

EUCALYPTUS GROVE HOMEOWNERS' ASSOCIATION

FINANCIAL & BUDGET

	2011 BUDGET	"Projected" 2010 ACTUAL	2009 ACTUAL	2008 ACTUAL	2007 ACTUAL
-- REVENUES --					
OWNER ASSESSMENTS	\$816,240.00	\$816,240.00	\$805,430.61	\$815,728.80	\$730,416.44
SPECIAL ASSESSMENT	0.00	0.00	0.00	0.00	0.00
INTEREST INCOME	5,000.00	7,000.00	10,719.49	13,784.13	13,263.20
OTHER INCOME	0.00	1,600.00	2,626.37	106,909.25	2,791.44
TOTAL REVENUE	\$821,240.00	\$824,840.00	\$818,776.47	\$936,422.18	\$746,471.08
-- EXPENDITURES --					
CLEANING	\$12,000.00	\$12,000.00	\$11,150.00	\$9,405.00	\$10,970.00
ELECTRIC	21,000.00	19,100.00	19,146.66	20,809.92	21,738.22
LANDSCAPING	64,000.00	66,300.00	61,020.00	61,020.00	54,035.00
LANDSCAPING SUPPLY/EXTRAS	15,000.00	10,000.00	7,629.48	8,625.15	12,340.15
MANAGEMENT	27,264.00	26,772.00	26,244.00	24,756.00	23,916.00
PAINTING	4,000.00	4,000.00	349.26	600.93	349.00
POOL MAINT & SUPPLIES	12,500.00	12,500.00	10,759.10	19,215.79	15,936.69
POOL HEATING (GAS)	10,000.00	8,500.00	6,138.01	7,041.47	7,388.95
REPAIRS & MAINT	50,000.00	55,000.00	49,911.14	31,922.83	30,877.75
RUBBISH REMOVAL	53,000.00	52,000.00	51,980.42	49,124.43	49,789.03
PATROL/ALARM SERVICES	2,500.00	0.00	0.00	0.00	0.00
SUPPLIES	5,000.00	3,000.00	5,515.44	4,519.61	3,468.55
WATER & SEWER	25,000.00	21,000.00	25,142.52	25,897.33	24,300.52
INSURANCE	108,000.00	103,500.00	103,256.08	102,022.99	128,213.28
PEST CONTROL	2,000.00	2,000.00	306.00	466.00	619.00
PROFESSIONAL FEES	5,000.00	6,000.00	2,600.00	2,784.30	8,888.58
TELEPHONE (ENTRY GATE)	500.00	500.00	457.75	441.58	427.38
TAXES	2,000.00	1,576.00	3,469.00	829.00	8,563.00
MISCELLANEOUS	3,000.00	2,000.00	1,813.00	2,085.18	2,099.46
TOTAL OPERATING EXPENSES	\$421,764.00	\$405,748.00	\$386,887.86	\$371,567.51	\$403,920.56
Plus: Amount Added to Reserve	399,476.00	419,092.00	431,888.61	564,854.67	342,550.52
TOTAL FUNDS NEEDED	\$821,240.00	\$824,840.00	\$818,776.47	\$936,422.18	\$746,471.08
CHANGE IN RESERVE:					
Total Funding	\$821,240.00	\$824,840.00	\$818,776.47	\$936,422.18	\$746,471.08
Less: Operating Expenses	(421,764.00)	(405,748.00)	(386,887.86)	(371,567.51)	(403,920.56)
Reserve Expenditures	(1,100,950.00)	(140,000.00)	(154,573.28)	(186,776.66)	(378,505.22)
NET RESERVE Increase (Decrease)	(\$701,474.00)	\$279,092.00	\$277,315.33	\$378,078.01	(\$35,954.70)

Item #1. MONTHLY FEES: In order to meet this budget, the monthly fees (assessments) will be:

(179 Units-13 Bldgs) **\$380.00 EFFECTIVE JANUARY 1, 2011**

Note: Units paying fees after the 30th day of the Month, will be charged a late charge of 1.5% of the outstanding balance

Item #2. SPECIAL ASSESSMENT: No Special Assessment is anticipated in 2011.

