

LAURELMONT

DATE: November 25, 2014
TO: THE MEMBERSHIP – LAURELMONT COMMUNITY ASSOCIATION
FROM: THE BOARD OF DIRECTORS
RE: ANNUAL POLICY STATEMENT & BUDGET FOR FISCAL YEAR BEGINNING
JANUARY 1, 2015

In compliance with California Civil Code, attached is the Laurelmont Community Association budget for the fiscal year beginning January 1, 2015. This budget reflects the continuing efforts of the Board of Directors to maintain and enhance the Association's common area and amenities while at the same time keeping expenditures in line.

The budget indicates an increase in monthly dues from \$370.00 per month to \$385.00 per month to adequately cover the rising operating costs and to fund the reserve accounts for future repairs and replacements. With this budget, the Board of Directors does not anticipate that any special assessments will be required to replace, repair or restore any major component of the reserve program. Effective January 1, 2015, your new assessment rate will be \$385.00 per month.

Please find the following items as required by state law and/or your association's governing documents:

- 2015 Fiscal Year Budget
- Summary Pages of the Reserve Study
- Reserve Assessment and Funding Disclosure Summary
- 5 year Reserve Plan
- Association's current Assessment and Billing Collection Policy
- Notice of Assessments and Foreclosure Policy
- Architectural Submittal and Appeal Process
- Discipline Policy
- Fine Schedule
- Summary of the Association's Insurance Coverage
- Alternative Dispute Resolution
- Internal Dispute Resolution Procedure

To assist with the preparation of the budget, the Association retained the services of a professional reserve analyst to review the funding program for the Association and provide recommendations for future funding of the reserve accounts.* A summary of the study is provided for your review and copies of the complete reserve study are available upon request.

The board has determined that the association's reserves will be funded in the upcoming fiscal year via regular assessments.

According to the reserve analyst, the association is currently 82% funded to the ideal funding amount. As of the most recent financial statement for the current fiscal year, the association has \$2,269,521.87 in reserve funds and anticipates that the amount will increase to \$2,338,423.87 at the end of this fiscal year. **If the association was required to replace all major components at once, the cost to do so would be \$3,907,487.00, and the association is 59% funded toward that total cost.** California Civil Code requires this amount to be disclosed to you in boldface type with this budget.

Civil Code also requires the board to disclose any reserve components that have not been completed in accordance with last year's reserve analyst recommendations. The following major components were identified to be repaired or replaced, but the association did not do so for reasons noted:

| Component | Reason for Deferral of Repairs |
|-----------------------------------|---------------------------------------|
| Cabana- Restroom Partitions | Scheduled for 2015 |
| Doors- Utility | Scheduled for 2015 |
| Gas Line Repairs | Funds available as needed |
| Paint- Woodwork | Scheduled for 2015 |
| Paint- Wrought Iron | Scheduled for 2015 |
| Plumbing Repairs | Funds available as needed |
| Pool Area- Trellis, wood | Scheduled for 2015 |
| Streets- Concrete, Repairs | Funds available as needed |
| Termite Control- Fumigation | Scheduled for 2015 |
| Wood- Siding, Repairs/Replacement | Scheduled for 2015 |
| Wood- Trim, Repairs/Replacement | Scheduled for 2015 |

ADDITIONAL DISCLOSURES:

All owners have a right to obtain a copy of minutes of the Regular General Session Board of Directors meetings. Any requests for such meeting minutes must be made in writing to the Laurelmont Community Association Board of Directors at 23726 Birtcher Drive, Lake Forest, CA 92630 and a distribution fee will be charged. Copies of Board meeting minutes are available upon request throughout the year and are available for review on the Association's website at www.laurelmonthoa.org.

Owners may submit a secondary address to the association for the purpose of assessment collection, provided that the request is made in writing and mailed to the association in a manner that shall indicate that the association has received it.

Official communication to the Association from any member should be sent to:

Community Manager
 Laurelmont Community Association
 c/o PCM, 23726 Birtcher Drive, Lake Forest, CA 92630

Civil Code allows General Notices to the membership to be posted in a prominent location that has been designated by the Association and that is accessible to all members. As such, please be advised that the Association has designated the bulletin board at the association pool as the location for posting of General Notices.

Please be advised that the Association has also designated its the bulletin board at the

association pool for the location where Pesticide Notifications will be posted for the Association. Please note the posting location is subject to change.

Thank you for your continued support of the Association. If you should have any questions regarding the enclosed information, please contact your Community Manager, Deborah Serrano at PCM, (949) 465-2440. Thank you.

