amount per ownership interest per month or year:
N/A	
	Total:

- (5) All major components are included in the reserve study and are included in its calculations.
- (6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5, the estimated amount required in the reserve fund at the end of the current fiscal year is \$718,997 based in whole or in part on the last reserve study or update prepared by Reserve Data Analysis California, LLC as of November 18, 2009. The projected reserve fund cash balance at the end of the current fiscal year is \$481,268 resulting in reserves being 67 percent funded at this date. The current deficiency in reserve funding expressed on a per unit basis is \$380.
- (7) Based on the method of calculation in paragraph (4) of subdivision (b) of section 1365.2.5 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is \$ (b), and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is \$ (a), leaving the reserve at (c) percent funding. *(See recommendation below)*

Year Ending	Projected Reserve Balance (a)	Estimated Amount Required in Reserves (b)	Percent Fully Funded (c)
2010	436,067	610,263	71 %
2011	348,871	484,067	72 %
2012	371,003	485,944	76 %
2013	382,372	484,562	79 %
2014	438,176	530,379	83 %

If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years will be \$ (a), leaving the reserve at (b) percent funding. *(See approved budget below)*

Year Ending	Projected Reserve Balance (a)	Percent Fully Funded (b)
2010	452,532	74 %
2011	408,112	84 %
2012	490,614	101 %
2013	572,930	118 %
2014	704,344	133 %

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. The preparer of this form will be indemnified and held harmless against all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which may become subject in connection of this engagement, because of any false, misleading or incomplete information which has been relied upon by others, or which may result from any improper use or reliance on the disclosure by you or any third party.

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

Report Date	November 18, 2009	Parameters:	
Version	023	Inflation	3.00%
Account Number	1393	Annual Contribution Increase	3.00%
Budget Year Beginning	1/ 1/10	Investment Yield	2.50%
Ending	12/31/10	Taxes on Yield	30.00%
Total Units Included	625	Contingency	3.00%
Phase Development	1 of 1	Reserve Fund Balance as of	
		1/ 1/10:	\$481,268.00

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: August 8, 2008; November 2005; September 2002
September 2000; September 1997

RDA Summary of Calculations

Monthly Contribution to Reserves Required:	\$12,672.35
(\$20.28 per unit per month)	
Average Net Monthly Interest Contribution This Year:	510.63
Net Monthly Allocation to Reserves 1/ 1/10 to 12/31/10:	\$13,182.98
(\$21.09 per unit per month)	

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

REPORT DATE: November 18, 2009
VERSION: 023
ACCOUNT NUMBER: 1393

DESCRIPTION	USE LIFE	+/-	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Parking Lot - Asphalt Overlay	20	0	7	10,749	6,890	0
Parking Lot - Asphalt Repairs	4	0	3	2,299	374	0
Parking Lot - Asphalt Slurry Seal	4	0	3	2,354	336	0
*** CATEGORY SUMMARY:				15,402	7,601	0
Roofs - Cedar Shake	25	0	25	10,001	0	0
Roofs - Composition Roll, Clubhouse	18	0	13	1,180	312	0
Roofs - Tile, Clubhouse, Replace	50	0	36	24,159	6,736	0
*** CATEGORY SUMMARY:				35,340	7,047	0
Painting - Int Restrooms, Clubhouse	8	0	7	3,866	483	0
Painting - Int Restrooms, Prosa	8	0	0	1,765	1,765	1,765
Painting - Main Spa, Equipment Room	5	0	0	2,420	2,420	2,420
Painting - Stucco	10	+4	0	2,500	2,500	2,500
Painting - Woodwork, Clubhouse 2000	5	0	0	10,401	10,401	10,401
Painting - Woodwork, Prosa	5	0	0	2,850	2,850	2,850
Painting - Wrought Iron, Streets	3	0	0	921	921	921
Painting - Wrt. Iron, Pools Unfund	10	0	9	0	0	0
*** CATEGORY SUMMARY:				24,723	21,341	20,857
Fencing - Wrought Iron, Main Pool	25	0	25	115,000	0	0
Fencing - Wrought Iron, Prosa Pool	25	0	25	45,000	0	0
Fencing - Wrought Iron, Street, '04	20	0	14	3,268	902	0
Fencing - Wrought Iron, Street, '90	20	0	0	829	829	829
Walls - Stucco Repairs	25	0	0	5,000	5,000	5,000
*** CATEGORY SUMMARY:				169,097	6,731	5,829
Lighting - Exterior, Main Pool/Club	10	+9	1	12,246	11,587	11,587
Lighting - Exterior, Prosa, 1992	10	+9	1	2,370	2,242	2,242
Lighting - Interior, Clubhouse	25	+13	5	13,677	11,877	0
Lighting - Interior, Prosa Cabana	25	+5	2	1,514	1,413	1,413
Lighting - Parking Lot, 2000	22	0	12	1,262	549	0
Lighting - Parking Lot, Original	22	+12	1	6,310	6,124	6,124
Lighting - Walkway	15	+8	3	51,425	44,439	0
*** CATEGORY SUMMARY:				88,804	78,233	21,367
Main Pool - Filter	12	+3	1	4,892	4,566	4,566
Main Pool - Heater	12	0	2	23,082	19,097	19,097
Main Pool - Motor	8	+1	0	2,030	2,030	2,030
Main Pool - Pump	8	0	3	4,425	2,766	0
Main Pool - Refiberglass & Tile	14	0	1	51,704	47,989	47,989
Main Pool - Spa Filter	10	+8	0	870	870	870
Main Pool - Spa Heater	10	+3	0	2,835	2,835	2,835