"Projected"

Item #3. FUNDS AVAILABLE:

12/31/10	Community West Bank	\$235,000.00		
	CDAR's Accounts	920,000.00		
	Operating Account	5,000.00	TOTAL	\$1,160,000.00
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Item 4. MAJOR REPAIRS AND REPLACEMENTS: The following cost estimates and reserve analysis is based on a reserve study which is reviewed by the Board of Directors each year to account for inflation and planning changes:

ITEM-Expected Life	EXPECTED		RECOMMENDED		BALANCE NEEDED	2011 ADDITIONS	PROJ. BAL. 12/31/11
	LIFE	DATE DUE	EXPECTED COST	IN RESERVE 12/31/10			
Foundation Repair	30	2011	520,000	520,000	0	(502,667)	17,333
Gate Operator (Slide)	10	2011	2,800	2,800	0	(2,520)	280
Exercise Room Equip.	15	2011	7,000	7,000	0	(6,533)	467
Gate Operator (Slide)	10	2011	2,800	2,800	0	(2,520)	280
Paint Wood/Metal Trim	4	2011	77,000	77,000	0	(57,750)	19,250
Roof Shingle (Balance)	25	2011	159,000	159,000	0	(152,640)	6,360
Dryrot Repairs	4	2011	300,000	300,000	0	(225,000)	75,000
Spa Filter	12	2011	1,250	1,250	0	(1,146)	104
Stair Landing Reseal	4	2011	15,600	15,600	0	(11,700)	3,900
Termite Fumigation (Bal)	15	2011	6,000	6,000	0	(5,600)	400
Tree Trimming	3	2011	16,500	16,500	0	(11,000)	5,500
Paint - Wood Siding	6	2012	156,000	130,000	26,000	26,000	156,000
Paint Carports	6	2012	84,000	70,000	14,000	14,000	84,000
Paint Metal Fence & Rail	3	2012	6,800	4,533	2,267	2,267	6,800
Asphalt Seal Coat/Repair	3	2012	42,000	28,000	14,000	14,000	42,000
Cabana Water Htr.	12	2012	2,600	2,383	217	217	2,600
Mailbox Pagodas	20	2012	14,000	13,300	700	700	14,000
Pool Pump	6	2012	850	708	142	142	850
Spa Pumps	6	2012	1,700	1,417	283	283	1,700
Lights-Street Fixtures	28	2013	22,400	20,800	1,600	800	21,600
Paint Front Wood Fence	6	2013	6,600	4,400	2,200	1,100	5,500
Termite Fumigation (760k	15	2014	6,000	4,800	1,200	400	5,200
Asphalt Overlay	30	2015	180,000	156,000	24,000	6,000	162,000
Cabana Floor & Wall Tile	30	2015	10,400	9,013	1,387	347	9,360
Metal Pool Fence (6')	30	2015	7,200	6,240	960	240	6,480
Spa Retile	30	2015	6,000	5,200	800	200	5,400
Stair Rails (3.5')	30	2015	13,000	11,267	1,733	433	11,700
Cabana Sauna/Bath Rerr	30	2015	5,000	4,333	667	167	4,500
Termite Fumigation (763k	15	2015	6,000	4,400	1,600	400	4,800
Pool Filter	12	2016	1,300	758	542	108	867
Pool Heater	10	2016	3,300	1,650	1,650	330	1,980
Sauna Heater	15	2016	2,600	1,733	867	173	1,907
Spa Heater	8	2016	3,300	1,238	2,063	413	1,650
Termite Fumigation (763k	15	2016	6,000	4,000	2,000	400	4,400
Bridge Repair	15	2017	11,000	6,600	4,400	733	7,333
Termite Fumigation (762k	15	2017	6,000	3,600	2,400	400	4,000
Card Readers/Buzzers	12	2018	4,400	1,833	2,567	367	2,200
Roof - Metal Carport	30	2018	180,000	138,000	42,000	6,000	144,000
Termite Fumigation (763k	15	2018	6,000	3,200	2,800	400	3,600
Sub-Totals			\$1,902,400	\$1,747,358	\$155,043	(\$902,057)	\$845,301

