

May 2015

Dear Aegean Heights Homeowners:

Your Board of Directors has undertaken a thorough review of the Association's funds, with the goal of providing for efficient operations and for funding adequate reserves to meet long-term requirements. It has been determined that the current levels of dues are sufficient for now to maintain the financial integrity of the Association.

Therefore, at this time your monthly assessments will remain the same at the following:

Townhomes - \$ 334.40

Patio Homes - \$ 151.25

In compliance with the California Civil Code 1365, a study of the reserves was performed in April 2015 to review the reserve-funding program and to make recommendations for future funding. A reserve study is required at a minimum of every three years. Enclosed, please find the following items:

- Budget for the fiscal year, July 1, 2015 - June 30, 2016
- Reserve Study Summary
- Assessment and Reserve Funding Disclosure Summary
- Assessment & Foreclosure Policy
- Insurance Summary
- Summary of Alternative Dispute Resolution
- Summary of Internal Dispute Resolution
- Architectural Guidelines

In accordance with Civil Code 1365.9, the Association is insured to the level specified in the Code. Therefore, owners are individually liable only for their proportionate share of assessments levied to pay any judgments that exceed the limits of the Association's insurance.

Copies of Board meeting Minutes are available upon written request throughout the year. Minutes will be released to you thirty days following the meeting and any charges involved for copying and postage will be the responsibility of the requesting homeowner.

Please review and become familiar with the enclosed adopted budget and policies. Please contact TSG Independent, in writing via email at George@tsgindependent.com or mail to 27129 Calle Arroyo, Suite 1802, San Juan Capistrano, CA 92675 if you have any questions or if you would like a complete copy of the Reserve Study.

Respectfully,

THE BOARD OF DIRECTORS

AEGEAN HEIGHTS HOMEOWNERS ASSOCIATION

**AEGEAN HEIGHTS HOA
TWO HUNDRED SIXTY UNITS (266)
2015/2016 ASSESSMENT BUDGET**

ACCT #	DESCRIPTION	MONTHLY	ANNUALLY	PER UNIT
INCOME				
41000	Assessments - Attached	\$49,825.60	\$597,907.20	\$334.40
	Assessments - Detached	17,696.25	212,355.00	151.25
41500	Interest Income - Operating	-	-	-
41600	Interest Income - Reserves	144.00	1,728.00	0.54
	TOTAL INCOME:	\$67,665.85	\$811,990.20	\$486.19
EXPENSES				
UTILITIES				
61210	Electric	\$ 1,771.00	\$21,252.00	\$ 6.66
61410	Gas	250.00	3,000.00	0.94
61610	Water	5,040.00	60,480.00	18.95
61810	Telephone	78.00	936.00	0.29
61910	Cable	177.00	2,124.00	0.67
	Total Utilities	\$ 7,316.00	\$ 87,792.00	\$ 27.50
LANDSCAPE AND MAINTENANCE				
63110	Landscape Contract	\$ 8,790.00	\$ 105,480.00	\$ 33.05
63120	Landscape Replacement	720.00	8,640.00	2.71
63140	Irrigation Repairs	1,000.00	12,000.00	3.76
63190	Pest Control	655.00	7,860.00	2.46
63180	Tree Trimming	2,000.00	24,000.00	7.52
63720	Backflow Inspection	50.00	600.00	0.19
	Total Landscape & Maint.	\$ 13,215.00	\$ 158,580.00	\$ 49.68
POOL AND SPA MAINTENANCE				
64110	Pool Contract	\$ 400.00	\$ 4,800.00	\$ 1.50
64120	Pool Repairs	145.00	1,740.00	0.55
64130	Pool Supplies	220.00	2,640.00	0.83
	Total Pool & Spa Maint.	\$ 765.00	\$ 9,180.00	\$ 2.88
COMMON AREA MAINTENANCE				
66220	General Repairs	500.00	\$ 6,000.00	\$ 1.88
66250	Plumbing Repairs	150.00	1,800.00	0.56
66280	Signage	56.25	675.00	0.21
66310	Janitorial Contract	570.00	6,840.00	2.14
66320	Janitorial Supplies	80.00	960.00	0.30
66410	Locks/Keys	75.00	900.00	0.28
66510	Street Sweeping	602.70	7,232.40	2.27
66710	Lighting Contract	85.00	1,020.00	0.32
66720	Lighting Supplies/Extra Labor	350.00	4,200.00	1.32
66865	Water Damage Restoration	-	-	-
	Total Common Area Maint.	\$ 2,468.95	\$ 29,627.40	\$ 9.28