Park Paseo Homeowners Association
RDA Owner's Summary

DESCRIPTION	USE LIFE	+/-	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Main Pool - Spa Pump/Motor	8	+2	1	1,014	913	913
Main Pool - Spa Refiberglass & Tile	12	0	0	6,586	6,586	6,586
Main Pool - Spa, Sump Pump	8	0	5	2,537	864	0
Main Pool - Wader Filter	12	0	2	681	562	562
Main Pool - Wader Heater	12	0	8	2,840	864	0
Main Pool - Wader Pump/Motor	8	+2	0	639	639	639
Main Pool - Wader Refiberglassing	14	0	1	5,869	5,447	5,447
*** CATEGORY SUMMARY:				110,004	96,027	91,533
Main Pool Area - Barbecues	14	-7	0	7,295	7,295	7,295
Main Pool Area - Barbecues, 1994	10	+7	1	687	645	645
Main Pool Area - Ceramic Shower	25	+13	5	1,897	1,648	0
Main Pool Area - Deck Caulking	4	0	0	9,013	9,013	9,013
Main Pool Area - Deck, Repairs	30	+3	0	11,174	11,174	11,174
Main Pool Area - Furniture, 2001	7	+3	1	16,903	15,213	15,213
Main Pool Area - Furniture, 2007	7	0	4	13,774	5,405	0
*** CATEGORY SUMMARY:				60,743	50,392	43,340
Prosa Pool - Filter	12	0	10	1,335	182	0
Prosa Pool - Heater	12	0	0	2,835	2,835	2,835
Prosa Pool - Motor	8	0	0	713	713	713
Prosa Pool - Pump	8	+3	0	371	371	371
Prosa Pool - Refiberglass & Tile	14	0	2	27,113	23,217	17,260
*** CATEGORY SUMMARY:				32,367	27,318	21,179
Prosa Pool Area - Barbecues	10	+15	1	1,374	1,319	1,319
Prosa Pool Area - Ceramic Shower	25	+3	0	6,274	6,274	6,274
Prosa Pool Area - Deck Caulking	4	0	2	2,972	1,421	0
Prosa Pool Area - Deck Repairs	30	0	2	5,522	5,154	0
Prosa Pool Area - Furniture	7	+3	1	7,913	7,122	7,122
Prosa Pool Area - Rstrm Counters	20	+9	1	952	919	919
Prosa Pool Area - Rstrm Fixtures	25	+4	1	4,911	4,742	4,742
Prosa Pool Area - Rstrm Partitions	20	+10	2	2,793	2,607	0
Prosa Pool Area - Rstrm Tile	25	+5	2	8,012	7,478	0
Prosa Pool Area - Water Heater	18	+11	1	3,097	2,990	2,990
Prosa Pool Area - Wood Repairs	5	0	0	3,500	3,500	3,500
*** CATEGORY SUMMARY:				47,320	43,526	26,866
Clubhouse - Billiard Tables	25	+10	2	8,750	8,250	8,250
Clubhouse - Carpet, 2005	8	0	3	4,921	2,995	0
Clubhouse - Carpet, Original	8	+20	2	10,662	9,900	9,900
Clubhouse - Doors, Entry, 2005	25	0	20	11,418	2,160	0
Clubhouse - Doors, Entry, Orig	25	0	0	9,032	9,032	9,032
Clubhouse - Doors, Interior	25	0	5	1,639	1,311	0
Clubhouse - Doors, Restrooms	25	+13	5	2,080	1,806	0
Clubhouse - Exterior Staircase	30	0	26	16,222	1,925	0
Clubhouse - Floor Tile	25	0	20	16,137	3,053	0