Sub-Totals (Previous Pg):		1,902,400	1,747,358	155,043	(902,057)	845,301
Termite Fumig. (7602)	15 2019	6,000	2,800	3,200	400	3,200
Termite Fumig. (7610)	15 2019	6,000	2,800	3,200	400	3,200
Stair Landing Resurface	20 2020	44,200	24,310	19,890	2,210	26,520
Split Rail Fence	35 2020	6,300	4,680	1,620	180	4,860
Pool Refiberglass	12 2020	10,000	2,500	7,500	833	3,333
Intercom	15 2021	3,900	1,300	2,600	260	1,560
Slide Gates	25 2022	6,400	3,584	2,816	256	3,840
Termite Fumigation (7624	15 2023	6,000	1,200	4,800	400	1,600
Termite Fumigation (7636	15 2023	6,000	1,200	4,800	400	1,600
Termite Fumigation (7646	15 2023	6,000	1,200	4,800	400	1,600
Termite Fumigation (7626	15 2025	6,000	400	5,600	400	800
Siding Replacement	20 2025	330,000	99,000	231,000	16,500	115,500
Termite Fumigation (7626	15 2025	6,000	400	5,600	400	800
Front Wood Fence	20 2027	30,000	6,000	24,000	1,500	7,500
Pool Tile/Coping	20 2028	3,400	510	2,890	170	680
Pool Decking	20 2028	11,000	1,650	9,350	550	2,200
Sauna Remodel	20 2028	5,400	810	4,590	270	1,080
Gutters/Downspouts	25 2029	42,000	11,760	30,240	1,680	13,440
Roof Shingle 7626, 30 & :	25 2031	79,500	15,900	63,600	3,180	19,080
Roof Shingle 7624 & 28	25 2034	53,000	4,240	48,760	2,120	6,360
Roof Shingle 7636 & 38	25 2035	53,000	2,120	50,880	2,120	4,240
Reserve Surplus (Shortage)			(739,242)	739,242	175,873	(563,368)
TOTALS		\$2,622,500	\$1,196,480	\$1,426,020	(\$691,554)	\$504,926

Item #5: Ratio of actual cash reserves on hand to estimated cash reserves currently required Projected Ratio at Year-End 47.3%

61.8% 47.3%

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Item #6: Reserve Shortage per unit: (\$3,147.31)

(\$4,129.84) (\$3,147.31)

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Item #7: Reserve Projections at year-end for next five years:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Estimated Required in Reserve	\$1,068,294	\$993,867	\$1,198,390	\$1,425,912	\$1,442,835
Based on Current Funding:					
Net Change In Reserves	(691,554)	91,526	370,476	393,476	182,876
Projected Reserve Balance	504,926	596,452	966,928	1,360,404	1,543,280
Projected Percentage Funded	47.3%	60.0%	80.7%	95.4%	107.0%
Based on Plan Being Implemented:					
Net Change In Reserves Per Plan	(691,554)	91,526	370,476	393,476	82,431
Projected Balance Per Plan	504,926	596,452	966,928	1,360,404	1,442,835
Projected Percentage Per Plan	47.3%	60.0%	80.7%	95.4%	100.0%

Item #8: Reserve Funding Plan: The Board of Directors has adopted a plan to fully fund the reserves with increases in assessments and/or special assessments as needed. In the event of a surplus, the Board will reduce assessments as needed to eliminate the surplus in an orderly fashion. Increases or decreases in assessments shall be effective annually on January 1st in an amount adequate to meet increased operating costs and to fund the reserves.

Item #8a: The last reserve study was prepared by J.D. Brooks as of January, 2011.

Item #8b: Estimated Annual Interest Rate Earned on Reserve Funds: 1%
Estimated Annual Rate of Inflation: 0%

NOTES:

IN 2007:

1. Bldgs 7636 & 7640 were fumigated for termites (Approx \$11,500).
2. Fence along Hollister Avenue replaced (Approx \$30,000).
3. Reserve Study done by JD Brooks (\$1,100).
4. Plants and irrigation installed on creekside of 7628 (Approx \$1,630).
5. Dryrot repaired at 202, 206, 207, 208, 209, 216, 217, 220, 244, 268, 271, 272, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 316, 317, 344, 368, 371, & 372. Replaced siding was painted. (Approx \$273,000).
6. The Board modified the reserve study by moving part of the roofing to 2008, increasing siding replacement reserves, changing the dates for exercise equipment and painting wood siding, & adding a reserve for concrete replacement.
7. Leaks under pool deck repaired (Approx \$2,200).
8. Dryrot repaired at #248, 259, 313, 348, 359, & 362 (Approx \$65,200).
9. Trees pruned around buildings & 8 new trees planted (Approx \$3,500).
10. Carport at 7634 hit by car. Repair cost reimbursed by insurance company (Approx \$4,500).