** Please note that Neither the board, nor management, are reserve study experts and must rely on third parties for information related to reserve funding and these disclosures.*

LAURELMONT COMMUNITY ASOC.
 Fiscal Year End - December, 2015
 Annual Budget 197 Units

| | <u>ANNUAL AMOUNT</u> | <u>MONTHLY AMOUNT</u> | <u>PER UNIT/ PER MONTH</u> |
|---------------------------------------|--------------------------|---------------------------|--------------------------------|
| INCOME: | | | |
| 4010 0000 ASSESSMENTS - OWNERS | 910,140 | 75,845.00 | 385.00 |
| 4325 0000 PRIOR YEAR SURPLUS | 0 | .00 | .00 |
| TOTAL INCOME | 910,140 | 75,845.00 | 385.00 |
| GENERAL & ADMINISTRATIVE: | | | |
| 5002 0000 AUDIT | 1,100 | 91.67 | .47 |
| 5005 0000 BAD DEBTS | 4,500 | 375.00 | 1.90 |
| 5025 0000 EARTHQUAKE INSURANCE | 30,000 | 2,500.00 | 12.69 |
| 5026 0000 INSURANCE EXPENSE | 36,000 | 3,000.00 | 15.23 |
| 5033 0000 LEGAL | 6,000 | 500.00 | 2.54 |
| 5036 0000 LICENSES & FEES | 950 | 79.17 | .40 |
| 5036 1000 TAXES & LICENSES | 0 | .00 | .00 |
| 5039 0000 MANAGEMENT FEES | 33,236 | 2,769.67 | 14.06 |
| 5041 0000 MISCELLANEOUS | 4,000 | 333.33 | 1.69 |
| 5041 1003 WEBSITE SERVICES | 1,325 | 110.42 | .56 |
| 5046 1005 PRINTING/MAILING/SUPPLIES | 9,000 | 750.00 | 3.81 |
| 5047 0000 POSTAGE | 1,300 | 108.33 | .55 |
| 5050 0000 RESERVE ANALYSIS FEES | 700 | 58.33 | .30 |
| TOTAL GENERAL & ADMIN. EXPEN | 128,111 | 10,675.92 | 54.19 |
| LANDSCAPE: | | | |
| 5200 1000 BACKFLOW INSPECTION | 300 | 25.00 | .13 |
| 5225 0000 IRRIGATION SYSTEM | 4,000 | 333.33 | 1.69 |
| 5235 0000 LANDSCAPE MAINT. CONTRACT | 54,000 | 4,500.00 | 22.84 |
| 5236 0000 LANDSCAPE EXTRAS | 10,000 | 833.33 | 4.23 |
| 5290 0000 TREE MAINTENANCE | 29,000 | 2,416.67 | 12.27 |
| TOTAL LANDSCAPE EXPENSES | 97,300 | 8,108.33 | 41.16 |
| MAINTENANCE: | | | |
| 5218 0000 ELECTRICAL MAINTENANCE | 1,500 | 125.00 | .63 |
| 5231 0000 JANITORIAL SERVICE CONTRACT | 1,900 | 158.33 | .80 |
| 5244 0000 PLUMBING REPAIRS | 43,200 | 3,600.00 | 18.27 |
| 5249 0000 POOL CONTRACT | 3,600 | 300.00 | 1.52 |
| 5250 0000 POOL REPAIRS | 8,600 | 716.67 | 3.64 |
| 5250 1014 POOL SUPPLIES | 1,000 | 83.33 | .42 |
| 5251 0000 PEST CONTROL | 7,000 | 583.33 | 2.96 |
| 5251 1001 TERMITE TREATMENT | 8,000 | 666.67 | 3.38 |
| 5253 0000 ROOF MAINTENANCE | 12,000 | 1,000.00 | 5.08 |
| 5255 0000 REPAIRS & MAINTENANCE | 25,000 | 2,083.33 | 10.58 |
| 5264 0000 STREET & SIDEWALK | 2,000 | 166.67 | .85 |
| 5275 0000 SUPPLIES - JANITORIAL | 300 | 25.00 | .13 |
| 5299 1008 GATE REPAIR | 3,000 | 250.00 | 1.27 |

LAURELMONT COMMUNITY ASOC.
 Fiscal Year End - December, 2015
 Annual Budget 197 Units