**AEGEAN HEIGHTS HOA
TWO HUNDRED SIXTY UNITS (266)
2015/2016 ASSESSMENT BUDGET**

ACCT #	DESCRIPTION	MONTHLY	ANNUALLY	PER UNIT
ADMINISTRATION				
67010	Tax/Audit Preparation	95.00	\$ 1,140.00	\$ 0.36
67020	Federal Income Tax	50.00	600.00	0.19
67030	State Income Tax	25.00	300.00	0.09
67040	Property Tax	35.00	420.00	0.13
67110	Insurance - Liability/Property	5,068.25	60,819.00	19.05
67120	Insurance - D&O/WC/Umbrella	223.92	2,687.00	0.84
67210	Legal Expenses	350.00	4,200.00	1.32
67310	License/Fees/Permits	80.25	963.00	0.30
67510	Management Contract	3,700.00	44,400.00	13.91
67530	Management Extras	465.00	5,580.00	1.75
67540	Website	100.00	1,200.00	0.38
67710	Accounting Supplies	-	-	-
67770	Reserve Study	125.00	1,500.00	0.47
67800	Parking Patrol	285.00	3,420.00	1.07
67810	Miscellaneous	235.10	2,821.20	0.88
67910	Bad Debt	2,000.00	24,000.00	7.52
	Total Administration	\$ 12,837.52	\$ 154,050.20	\$ 48.26
	TOTAL OPERATING EXPENSES	36,602.47	439,229.60	137.60
	LESS: MISC. INCOME	(144.00)	(1,728.00)	(0.54)
	NET OPERATING EXPENSES	36,458.47	437,501.60	137.06
	COMMON RESERVES	3,774.03	45,288.36	14.19
	TOWNHOME RESERVE	27,289.35	327,472.20	183.15
	TOTAL EXPENSES & RESERVES	\$ 67,521.85	\$ 810,262.16	\$ 334.40
41000	ASSESSMENTS-PATIOS HOMES	\$ 17,696.25	\$ 212,354.98	\$ 151.25
41000	ASSESSMENTS-TOWNHOMES	\$ 49,825.60	\$ 597,907.18	\$ 334.40

Aegean Heights Homeowners Association
Mission Viejo, California
RDA Owner's Summary

Report Date	April 6, 2015	Parameters:	
Version	005	Inflation	2.00%
Account Number	1469	Annual Contribution Increase	2.00%
Budget Year Beginning	7/ 1/15	Investment Yield	1.00%
Ending	6/30/16	Taxes on Yield	30.00%
Total Units Included	266	Contingency	3.00%
Phase Development	1 of 1	Reserve Fund Balance as of	
		7/ 1/15:	\$1,237,214.00

Project Profile & Introduction

For budgeting purposes, unless otherwise indicated in this report, we have used February 1974 as the basis for aging all the original components examined in this analysis.

Last RDA Field Inspection: March 10, 2015

RDA Summary of Calculations

Monthly Contribution to Reserves Required:	\$37,316.10
(\$140.29 per unit per month)	
Average Net Monthly Interest Contribution This Year:	665.29
Net Monthly Allocation to Reserves 7/ 1/15 to 6/30/16:	\$37,981.39
(\$142.79 per unit per month)	

RDA Reserve Management Software
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**Aegean Heights Homeowners Association
Assessment and Reserve Funding Disclosure Summary
("Disclosure Summary")**

**The notes at the end of this Disclosure Summary should
be read in conjunction with the information provided.**

- (1) The current regular assessment for the 2015-2016 fiscal year per ownership interest is as follows:
- Townhomes - \$334.40 per month
 - Patio Homes - \$151.25 per month

- (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 association's Board of Directors (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 or 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, dated April 2015, and other information available to the Board, 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 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 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: _____

Aegean Heights Homeowners Association
Assessment and Reserve Funding Disclosure Summary
 ("Disclosure Summary")

- (5) All major components are included in the reserve study and are included in its calculations. However, the following major assets are excluded from the reserve study calculations for the following reasons:

Major asset:	Reason this major asset was not included:
Clubhouse – Ceramic Tile	Minor cost/operating budget item
Townhomes - Decks	Maintained by homeowner
Townhomes - Lighting	Maintained by homeowner
Townhomes – Utility Doors	Maintained by homeowner
Mailboxes	Maintained by homeowner
Slopes	Indeterminate life and cost
Townhomes - Plumbing	Maintained by homeowner

- (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 **\$2,231,622** based in whole or in part on the last reserve study or update prepared by Reserve Data Analysis, Inc. as of April 6, 2015. The projected reserve fund cash balance at the end of the current fiscal year is **\$1,237,214** resulting in reserves being approximately **55%** funded at this date.