IN 2008:

1. Bldg 7624 fumigated for termites (Approx \$4,900).
2. Large Eucalyptus tree removed (Approx \$4,600).
3. Jacuzzi heater replaced (Approx \$3,800).
4. Trees trimmed throughout complex (Approx \$6,000).
5. New chemtrol installed for pool (Approx \$3,600).
6. Pool resurfaced, coping replaced & drains split (Approx \$22,300).
7. Majority of pool deck replaced (Approx \$10,000).
8. Wood in sauna replaced (Approx \$5,400).
9. Settlement received from Forester on siding (Approx \$103,900).
10. Dry rot repaired & painted at units #104, 207, 210, 211, 212, 219, 220, 257, 307, 308, 309, 310, 311, 312, 319, 333, 357, 366, & 367 (Approx \$107,000).
11. Projected cost of Major Repairs & Replacements increased by 6% to anticipate increases due to inflation.
12. Jacuzzi brought up to code-new drains & rails (Approx \$2,300).
13. Dry rot repaired at #205 back balcony (Approx \$19,000).

IN 2009:

1. Preventive maintenance performed on all roofs (Approx \$4,000).
2. Building 7628 reroofed (Approx \$22,600).
3. Woodchips spread throughout common area (Approx \$1,600 for supplies only).
4. Raised concrete replaced at 7264, 7626, 7630, 7632, 7634, 7638, & 7640 (Approx \$8,600).
5. Building 7624 reroofed (Approx \$15,600).
6. Elliptical exercise machine & weights replaced (Approx \$1,100).
7. Trees trimmed throughout complex (Approx \$6,400).
8. Dryrot repaired at #214, 217, 313, 323, 234, 325, 339, 342, 343 & 363 and carport facia at 234 & 334 and a number of trash enclosures (Approx \$48,000).
9. Lumber & siding material purchased for dryrot project (Approx \$6,400).
10. Repaired dryrot areas painted (Approx \$5,700).
11. Asphalt slurry sealed (Approx \$42,000).
12. Structural & soil engineers hired to investigate 7606 foundation (Approx \$6,000).
13. Temporary supports installed for foundation of 7606 (Approx \$1,200).
14. Section of sewer line replaced near 7632 #124 (Approx \$1,200).
15. Roof maintenance performed on all roofs (Approx \$4,000).
16. Surface drains near 7606 inspected with camera (Approx \$1,300).

IN 2010:

1. Staircase at 7602 #301 replaced (Approx \$3,400).

2. Siding replaced at 7630 #120 (Approx \$2,400).
3. Bldgs 7636 & 7638 reroofed & dry rot repaired (Approx \$23,100 & \$26,400 respectively).
4. Jacuzzi pump replaced (Approx \$1,000).
5. Staircase replaced at 7638 #364 (Approx \$8,600).
6. Bldgs 7626 & 7628 fumigated for termites (Approx \$4,700 & \$6,000 respectively).
7. Staircase at 7640 #369 replaced (Approx \$2,600).
8. Eucalyptus trees treated for leaf silids (Approx \$2,300).
9. Common sewer lines and manholes cleared. (Apporx \$2,500).
10. Trim installed on chimneys to prevent bat access (Approx \$4,900).
11. Concrete handicap ramp installed at 7620 (Approx \$2,500).
12. Carport facia replaced for stalls #259 & 360 (Approx \$2,000).
13. Retaining wall of railroad ties replaced at 7610 (Approx \$1,300).
14. Two Eucalyptus trees trimmed at 7620 (Approx \$2,900).
15. Foundations inspected and plans prepared to shore up foundations of 7602, 7606 & 7610 (Approx \$16,700).
16. Siding repaired at back balcony of 7602 #302 (Approx \$1,300).
17. Short wall relplaced at front of 7602 #205 (Approx \$1,500).
18. Attorney retained to give legal opinion of slab leak responsibility (Approx \$1,300).
19. Board voted to increase foundation reserve to \$520,000 and move back trim painting to 2012.
20. Foundation was reinforced at 7606 (Approx \$40,000).