| | <u>ANNUAL AMOUNT</u> | <u>MONTHLY AMOUNT</u> | <u>PER UNIT/ PER MONTH</u> |
|-------------------------------|--------------------------|---------------------------|--------------------------------|
| MAINTENANCE: | | | |
| 5299 1051 WATER DAMAGE REPAIR | 72,000 | 6,000.00 | 30.46 |
| TOTAL MAINTENANCE EXPENSES | 189,100 | 15,758.33 | 79.99 |
| PROPERTY PROTECTION: | | | |
| 5363 0000 PROPERTY PROTECTION | 6,200 | 516.67 | 2.62 |
| TOTAL PROPERTY PROTECTION EX | 6,200 | 516.67 | 2.62 |
| UTILITIES: | | | |
| 5419 0000 ELECTRICITY | 23,860 | 1,988.33 | 10.09 |
| 5423 0000 GAS | 5,400 | 450.00 | 2.28 |
| 5495 0000 WATER | 22,000 | 1,833.33 | 9.31 |
| TOTAL UTILITIES | 51,260 | 4,271.67 | 21.68 |
| RESERVE ALLOCATION: | | | |
| 6001 0000 RESERVES | 438,169 | 36,514.08 | 185.35 |
| TOTAL RESERVE ALLOCATION | 438,169 | 36,514.08 | 185.35 |
| TOTAL EXPENSES | 910,140 | 75,845.00 | 385.00 |
| NET PROFIT (LOSS) | 0 | .00 | .00 |
| | ===== | ===== | ===== |

Laurelmont Community Association
 Aliso Viejo, California
RDA Reserve Analysis Report Summary

| | | | |
|-----------------------|-------------------|------------------------------|----------------|
| Report Date | November 25, 2014 | Parameters: | |
| Version | 015 | Inflation | 2.00% |
| Account Number | 3222 | Annual Contribution Increase | 2.00% |
| Budget Year Beginning | 1/ 1/15 | Investment Yield | 1.00% |
| Ending | 12/31/15 | Taxes on Yield | 30.00% |
| Total Units Included | 197 | Contingency | 3.00% |
| Phase Development | 6 of 6 | Reserve Fund Balance as of | |
| | | 1/ 1/15: | \$2,379,050.00 |

Project Profile & Introduction

For budgeting purposes, unless otherwise indicated in this report, we have used March 1986 as the basis for aging all the original components examined in this analysis.

RDA Field Inspection: August 13, 2013

RDA Summary of Calculations

| | |
|---|-------------|
| Monthly Contribution to Reserves Required: | \$44,073.00 |
| (\$223.72 per unit per month) | |
| Average Net Monthly Interest Contribution This Year: | 904.24 |
| Net Monthly Allocation to Reserves 1/ 1/15 to 12/31/15: | \$44,977.24 |
| (\$228.31 per unit per month) | |

RDA Reserve Management Software
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Laurelmont Community Association
Funding Status Report

REPORT DATE: November 25, 2014
VERSION: 015
ACCOUNT NUMBER: 3222

| DESCRIPTION | USE LIFE | +/- LIFE | REM LIFE | CURRENT COST | FULLY FUNDED RESERVES | ASSIGNED RESERVES |
|--------------------------------------|-------------|-------------|-------------|-----------------|-----------------------------|----------------------|