NOTES:

(A) The financial representations set forth in this summary are based on the best estimates of the preparer and the Board at that time. The estimates are subject to change. (B) For the purposes of understanding this Disclosure Summary: (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 California Civil Code Section 1365.5. (3) The amount of reserves needed to be accumulated for a component at a given time has been 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 should not be construed to require the Board to fund reserves in accordance with this calculation. (4) Based on reserve studies or the occurrence of one or more unanticipated events, the Board could increase regular assessments and/or levy special assessments, consistent with the provisions of the CC&Rs and applicable law, to fund additional reserves as it deems necessary. For example, the information contained in this Disclosure Summary includes (i) estimates of replacement value and life expectancies of the components and (ii) assumptions regarding future events. Estimates are projections of a future event based on information currently available and are not necessarily indicative of the actual future outcome. The longer the time period between the estimate and the estimated event, the more likely the possibility of error and/or discrepancy. For example, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the preparation of this Disclosure Summary. Therefore, the actual replacement cost and remaining life may vary from this report and summary and the variation may be significant. Additionally, inflation and other economic events may impact this report and summary, particularly over an extended period of time (such as thirty (30) years) and those events could have a significant and negative impact on the accuracy of this Disclosure Summary and, further, the funds available to meet the association's obligation for repair and/or replacement of major components during their estimated useful life. Furthermore, the occurrence of vandalism, severe weather conditions, earthquakes, floods, acts of nature or other unforeseen events cannot be predicted and/or accounted for and are excluded when assessing life expectancy, repair costs and/or replacement costs of the components.

A
ASSESSMENT AND FORECLOSURE POLICY

Prompt payment of assessments by all owners is critical to the financial health of the Association, and to the enhancement of the property values of our homes. Your Board of Directors takes very seriously its obligation under the Declaration of the Covenants, Conditions and Restrictions (CC&R's) and the California Civil Code to enforce the members' obligation to pay assessments. The policies and practices outlined shall remain in effect until such time as they may be changed, modified, or amended by a duly adopted resolution of the Board of Directors. Therefore, pursuant to the CC&R's and Civil Code Section 1365.1, the following are the Association's assessment practices and policies:

1. Regular monthly assessments are due and payable on the first day of each month. A courtesy billing statement is sent each month to the billing address on record with the Association. However, it is the owner of record's responsibility to pay each assessment in full each month regardless of receipt of a statement. All other assessments, including special assessments are due and payable on the date specified by the Board on the Notice of Assessment, which date will not be less than thirty (30) days after the date of notice of the special assessment.
2. Assessments, late charges, interest and collection costs, including any attorneys' fees are the personal obligation of the owner of the property at the time the assessment or other sums are levied (CC 1367 (a); CC 1367.1 (a).
3. Assessments not received within fifteen (15) days of the stated due date are delinquent and shall be subject to a late charge of ten dollars (\$10.00) for each delinquent assessment per unit.
4. Any payments made shall be first applied to assessments owed, and only after the assessments owed are paid in full, shall such payments be applied to late charges, interest and collection expenses, including attorneys' fees, unless the owner and the Association enter an agreement providing for payments to be applied in a different manner.
5. A first notice of past due assessment will be prepared and mailed on assessments not received within sixty (60) days of the stated due date. Subject to the provisions of the governing documents, an interest charge at the rate of 10% per annum will be assessed against any outstanding balance, including delinquent assessments, late charges, and cost of collection, which may include attorneys' fees. Such interest charges shall continue to be assessed each month until the account is brought current.
6. If a special assessment is payable in installments and an installment payment of that special assessment is delinquent for more than thirty (30) days, all installments will be accelerated and the entire unpaid balance of the special assessment shall become immediately due and payable. The remaining balance shall be subject to a late charge and interest as provided above.
7. If an assessment is not received within seventy five (75) days of the stated due date the Association or its designee, in the event the account is turned over to a collection agent, will send a pre-lien letter to the owner as required by Civil Code Section 1367.1 (a) by certified and first class mail, to the owner's mailing address of record advising of the delinquent status of the account and impending collection action. The owner will be charged a One Hundred Twenty-five dollar (\$125.00) fee for the pre-lien letter.
8. If an owner fails to pay the amounts set forth in the pre-lien letter within thirty (30) days of the date of that letter, the Association will authorize their collection attorney to record a lien for the amount of any delinquent assessments, late charges, interest and/or costs of preparing and recording the lien. Thirty (30) days following recordation of the lien, the lien may be enforced in any manner permitted by law, including without limitation, judicial or non-judicial foreclosure (CC 1367 (e); CC 1367.1 (g), subject to the limitations set forth below under "Additional Provisions to Conform to Law" and as otherwise provided by law.

IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION.

9. An owner is entitled to inspect the Association's accounting books and records to verify the amounts owed pursuant to Corporations Code Section 8333.
10. In the event it is determined that the owner has paid the assessments on time, the owner will not be liable to pay the charges, interests and costs of collection association with collection of those assessments.
11. Any owner who is unable to pay assessments will be entitled to make a written request for payment plan to be considered by the Board of Directors. An owner may also request to meet with the Board in executive session to discuss a payment plan. The Board will consider payment plan requests on a case-by-case basis and is under no obligation to grant payment plan requests.
12. Nothing herein limits or otherwise affects the Association's right to proceed in any lawful manner to collect any delinquent sums owed to the Association.
13. Prior to the release of any lien, or dismissal of any legal action, all assessments, late charges, interest, and costs of collection, including attorneys' fees, must be paid in full to the Association.
14. All charges listed herein are subject to change upon thirty (30) days prior written notice.
15. An owner is entitled to submit secondary addresses to the Association for the purposes of collection notices. Upon receipt of a written request by an owner identifying a secondary address for purposes of collection notices, the Association will send additional copies of any notices required by Civil Code 1367.1 to the secondary address provided.

Additional Provisions to Conform to Law

Prior to the recording of a lien, homeowners that are delinquent will be sent a "pre-lien" letter. The pre-lien letter will include an offer by the association to engage in internal dispute resolution upon receipt of a written request within thirty (30) days of the pre-lien letter, pursuant to the association's meet and confer program required by Civil Code Section 1363.810, et seq. and will also offer to engage in formal alternative dispute resolution with a neutral third party pursuant to Civil code section 1369.510, et seq. Prior to recording of a lien, the Board of Directors will approve the recording of the lien in open session at a meeting of the Board without identification of the name of the individual. The association may not foreclose unless delinquent assessments are greater than \$1,800 or greater than one year in arrears.

Prior to commencing foreclosure, the association will offer to engage in internal dispute resolution upon receipt of a written request within thirty (30) days of the offer of such informal dispute resolution, pursuant to the association's meet and confer program required by Civil Code Section 1363.810, et seq. and will also offer to engage in formal alternative dispute resolution with a neutral third party pursuant to Civil code section 1369.510, et seq. Prior to commencement of foreclosure, the Board of Directors will approve the foreclosure in Board of Directors will approve the recording of the lien in open session at a meeting of the Board without identification of the name of the individual. All foreclosures shall be subject to a ninety (90) day right of redemption.

In addition to the above, if a matter is sent to counsel for legal action, or to a collection service for foreclosure or other action, the owner will be responsible for any attorneys' fees and costs incurred by such action.

The mailing address for overnight payment of assessments is:

AEGEAN HEIGHTS HOA

C/O: TSG Independent Property Management, Inc.

P.O. Box 57063

Irvine, CA 92619-7063



CERTIFICATE OF LIABILITY INSURANCE

AEGEA-1

OP ID: JR

DATE (MM/DD/YYYY)
08/28/2015

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an **ADDITIONAL INSURED**, the policy(ies) must be endorsed. If **SUBROGATION IS WAIVED**, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER LaBarre/Oksnee Insurance License # 0C84283 30 Enterprise #180 Aliso Viejo, CA 92656 Brian Linehan		CONTACT NAME: PHONE (A/C, No, Ext): _____ FAX (A/C, No): _____ E-MAIL ADDRESS: _____	
		INSURER(S) AFFORDING COVERAGE	NAIC #
		INSURER A : QBE Insurance Company	39217
		INSURER B : Firemans Fund Insurance Co.	21873
		INSURER C : PMA Insurance Group	12262
		INSURER D : Liberty Mutual Insurance	23043
		INSURER E :	
		INSURER F :	