Item #9. INSURANCE: California Civil Code Section 1365 requires an annual insurance disclosure of the Association's insurance as follows:

GENERAL LIABILITY INSURANCE:

Company: Allstate Insurance Company
Coverage: \$2,000,000 Per Occurrence
Umbrella: \$1,000,000 Per Occurrence

Anniversary Date: November 15th

Deductible: None

Anniversary Date: March 5th

PROPERTY INSURANCE: **Coverage:** \$27,899,000
Company: Allstate Insurance Company

Anniversary Date: November 15th
Deductible: \$10,000

EARTHQUAKE INSURANCE: **Coverage:** \$30,466,890
Company: Empire Indemnity Insurance Company

Anniversary Date: November 15th
Deductible: 5% of Total Insurable Value

FIDELITY INSURANCE: **Coverage:** \$750,000
Company: Allstate Insurance Company

Anniversary Date: November 15th
Deductible: \$250

FLOOD INSURANCE: The Association has none.

This summary of the association's policies of insurance provides only certain information, as required by subdivision (f) 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 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, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate coverage.

REQUIRED DISCLOSURES:

**ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY
FOR CURRENT BUDGET YEAR** (Required by Civil Code Section 1365.2.5)

Item #'s are found on the first few pages.

(1) The regular assessment per ownership interest is as per **Item #1**. Note: If assessments vary by the size or type of ownership, the assessment applicable to the ownership interest may be found on the page of the attached summary as per **Item #1**.

(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 are as per **Item #2**. Note: If assessments vary by the size or type of ownership interest, the assessment applicable to the ownership interest may be found as per **Item #2**.

(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?

Subject to the information available as of the date of preparation hereof:

If the ratio as per **Item #5** is equal to or exceeds 100%, the answer is "Yes" for the years shown.

If the ratio is less than 100%, the answer is "No".

If the ratios as per **Item #7** are equal to or exceed 100% over the next 5 years, the answer is "Yes".

If the ratios are less than 100%, the answer is "No".

(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?

An assessment averaging the "Reserve Shortage" (if any) per unit would be necessary as per **Item #6**.

(5) The board has reasonably determined that all major components are included in the reserve study and are included in its calculation.

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5 of the California Civil Code, the estimated amount required in the reserve fund at the end of the current budget year is as per **Item #4**, based in whole or in part on the last reserve study or update prepared as per **Item #8a**. The projected reserve fund cash balance at the end of the current budget year is as per **Item #4**, resulting in the percentage of reserve funding being as per **Item #4**. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is explained as per **Item #4**.

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5 of the California Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is as per **Item #7** and the projected reserve fund cash balance in each taking into account only assessments already approved and other known revenues, is as per **Item #7**, leaving the reserve at the percent funding as per **Item #7**. If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years and the percent funding will be as per **Item #7**.

NOTE: The financial representations set forth in this summary are based on the best estimates of the preparer as of the date of preparation. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was as per Item #8b, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was as per Item #8b.

For the purposes of preparing this Summary Section 1365.2.5 (b) of the Civil Code states:

- (1) "Estimated remaining useful life" means the time reasonably calculated to remain before a major component will require replacement.
- (2) "Major component" has the meaning used in Section 1365.5. Components with an estimated remaining useful 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.
- (3) The form set out in subdivision (a) shall accompany each pro forma operating budget or summary thereof that is delivered pursuant to this article. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in subdivision (a) is provided.
- (4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. This shall not be construed to require the board to fund reserves in accordance with this calculation.

Note: The information contained in this disclosure is a PROJECTION ONLY. Because the reserve study is a projection, the estimated lives and costs of components will likely change over time depending on a variety of factors such as (i) future inflation rates, (ii) levels of maintenance applied by future boards, unknown defects in materials that may lead to premature failures, etc. As a result, some components may experience longer lives while others will experience premature failures. Some components may cost less at the time of replacement while others may cost more.