| Streets - Asphalt Overlay, Pepper | 20 | 0 | 16 | 53,451 | 10,690 | 0 |
| Streets - Asphalt Overlay, Prim | 20 | 0 | 18 | 160,389 | 16,039 | 0 |
| Streets - Asphalt Overlay, Willow | 20 | 0 | 17 | 83,939 | 12,591 | 0 |
| Streets - Asphalt Repair, Primrose | 4 | 0 | 2 | 13,971 | 6,985 | 6,985 |
| Streets - Asphalt Repair, Pepperwood | 4 | 0 | 0 | 5,195 | 5,195 | 5,195 |
| Streets - Asphalt Repair, Willowood | 4 | 0 | 1 | 8,227 | 6,170 | 6,170 |
| Streets - Asphalt Slurry Seal, Pepp | 4 | 0 | 0 | 3,194 | 3,194 | 3,194 |
| Streets - Asphalt Slurry Seal, Prim | 4 | 0 | 2 | 8,590 | 3,436 | 3,436 |
| Streets - Asphalt Slurry Seal, Will | 4 | 0 | 2 | 5,059 | 2,529 | 2,529 |
| Streets - Concrete, Repairs | 1 | 0 | 0 | 10,000 | 10,000 | 10,000 |
| *** CATEGORY SUMMARY: | | | | 352,015 | 76,831 | 37,511 |
| Roofs - Composition Shingle | 20 | 0 | 4 | 1,454,212 | 1,163,369 | 1,043,854 |
| Roofs - Flat, 2001 | 14 | +1 | 1 | 73,834 | 68,912 | 68,912 |
| Roofs - Flat, 2005 | 14 | 0 | 4 | 14,462 | 10,330 | 0 |
| *** CATEGORY SUMMARY: | | | | 1,542,508 | 1,242,611 | 1,112,766 |
| Paint - Cabana, Interior | 8 | +2 | 2 | 1,231 | 983 | 983 |
| Paint - Stucco, Units | 8 | +3 | 3 | 39,184 | 28,416 | 28,416 |
| Paint - Woodwork, Units/Pool Area | 4 | 0 | 0 | 478,701 | 478,701 | 478,701 |
| Paint - Wrought Iron | 4 | 0 | 0 | 3,466 | 3,466 | 3,466 |
| Paint - Wrought Iron, Pool | 4 | 0 | 0 | 2,861 | 2,861 | 2,861 |
| *** CATEGORY SUMMARY: | | | | 525,444 | 514,427 | 514,427 |
| Wood - Siding, Repairs/Replacement | 4 | 0 | 0 | 155,510 | 155,510 | 155,510 |
| Wood - Trim, Repairs/Replacement | 4 | 0 | 0 | 10,000 | 10,000 | 10,000 |
| *** CATEGORY SUMMARY: | | | | 165,510 | 165,510 | 165,510 |
| Fencing - Vinyl, 2003 | 30 | 0 | 18 | 603,447 | 241,379 | 0 |
| Fencing - Vinyl, 2011 | 30 | 0 | 26 | 37,421 | 4,989 | 0 |
| Fencing - Wrought Iron, Gates | 25 | +9 | 5 | 67,374 | 57,417 | 0 |
| Fencing - Wrought Iron, Pool | 25 | +8 | 4 | 18,081 | 15,878 | 15,878 |
| Fencing - Wrought Iron, Spa Gate | 25 | 0 | 21 | 531 | 80 | 0 |
| Walls - Block, Repairs | 30 | +4 | 5 | 7,052 | 6,010 | 0 |
| *** CATEGORY SUMMARY: | | | | 733,906 | 325,754 | 15,878 |
| Lighting - Grounds | 22 | +9 | 2 | 7,074 | 6,615 | 6,615 |
| Lighting - Pool Area | 20 | +11 | 2 | 2,262 | 2,115 | 2,115 |
| Lighting - Pool Area, 2012 | 20 | 0 | 17 | 4,452 | 668 | 0 |
| Lighting - Street, Unfunded | 25 | 0 | 7 | 0 | 0 | 0 |
| *** CATEGORY SUMMARY: | | | | 13,788 | 9,398 | 8,730 |
| Pool - Filters | 12 | 0 | 4 | 3,060 | 2,040 | 2,040 |