COVERAGES **CERTIFICATE NUMBER:** **REVISION NUMBER:**

THIS IS TO CERTIFY THAT 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. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY						EACH OCCURRENCE	\$ 1,000,000
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY		<input checked="" type="checkbox"/>	CAU218702-4	08/28/2015	08/28/2016	DAMAGE TO RENTED PREMISES (Ea occurrence)	\$ 1,000,000
	<input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR						MED EXP (Any one person)	\$ 5,000
A	D&O Liability			CAU218702-4	08/28/2015	08/28/2016	PERSONAL & ADV INJURY	\$ 1,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						GENERAL AGGREGATE	\$ Unlimited
	<input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC						PRODUCTS - COM/POP AGG	\$ 1,000,000
							D&O Liab	\$ 1,000,000
A	AUTOMOBILE LIABILITY						COMBINED SINGLE LIMIT (Ea accident)	\$ 1,000,000
	<input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS			CAU218702-4	08/28/2015	08/28/2016	BODILY INJURY (Per person)	\$
	<input checked="" type="checkbox"/> HIRED AUTOS		<input checked="" type="checkbox"/>				BODILY INJURY (Per accident)	\$
	<input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> NON-OWNED AUTOS						PROPERTY DAMAGE (PER ACCIDENT)	\$
								\$
B	UMBRELLA LIAB						EACH OCCURRENCE	\$ 10,000,000
	<input checked="" type="checkbox"/> EXCESS LIAB		<input checked="" type="checkbox"/>	SUO00048647630-1150-3	08/28/2015	08/28/2016	AGGREGATE	\$ 10,000,000
	<input type="checkbox"/> DED <input type="checkbox"/> RETENTION \$							\$
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY						<input checked="" type="checkbox"/> WC STATUTORY LIMITS	
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	Y/N		2015010609693Y	08/28/2015	08/28/2016	E.L. EACH ACCIDENT	\$ 1,000,000
	If yes, describe under DESCRIPTION OF OPERATIONS below	<input type="checkbox"/>	N/A				E.L. DISEASE - EA EMPLOYEE	\$ 1,000,000
							E.L. DISEASE - POLICY LIMIT	\$ 1,000,000
A	Property			CAU218702-3	08/28/2015	08/28/2016	10,000Ded	83,075,000*
D	Fidelity Bond			CAC006877-0213	08/28/2015	08/28/2016	10,000Ded	1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
 Association has 266 units in Mission Viejo, CA. Property policy is Single Entity (walls-in excluding improvements) with 100% Replacement Cost, Special Form coverage. *Includes Guaranteed Replacement Cost, Building Ordinance or Law Coverage, and Severability of Interest. Property Management Additional Insured GL, D&O, and Fidelity Bond.

CERTIFICATE HOLDER		CANCELLATION
TSGINDM TSG Independent Property Management, Inc. 27129 Calle Arroyo, Ste. 1802 San Juan Capistrano, CA 92675		SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE

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ALTERNATIVE DISPUTE RESOLUTION
Summary of Civil Code 1369.510-1369.590

Sections 1369.510 to 1369.590 of the Civil Code require that before owners and associations file lawsuits against each other for declaratory relief or injunctive relief in connection with a claim for money damages under \$5,000 or for enforcing the associations governing documents, the filing party shall endeavor to submit the dispute to alternative dispute resolution (ADR). Forms of ADR include mediation, negotiation, and binding or non-binding arbitration. This provision does not apply to the filing of cross-complaints.

The ADR process is initiated by one party serving a Request for Resolution upon the other parties to the dispute. The request must include (i) a brief description of the dispute, (ii) a request for ADR, (iii) a notice that a response must be received within thirty (30) days or it will be deemed rejected, and (iv) a copy of Civil Code Sections 1369.510 to 1369.590.

If the individual receiving the request agrees to ADR, the process must be completed within ninety- (90) days unless otherwise extended by agreement. The cost of ADR is to be paid by the participating parties. If a civil suit is filed, the filing party must submit to the court a Certificate of Compliance indicating the party has complied with the requirements of Sections 1369.510 to 1369.590. Failing to do so would be grounds for challenging the lawsuit.

Although the prevailing party is entitled to reasonable attorney's fees and costs, the court may consider a party's refusal to participate in ADR when making the award.

A description of the Associations internal dispute resolution process, as required by Civil Code Section 1363.850, is attached.