Park Paseo Homeowners Association
RDA Owner's Summary

DESCRIPTION	USE LIFE	+/- LIFE	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Clubhouse - Furnishings	10	0	6	30,000	12,000	0
Clubhouse - HVAC Heat/Air Clubhouse	20	+12	0	24,883	24,883	24,883
Clubhouse - HVAC Heat/Air, Office	20	0	18	3,084	308	0
Clubhouse - Kitchen, Appliances	12	0	7	4,637	1,855	0
Clubhouse - Kitchen, Cabinets	25	0	20	21,468	4,062	0
Clubhouse - Kitchen, Sink	25	0	20	683	129	0
Clubhouse - Office, Equipment	8	0	5	10,000	3,617	0
Clubhouse - Office, Refurbishment	20	0	17	11,294	1,613	0
Clubhouse - Restroom	25	0	24	0	0	0
Clubhouse - Restroom Ceramic Tile	25	0	24	17,134	685	0
Clubhouse - Restroom Counters	20	0	19	1,088	54	0
Clubhouse - Restroom Fixtures	25	0	24	6,397	256	0
Clubhouse - Restroom Lockers/Bench	22	0	21	20,000	909	0
Clubhouse - Restroom Partitions	20	0	19	4,660	233	0
Clubhouse - Restroom Shower Door	10	0	9	1,720	172	0
Clubhouse - Wallpaper	15	0	10	12,019	3,824	0
Clubhouse - Water Heater	12	+1	1	3,097	2,859	2,859
Clubhouse - Window Blinds	10	0	5	13,816	6,670	0
*** CATEGORY SUMMARY:				266,840	104,563	54,924
Tennis Court - Benches 8'	15	+8	1	6,003	5,742	5,742
Tennis Court - Chain Link	25	+12	4	16,999	15,161	0
Tennis Court - Lighting	25	+12	4	12,048	10,746	0
Tennis Court - Resurfacing	6	+1	1	10,944	9,381	9,381
Tennis Court - Windscreen	6	0	0	2,926	2,926	2,926
*** CATEGORY SUMMARY:				48,920	43,955	18,049
Rec Area - Drinking Fntns, Concrete	30	+4	1	5,430	5,270	5,270
Rec Area - Drinking Fountains	16	0	0	2,664	2,664	2,664
Rec Area - Play Equip, Alba	18	0	7	19,652	12,010	0
Rec Area - Play Equip, Main, Prosa	18	0	5	44,692	31,923	0
Rec Area - Sand Repl, Main	10	0	0	2,851	2,851	2,851
Rec Area - Sand Repl, Prosa/Alba	10	0	0	3,219	3,219	3,219
*** CATEGORY SUMMARY:				78,509	57,937	14,005
Clubhouse - Deck, Railing, Wood	12	+1	3	4,201	3,232	0
Trellis - Wood, Repairs	30	0	0	35,000	35,000	35,000
*** CATEGORY SUMMARY:				39,201	38,232	35,000
Signs - Bulletin Board, Clubhouse	12	+6	2	962	850	0
Signs - Monument	30	0	0	3,000	3,000	3,000
*** CATEGORY SUMMARY:				3,962	3,850	3,000
Golf Cart - Replacement	12	+8	2	5,000	4,500	4,500
*** CATEGORY SUMMARY:				5,000	4,500	4,500
Landscape - Tree Trimming, Jac.	4	0	0	9,000	9,000	9,000