Laurelmont Community Association
Funding Status Report

| DESCRIPTION | USE LIFE | +/- LIFE | REM LIFE | CURRENT COST | FULLY FUNDED RESERVES | ASSIGNED RESERVES |
|-------------------------------------|-------------|-------------|-------------|-----------------|-----------------------------|----------------------|
| Pool - Heater | 12 | 0 | 4 | 3,366 | 2,187 | 2,187 |
| Pool - Pump/Motor System, 3HP | 8 | 0 | 2 | 1,224 | 918 | 918 |
| Pool - Replastering & Tile | 12 | 0 | 11 | 18,718 | 1,560 | 0 |
| Pool - Spa, Filter | 10 | 0 | 2 | 1,530 | 1,224 | 1,224 |
| Pool - Spa, Heater | 10 | 0 | 3 | 3,366 | 2,338 | 2,338 |
| Pool - Spa, Pump/Motor System | 8 | +3 | 1 | 2,652 | 2,411 | 2,411 |
| Pool - Spa, Replastering & Tile | 10 | 0 | 9 | 5,570 | 557 | 0 |
| Pool Area - BBQ, Gas Pedestal | 10 | 0 | 8 | 2,496 | 430 | 0 |
| Pool Area - Ceramic Tile Counter | 30 | +4 | 5 | 1,380 | 1,176 | 0 |
| Pool Area - Coping, Pool & Spa | 20 | 0 | 19 | 7,899 | 395 | 0 |
| Pool Area - Deck Caulking, Pool/Spa | 4 | 0 | 3 | 1,121 | 280 | 280 |
| Pool Area - Deck, Pavers | 20 | 0 | 19 | 14,496 | 725 | 0 |
| Pool Area - Furniture, Replace | 7 | 0 | 0 | 5,949 | 5,949 | 5,949 |
| Pool Area - Furniture, Umbrellas | 7 | 0 | 4 | 2,688 | 1,012 | 1,012 |
| Pool Area - Key Fob System | 8 | 0 | 4 | 1,064 | 515 | 515 |
| Pool Area - Pump Room, Re-Plumb | 25 | 0 | 0 | 3,291 | 3,291 | 3,291 |
| Pool Area - Tables & Benches | 12 | 0 | 4 | 5,484 | 3,656 | 3,656 |
| Pool Area - Trellis, Wood | 25 | 0 | 0 | 6,872 | 6,872 | 6,872 |
| *** CATEGORY SUMMARY: | | | | 92,226 | 37,536 | 32,693 |
| Cabana - Ceramic Tile | 30 | +4 | 5 | 7,648 | 6,518 | 0 |
| Cabana - Ceramic Tile, Shower | 30 | 0 | 29 | 1,950 | 65 | 0 |
| Cabana - Doors | 20 | 0 | 12 | 1,538 | 615 | 0 |
| Cabana - Plumbing Fixtures | 25 | +9 | 5 | 4,602 | 3,922 | 0 |
| Cabana - Restroom Partitions | 15 | 0 | 0 | 1,292 | 1,292 | 1,292 |
| Cabana - Water Heater | 10 | +6 | 0 | 1,225 | 1,225 | 1,225 |
| *** CATEGORY SUMMARY: | | | | 18,255 | 13,637 | 2,517 |
| Doors - Utility | 20 | 0 | 0 | 51,388 | 51,388 | 51,388 |
| *** CATEGORY SUMMARY: | | | | 51,388 | 51,388 | 51,388 |
| Mailboxes - Pedestal Sets | 16 | 0 | 10 | 29,486 | 10,360 | 0 |
| Signs - Monument | 15 | 0 | 13 | 2,184 | 237 | 0 |
| Signs - Traffic | 15 | 0 | 13 | 6,448 | 700 | 0 |
| *** CATEGORY SUMMARY: | | | | 38,118 | 11,297 | 0 |
| Irrigation - Backflow Devices | 30 | +2 | 3 | 14,784 | 13,391 | 13,391 |
| Irrigation - Controllers, Fair | 15 | +15 | 1 | 17,544 | 16,956 | 16,956 |
| Irrigation - Controllers, Good | 15 | 0 | 3 | 1,173 | 936 | 936 |
| Irrigation - Controllers, New | 15 | 0 | 13 | 1,479 | 197 | 0 |
| Irrigation - Enclosures | 25 | 0 | 15 | 2,295 | 909 | 0 |
| *** CATEGORY SUMMARY: | | | | 37,275 | 32,388 | 31,282 |
| Plumbing Repairs | 1 | 0 | 0 | 30,000 | 30,000 | 30,000 |
| *** CATEGORY SUMMARY: | | | | 30,000 | 30,000 | 30,000 |
| Gas Line Repairs | 1 | 0 | 0 | 30,000 | 30,000 | 30,000 |