NOTE: Failure of any member of the association to comply with the alternative dispute resolution requirements of Civil Code 1369.520 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
Summary of Civil Code 1363.810-1363.840

Sections 1363.810 to 1363.840 of the Civil Code require that before owners and associations file lawsuits against each other for declaratory relief or injunctive relief in connection with a claim for money damages under \$5,000 or for enforcing the associations governing documents, either party to a dispute may invoke the following Internal Dispute Resolution (IDR) subject to the following procedures:

- 1) The party may request the other party to meet and confer in an effort to resolve the dispute. The request shall be in writing.
- 2) A member of an association may refuse a request to meet and confer. The association may not refuse a request to meet and confer.
- 3) The association's board of directors shall designate a member of the board to meet and confer.
- 4) The parties shall meet promptly at a mutually convenient time and place, explain their positions to each other, and confer in good faith in an effort to resolve the dispute.
- 5) A resolution of the dispute agreed to by the parties shall be memorialized in writing and signed by the parties, including the board designee on behalf of the association.

(c) An agreement reached under this section binds the parties and is judicially enforceable if both of the following conditions are satisfied:

- 1) The agreement is not in conflict with law or the governing documents of the common interest development or association.
- 2) The agreement is either consistent with the authority granted by the board of directors to its designee or the agreement is ratified by the board of directors.

(d) A member of the association may not be charged a fee to participate in the process.

IX. Architectural Control

** Review Article VIII of your CC&R's for Architectural Control. In addition the Architectural Committee has set out additional information for your benefit. All architectural decisions must be presented to the Board with suggestions from the committee, but final approval or disapproval must come from the Board.

- 1) The committee will consider only written requests, in triplicate.
- 2) If a proposal is rejected, the applicant is free to request that the committee reconsider its position and is encouraged to present new or additional information, which might clarify the request or demonstrate its acceptability. Final appeal may be made to the Board of Directors.
- 3) All written requests should include all information necessary for the committee to take action. Necessary data would include height, width, length, size, shape, color and location of the proposed improvement. Photographs or sketches of similar completed projects would aid the committee's consideration.
- 4) Exterior lighting shall not be directed in such a manner as to create annoyance to the neighbors.
- 5) Satellite dishes and antennas allowed under the Federal Telecommunications Act of 1996 may be installed only within a resident's separate interest. This means that all satellite dishes must be pole mounted. Advance consent is not needed when residents comply with this regulation. Satellite dishes may not be installed in or on any common area nor can holes be drilled into any common area without the express written consent of the Board of Directors.
- 6) Approval of any project by the committee does not waive the necessity of obtaining the required County permits.
- 7) Obtaining a County permit does not waive the need for committee approval.
- 8) All exterior additions, changes, property dividers, light fixtures, air conditioning units and underground sprinklers systems must be approved by the Architectural Control Committee.
- 9) Drainage is a major problem. Therefore any landscaping, cement work, masonry work or anything that might disturb the existing drainage of slopes or lot grading requires the prior approval of the committee.
- 10) Paint – all colors must blend in with the existing exterior colors and must have prior approval. The areas in question: exterior walls, trim, door, fences, patio covers, garage doors and rain gutters. Anyone who does not abide by the decision of the Board will have the choice of rectifying or paying for the painting to be redone including labor and the cost of paint.
- 11) Fences - height, location, material, and paint must have prior approval of the board. The fence material must blend in with the existing exterior. The fencing material must be of wood, black wrought iron or brick that blends into the exterior or brick that has been covered with stucco to blend with the existing walls. All wooden fences may be stained or left in their natural state on the inside of the lot. Those not adhering to the rules may be fined, pay for labor to rectify or the Association may provide labor and material and charge the offender, if the fence is changed it is then the sole responsibility of the homeowner to maintain the new fence.
- 12) Patio Covers – no plastic or metal may be used to make a patio cover. Rough redwood or natural wood may be used. It may be stained to match the trim or stucco.
- 13) Enclosure of the walkway in the "D" plan must have prior Architectural approval.
- 14) Gates – Gates must blend into the existing exterior walls. They may be made of redwood, natural wood or black wrought iron. Wood may be painted the color of the house, stained or left natural.
- 15) Planters – All planters must have prior approval and be of a design and material that would blend into the architectural theme. The height of exterior planters should not exceed 8 inches in height.
- 16) Town homes only – Garage door and doors – The maintenance of the doors is the responsibility of the homeowner.