**Park Paseo Homeowners Association
RDA Owner's Summary**

DESCRIPTION	USE LIFE	+/- LIFE	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Landscape - Tree Trimming, Windrow	3	0	0	30,000	30,000	30,000
*** CATEGORY SUMMARY:				39,000	39,000	39,000
Irrigation - Backflow Devices	24	+10	1	9,128	8,860	8,860
Irrigation - Controllers	12	+6	1	40,197	37,964	37,964
Irrigation - Enclosures	24	+10	1	17,143	16,639	16,639
*** CATEGORY SUMMARY:				66,468	63,462	63,462
Termite Control/Fumigation	15	0	1	4,650	4,340	4,340
*** CATEGORY SUMMARY:				4,650	4,340	4,340
TOTAL ASSET SUMMARY:				1,136,350	698,055	467,250
CONTINGENCY @ 3.00%:					20,942	14,018
GRAND TOTAL:					718,997	481,268

Percent Fully Funded: 67%

**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 92620

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.

1. Property Insurance

Policy #PHPK369720

- (A) Insurance carrier: Philadelphia Insurance Co.
- (B) The policy limits of insurance: \$435,000
- (C) The amount of deductible \$1,000
- (D) The policy term is: 01/16/09 to 01/16/10

2. Liability Insurance

Policy # PHPK369720

- (A) Insurance carrier: Philadelphia Insurance Co
- (B) The policy limits of insurance: Gen Agg: \$2,000,000
Per Occur: \$1,000,000
- (C) The amount of deductible N/A
- (D) The policy term is: 01/16/09 to 01/16/10

3. Fidelity Bond

Policy #104838949

- (A) Insurance carrier: Travelers Insurance Co.
- (B) The policy limits of insurance: \$500,000
- (C) The amount of deductible \$10,000
- (D) The policy term is: 01/16/09 to 01/16/10

4. Directors & Officers Insurance Policy #0250503666

- (A) Insurance carrier: CNA Insurance
- (B) The policy limits of insurance: \$1,000,000
- (C) The amount of deductible \$2,500
- (D) The policy term is: 01/16/09 to 01/16/10

5. Earthquake Insurance Policy #04-7500017601-L-00

- (A) Insurance carrier: Lloyd's of London
- (B) The policy limits of insurance: \$540,800 bldg/\$100,000 add'l Prop/total \$640,800
- (C) The amount of deductible 7.5% ded per bldg.
- (D) The policy term is: 01/25/09 to 01/25/10

6. Umbrella Insurance Policy #PHUB257899

- (A) Insurance carrier: Philadelphia Insurance
- (B) The policy limits of insurance: \$5,000,000
- (C) The amount of deductible \$10,000
- (D) The policy term is: 01/25/09 to 01/25/10