Laurelmont Community Association
Funding Status Report

| DESCRIPTION | USE +/- LIFE | REM LIFE | CURRENT COST | FULLY FUNDED RESERVES | ASSIGNED RESERVES |
|------------------------------|-----------------|-------------|-----------------|-----------------------------|----------------------|
| *** CATEGORY SUMMARY: | | | 30,000 | 30,000 | 30,000 |
| Landscape - Tree Trimming | 2 | 0 | 0 | 25,000 | 25,000 |
| *** CATEGORY SUMMARY: | | | 25,000 | 25,000 | 25,000 |
| Termite Control - Fumigation | 15 | 0 | 0 | 252,054 | 252,054 |
| *** CATEGORY SUMMARY: | | | 252,054 | 252,054 | 252,054 |
| TOTAL ASSET SUMMARY: | | | 3,907,487 | 2,817,832 | 2,309,757 |
| CONTINGENCY @ 3.00%: | | | | 84,535 | 69,293 |
| GRAND TOTAL: | | | | 2,902,367 | 2,379,050 |

Percent Fully Funded: 82%

Laurelmont Community Association
RDA Standard Projections

REPORT DATE: November 25, 2014
VERSION: 015
ACCOUNT NUMBER: 3222

Beginning Accumulated Reserves: \$2,379,050

| YEAR | CURRENT REPLACEMENT COST | ANNUAL CONTRBTN | ANNUAL INTEREST CONTRBTN | ANNUAL EXPENDTRS | PROJECTED ENDING RESERVES | FULLY FUNDED RESERVES | PERCENT FULLY FUNDED |
|------|--------------------------|-----------------|--------------------------|------------------|---------------------------|-----------------------|----------------------|
| '15 | 3,907,487 | 528,876 | 10,851 | 1,075,999 | 1,842,778 | 2,260,704 | 82% |
| '16 | 3,985,637 | 506,417 | 13,334 | 175,702 | 2,186,827 | 2,561,771 | 85% |
| '17 | 4,065,350 | 508,803 | 15,999 | 141,433 | 2,570,196 | 2,913,378 | 88% |
| '18 | 4,146,657 | 521,415 | 18,759 | 137,562 | 2,972,809 | 3,286,547 | 90% |
| '19 | 4,229,590 | 518,274 | 5,391 | 2,442,340 | 1,054,135 | 1,255,103 | 84% |
| '20 | 4,314,182 | 522,342 | 7,793 | 183,590 | 1,400,679 | 1,566,391 | 89% |
| '21 | 4,400,465 | 531,143 | 10,574 | 138,090 | 1,804,307 | 1,941,288 | 93% |
| '22 | 4,488,474 | 542,984 | 13,794 | 88,529 | 2,272,555 | 2,385,524 | 95% |
| '23 | 4,578,244 | 549,968 | 11,503 | 886,271 | 1,947,755 | 2,010,495 | 97% |
| '24 | 4,669,809 | 560,568 | 14,755 | 103,315 | 2,419,764 | 2,460,707 | 98% |
| '25 | 4,763,205 | 572,407 | 17,499 | 189,902 | 2,819,767 | 2,839,236 | 99% |
| '26 | 4,858,469 | 585,043 | 20,533 | 163,767 | 3,261,576 | 3,263,371 | 100% |
| '27 | 4,955,638 | 593,038 | 18,060 | 961,403 | 2,911,271 | 2,868,779 | 101% |
| '28 | 5,054,751 | 572,688 | 21,452 | 118,628 | 3,386,783 | 3,362,696 | 101% |
| '29 | 5,155,846 | 597,924 | 24,514 | 169,644 | 3,839,578 | 3,824,118 | 100% |
| '30 | 5,258,963 | 619,179 | 25,168 | 539,150 | 3,944,776 | 3,918,012 | 101% |
| '31 | 5,364,142 | 625,336 | 21,645 | 1,148,792 | 3,442,965 | 3,384,971 | 102% |
| '32 | 5,471,425 | 600,442 | 24,444 | 237,019 | 3,830,831 | 3,811,089 | 101% |
| '33 | 5,580,854 | 652,543 | 19,875 | 1,299,319 | 3,203,931 | 3,141,825 | 102% |
| '34 | 5,692,471 | 621,090 | 23,081 | 201,434 | 3,646,668 | 3,625,005 | 101% |
| '35 | 5,806,320 | 680,133 | 19,367 | 1,200,058 | 3,146,111 | 3,081,334 | 102% |
| '36 | 5,922,447 | 667,066 | 23,336 | 128,388 | 3,708,125 | 3,665,578 | 101% |
| '37 | 6,040,896 | 704,404 | 26,932 | 195,430 | 4,244,030 | 4,204,222 | 101% |
| '38 | 6,161,713 | 705,259 | 31,039 | 146,974 | 4,833,355 | 4,817,960 | 100% |
| '39 | 6,284,948 | 731,148 | 11,271 | 3,563,032 | 2,012,742 | 1,868,744 | 108% |
| '40 | 6,410,647 | 683,211 | 15,251 | 153,774 | 2,557,429 | 2,456,264 | 104% |
| '41 | 6,538,860 | 722,288 | 18,025 | 321,266 | 2,976,476 | 2,893,802 | 103% |
| '42 | 6,669,637 | 713,133 | 21,873 | 188,279 | 3,523,203 | 3,494,325 | 101% |
| '43 | 6,803,030 | 785,434 | 17,664 | 1,367,501 | 2,958,799 | 2,882,778 | 103% |
| '44 | 6,939,090 | 752,328 | 20,981 | 315,500 | 3,416,608 | 3,379,336 | 101% |

NOTE: In some cases, the projected ending reserves may exceed the fully funded reserves during years following high expenditures. This is a result of the provision for a contingency in the report, which in the projections, is never expended. The contingency is continually adjusted according to present needs and any excess is redistributed among all assets considered.

Laurelmont Community Association

Assessment and Reserve Funding Disclosure Summary For the Fiscal Year January 1, 2015 through December 31, 2015

- (1) The regular assessment per ownership interest is \$385.00 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 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: \$ | |

- (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: |
|--|--|
| | |
| | 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 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is \$2,902,367 based in whole or in part on the last reserve study or update prepared by Reserve Data Analysis California, LLC as of November 2014. The projected reserve fund cash balance at the end of the current fiscal year is \$2,379,050, resulting in reserves being 82 percent funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is \$. The current deficiency in reserve funding expressed on a per unit basis is \$2,657.00.
- (7) Based on the method of calculation in paragraph (4) of subdivision (b) of section 5570 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) |
|-------------|-------------------------------|---|--------------------------|
| 2015 | \$1,842,778 | \$2,260,704 | 82% |
| 2016 | \$2,186,827 | \$2,561,771 | 85% |
| 2017 | \$2,570,196 | \$2,913,378 | 88% |
| 2018 | \$2,972,809 | \$3,286,547 | 90% |
| 2019 | \$1,054,135 | \$1,255,103 | 84% |

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) |
|-------------|-------------------------------|--------------------------|
| 2015 | \$1,752,079 | 78% |
| 2016 | \$2,036,122 | 79% |
| 2017 | \$2,365,643 | 81% |
| 2018 | \$2,710,530 | 82% |
| 2019 | \$746,211 | 59% |

At the time this summary was prepared, the assumed long-term before tax interest rate earned on reserve funds was 1% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 2% per year.