MINUTES & NAMES AVAILABLE: Each year the Association is required to disclose that minutes for all Association or Directors' meetings, and a list of owners are available to all owners. The cost, if any, of providing copies of the minutes and owners' list is to be paid by the requester.

DELINQUENCY & LIEN POLICY: Unless otherwise stated all fees and assessments (including special assessments) are due on the first day of each month, in advance, and shall be delinquent 15 days after the due date. A late charge of 10% of the delinquent fee or assessment will be charged and added to the amount due. If fees, assessments, and/or late charges are unpaid at the end of any given month, a lien will be filed against the delinquent unit for the full amount due plus applicable interest, attorney fees, lien filing costs and other costs of collection. If the balance due is not paid within thirty (30) days after the lien is filed, the Association may take any and all actions permitted by law including, but not limited to, filing suit and/or foreclosing the lien.

PRIOR ADR REQUIRED: Each year the association is required to disclose that before an association or member files a lawsuit to enforce the governing documents, (other than for the collection of assessments), the parties must attempt to resolve the dispute by use of Alternative Dispute Resolution. "Failure of any member of the Association to comply with the alternative dispute resolution requirements of Section 1369.520 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 or the applicable law."

INTERNAL DISPUTE RESOLUTION PROCESS: The Association has adopted the procedures as per Section 1363.840 of the Civil Code.

INSURANCE: See summary as per Item #9.

MODIFICATIONS REQUIRE PRIOR APPROVAL: Each year the Association is required by Section 1378 of the Civil Code to disclose that all modifications or alterations which alter the common area or the exterior appearance of any structure in any way, require prior written approval of the Board of Directors or a designated committee of the Board. In addition, any alterations to the structure of any unit or building or alterations which may impact another owner in any way also require prior written approval.

Written requests must be submitted to the Board or designated committee for approval which shall approve, conditionally approve, or reject the request in writing within a reasonable time, but in no event later than ninety days from date of receipt of the request. If denied, the requestor shall be given the opportunity to appeal the decision or ask for reconsideration of the Board at the Board's next regularly scheduled meeting.

The following is a notice required by Civil Code Section 1365.1:

NOTICE: ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Section 1367.4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 1366, 1367.1, and 1367.4 of the Civil Code).

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged by a member or a member's guests, if the governing documents provide for this. (Sections 1366 and 1367.1 of the Civil Code).

The association must comply with the requirements of Section 1367.1 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 1367.1 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 1367.1 of the Civil Code).

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 1367.1 of the Civil Code)

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, he or she may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 1367.1 of the Civil Code). An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 5 (commencing with Section 1368.810) of Chapter 4 of Title 6 of Division 2 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 2 (commencing with Section 1369.510) of Chapter 7 of Title 6 of Division 2 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 1367.1 of the Civil Code).

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a timeshare may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exist. (Section 1367.1 of the Civil Code).

The board of directors must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 1367.1 of the Civil Code).

Section 1363.005 of the California Civil Code provides that the following "Disclosure Documents Index" be provided to any member at the member's request. It is being provided as part of the annual disclosures.

Disclosure Documents Index

<u>Item & Description</u>	<u>Civil Code Section Reference</u>
1. Assessment and Reserve Funding Disclosure Summary (form)	1365.25
2. Pro Forma Operating Budget or Pro Forma Operating Budget Summary	1365 (a)
3. Assessment Collection Policy	1365 (c) & 1367.1 (a)
4. Notice Assessments and Foreclosure (form)	1365.1
5. Insurance Coverage Summary	1365 (f)
6. Board Minutes Access	1363.05 (c)
7. Alternative Dispute Resolution (ADR) Rights (summary)	1369.590
8. Internal Dispute Resolution (IDR) Rights (summary)	1363.85
9. Architectural Changes Notice	1378 (c)
10. Secondary Address Notification Request	1367.1 (k)
11. Monetary Penalties Schedule	1363 (g)
12. Reserve Funding Plan (summary)	1365 (b)
13. Review of Financial Statement	1365 (c)
14. Annual Update of Reserve Study	1365 (a)