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 SS
R001093

DATE (MM/DD/YYYY)
02/03/09

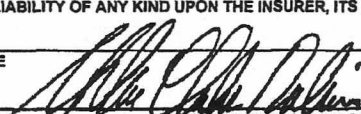
PRODUCER Robco Insurance Services 31501 Rancho Viejo Rd., #103 San Juan Capistrano CA 92675 Phone: 949-240-7130 Fax: 949-240-7514	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.	
	INSURERS AFFORDING COVERAGE	NAIC #
INSURED Park Paseo HOA Park Paseo HOA 25 Christamon West Irvine CA 92620	INSURER A: Philadelphia Insurance Company	
	INSURER B: CNA Insurance Company	
	INSURER C: Travelers Insurance Company	
	INSURER D: Lloyd's Syndicate #4242	
	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	PHPK369720	01/16/09	01/16/10	EACH OCCURRENCE	\$ 1,000,000
		<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY				DAMAGE TO RENTED PREMISES (Ea occurrence)	\$ 100,000
B		CLAIMS MADE <input checked="" type="checkbox"/> OCCUR	0250503666	01/16/09	01/16/10	MED EXP (Any one person)	\$ 5,000
		<input checked="" type="checkbox"/> D&O DED-\$2,500				PERSONAL & ADV INJURY	\$ 1,000,000
		CLAIMS				GENERAL AGGREGATE	\$ 2,000,000
		GEN'L AGGREGATE LIMIT APPLIES PER:				PRODUCTS - COM/OP AGG	\$ 2,000,000
		<input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC				D&O LIMIT	\$1,000,000
A		AUTOMOBILE LIABILITY	PHPK369720	01/16/09	01/16/10	COMBINED SINGLE LIMIT (Ea accident)	\$ 1,000,000
		<input type="checkbox"/> ANY AUTO				BODILY INJURY (Per person)	\$
		<input checked="" type="checkbox"/> HIRED AUTOS				BODILY INJURY (Per accident)	\$
		<input checked="" type="checkbox"/> NON-OWNED AUTOS				PROPERTY DAMAGE (Per accident)	\$
		GARAGE LIABILITY				AUTO ONLY - EA ACCIDENT	\$
		<input type="checkbox"/> ANY AUTO				OTHER THAN AUTO ONLY: EA ACC	\$
						AGG	\$
A		EXCESS/UMBRELLA LIABILITY	PHUB257899	01/16/09	01/16/10	EACH OCCURRENCE	\$ 5,000,000
		<input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE				AGGREGATE	\$ 5,000,000
		DEDUCTIBLE					\$
		<input checked="" type="checkbox"/> RETENTION \$10,000					\$
		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY				WC STATU-TORY LIMITS	OTH-ER
		ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED?				E.L. EACH ACCIDENT	\$
		If yes, describe under SPECIAL PROVISIONS below				E.L. DISEASE - EA EMPLOYEE	\$
		OTHER				E.L. DISEASE - POLICY LIMIT	\$
A		PROP-COMMON AREA	PHPK369720	01/16/09	01/16/10	DED-\$1000	\$435,000
C		FIDELITY BOND	104838949	01/16/09	01/16/10	DED-\$10K	\$500,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS
 (*) EXCEPT 10-DAY NOTICE OF CANCELLATION FOR NON-PAYMENT OF PREMIUM.

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 

SCHEDULE OF FINES & FEES

Whereas, it is the policy of the Park Paseo Homeowners Association (PPHOA) to protect the rights and privileges of the members and to enforce the CC&R's and Rules and Regulations of the Association, therefore, pursuant to the authority vested in the Board of Directors by the CC&R's and the Bylaws, the following schedule of fines and fees is hereby established and supersedes all previously adopted schedules for such fines and fees.

VIOLATION TYPE	1st OFFENSE	2nd OFFENSE	3rd OFFENSE
A. Failure to comply with animal control rules	Warning	\$25.00	\$50.00 +poss. suspension of privileges
B. Damage to Assoc. Property	\$50.00 +repair & legal costs	\$100.00 + repair & legal costs	Legal Action
C. Littering or disposal of debris on or around common areas	Warning	\$25.00	\$50.00
D. Trash containers put out earlier than Sun. eve.- Or left out after eve of pickup	Warning	\$25.00	\$50.00
E. Unauthorized vehicles in driveways (boats, trailers RV's, Commercial veh.	Warning	\$25.00	\$50.00
F. Use of motor vehicles in common areas	Warning	\$25.00	\$50.00
G. Failure to comply with, or violation of, CC&R's or Rule not set forth above	Warning	\$25.00	\$50.00

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 the CC&R's, Bylaws, and Articles of Incorporation to escrow will cost \$75.00, or \$30.00 each if the entire set is not needed.
2. Escrow transfer fee is \$150.00.
3. Facility keys (2) \$300.00, unless returned to Association office two weeks prior to close of escrow.
4. Lenders certification letter fee is \$50.00.
5. Copies of 12 months BOD meeting minutes.
6. Rush fee for 24-hour turnaround is \$50.00 additional.

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.

D. Returned Checks

Checks returned from banks or financial institutions as 'uncollectable' will result in a \$10.00 charge to the homeowner in addition to bank charges.

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&R's, 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.