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.

LAURELMONT COMMUNITY ASSOCIATION
Assessment and Billing Collection 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 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 § 5320*, the following are the Association's assessment practices and policies:

1. ***Assessments are billed monthly and are due and payable on the "first day of the month."*** A courtesy billing statement is sent monthly 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 the 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 attorney fees, are the personal obligation of the owner of the property at the time the assessment or other sums are levied *Civil Code Section §§ 5650(a) & 5660*.
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 attorney's fees, unless the owner and the Association enter into 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 ***thirty (30) days*** of the stated due date. A ***Twenty-five dollar (\$25.00)*** charge for the late letter will be made against the delinquent member's account. Additionally, an ***Interest charge at the rate of 12% per annum*** will be assessed against any outstanding balance including delinquent assessments, late charges, and cost of collection, which may include attorney fees. Such interest charges shall continue to be assessed each month until the account is brought current.
6. If an assessment is not received within ***forty-five (45) days of the "stated due date"***, the Association will send a "***Pre-lien letter***" to the owner as required by *Civil Code Section §§ 5650(a) & 5660*, 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 dollar (\$100.00) fee for the Pre-lien letter. In addition, the owner will also be charged a Forty dollar (\$40.00) fee for each Title check requested and a Fifty-dollar (\$50.00) fee for a Resolution to Lien.***
7. 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, a "***Lien***" for the amount of any delinquent assessments, late charges, interest and/or costs of collection including attorneys' fees may be assessed against the owner's property. The owner will be charged a ***Two Hundred dollar (\$200.00) fee for the preparation and recordation of the Lien.*** After the expiration of 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 *Civil Code Section §§§§ 5725 (b), 5735(a),(b), 5700(a), 5710(a),(c)*, subject to the limitations set forth below under “Additional Provisions to Conform to Law” and as otherwise provided by law.

8. If the balance due is not paid within *thirty (30) days of recordation of the Lien, the matter may be turned over to an Attorney for ‘legal action’, including an action to “Foreclose” the assessment lien and/or for a money judgment. The owner will be charged three hundred dollars (\$300.00) for preparing the matter to be sent to counsel.*
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, interest, and costs of collection associated with the collection of those assessments.
11. Any owner who is unable to pay assessments will be entitled to make a written request for a 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 rights 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 legal fees must be paid in full to the Association.
14. The delinquent owner will be responsible for all costs of collection, including attorneys’ fees, incurred by the Association to collect any delinquent sums *Civil Code Section § 5650(b)*.
15. All charges listed herein are subject to change without notice.
16. If an owner pays under protest, the owner can **at the same time** pursue dispute resolution AND commence an action in small claims court (amount at issue must not exceed jurisdictional monetary limit) *Civil Code Section § 5658*.

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 informal 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 § 5900, et seq.*

Prior to recording of a lien, the Board of Directors will approve the recording of the lien in open session at a regular or special board meeting.

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 informal 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 § 5900*, et seq. and will also offer to engage in formal alternative dispute resolution with a neutral third party pursuant to *Civil Code section § 5925*, et seq.

Prior to commencement of foreclosure, the Board of Directors will approve the foreclosure in executive session and note the approval in the regular minutes of the association without identification of the name of the individual.

All foreclosures shall be subject to a ninety (90) day right of redemption.

Fee and Penalty Procedures

The following charges may be assessed in accordance with the Association's Assessment and Billing Collection Policy:

| | |
|------------------------------|-----------------|
| Late Charge | \$10.00 |
| Late Letter Fee | \$25.00 |
| Pre-Lien Letter | \$100.00 |
| Additional Pre-Lien Letters | \$50.00 each |
| Title Check Fee | \$40.00 each |
| Resolution to Record Lien | \$50.00 |
| Lien Fee | \$200.00 |
| Additional Lien mailings | \$50.00 each |
| Lien Release | \$100.00 |
| Payment Plan Admin. Fee | \$25.00 monthly |
| Attorney Package Preparation | \$300.00 |
| Returned Check Fee | \$25.00 |

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:
C/O PCM
23726 Birtcher Dr.
Lake Forest, Ca 92630**

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

1. An owner is entitled to inspect the Association's accounting books and records to verify the amounts owed pursuant to Corporations Code Section § 8333.
2. 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, interest and costs of collection associated with collection of those assessments.
3. Any owner who is unable to pay assessments will be entitled to make a written request for a payment plan to be considered by the Board of Directors. An owner may also make a written request to meet with the Board in executive session to discuss a payment plan. If the owner requests to meet with the Board to discuss a payment plan within fifteen (15) days of receiving the pre-lien letter, then the Board shall meet with the owner within forty-five days of the postmark on the owner's request, unless there is no regularly scheduled board meeting within that period, in which case the board may designate a committee of one or more members to meet with the owner. The Board will consider payment plan requests on a case-by-case basis and is under no obligation to grant payment plan requests.
4. An owner is entitled to dispute the assessment debt by submitting a written request for dispute resolution to the association pursuant to the association's "meet and confer" program required in Article 2 (commencing with Section 5900) of Chapter 10.
5. Prior to initiating foreclosure against the owner's separate interest, the owner is entitled to submit a written request for alternative dispute resolution with a neutral third party pursuant to Article 3 (commencing with Section 5925) of Chapter 10, except that binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.
6. Statements will be mailed from Management as a courtesy **AND MAY NOT REFLECT** the collection costs, attorneys' fees or other charges, or payments received by the collection service.
7. 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.
8. All charges listed herein are subject to change upon thirty (30) days' prior written notice.
9. The mailing address for payments of assessments by overnight delivery is:

PCM 23726 BIRTCHE DRIVE, LAKE FOREST CA 92630.

Please note that should an account be referred to a (collection service, the collection service will provide the new address for overnight payments.

EXHIBIT "A"

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 non-judicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or non-judicial 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 non-judicial foreclosure subject to the conditions set forth in Section 5705 of the Civil Code. When using judicial or non-judicial 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 §§§ §§§ 5600, 5605, 5650, 5660; 5700 and 5705 of the Civil Code)

In a judicial or non-judicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use non-judicial 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 §§ 5600 and 5650 of the Civil Code)

The association must comply with the requirements of Sections §§§ 5650, 5673, 5675 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 § 5650 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 § 5660 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 § 5685 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 § 5655 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 2 (commencing with Section § 5900) of Chapter 10 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 3 (commencing with Section § 5925) of Chapter 10 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 § 5685 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 § 5665 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 to the payment plan standards of the association, if they exist. (Section § 5665 of the Civil Code)*

*Citations to Code Sections are verbatim from Civil Code effective as of 1/1/2014

EXTERIORS / INTERIORS, RESTRICTED AREA (YARDS) & FRONT COURTYARDS
(Section 8.06)

No installation, change, improvement, add-on, or alteration to the exterior of a Unit shall be commenced without **prior written Architectural Review Committee Approval**. This includes, but is not limited to, the replacement of exterior doors, windows, fences, walkways, patios, patio covers (including removing and replacing), pools, spas, alterations, changes, modifications to lot grade and/or drainage; any alteration, modification, change, addition to any exterior; installation of gutters, installation of screen doors; trees, landscaping, vegetation, hardscape, and installation of satellite dishes. **Any interior modification that yields modified plumbing or walls must be approved prior to any work commencing.**

Written approval from the **Architectural Committee** shall be obtained using the required authorization submission form available from the property management company.

The **Architectural Committee** has the responsibility to review all plans submitted, make recommendations or suggestions for those areas that may not conform to the CC&R's and submit the final plans to the Board of Directors for approval.

Certain exterior/interior changes may require a building permit, for example replacing windows and/or doors, modifying plumbing, or removing walls. Approval by the **Architectural Committee** of the application is a prerequisite to obtaining a building permit. All required permits are Homeowner responsibility.

Homeowner, Residents, or Tenants are not permitted to remove, alter, or destroy any landscaping in the **Common Areas**, regardless of the condition of the plantings.

Damage to **Common Area** property by **Homeowner**, including **Tenants** and/or **Guests** of **Homeowner** or **Tenants** shall be the responsibility of the **Homeowner**.

General Architectural Rules:

- **Patio Covers:**
 - Patio cover posts shall be three feet (3') from the fence and/or adjoining buildings.
 - Patio cover overhangs must be at least eighteen inches (18") from fences and/or adjoining buildings.
 - Patio covers, any yard equipment above fence line shall be painted white or color of fence, as approved by the Architectural Committee. Contact the property management company for the color code and resource for the paint required prior to submitting your application to the Architectural Committee.
- **Landscape, Planters, Pots, Yards, Exterior Decoration,**
 - Planters must retain dirt at least three inches (3") from fence or gate.
 - No landscaping may be attached to any fence or building.
 - Dirt must be kept under the fence level. No building, fence, stucco, or siding may be used to retain dirt.

- Planters/Pots – Wooden planters displayed on exterior of units require advance written approval of the Architectural Committee. Clay pots cannot be displayed on front courtyard fences. All pots visible from the common area must be the same white, blue or gray as the Units, and require saucers beneath them.
- Yards shall at all times be maintained, free of weeds, debris, trash and waste of any nature, and shall meet standards of construction in accordance with the original approved Architectural plan, or original construction plans.
- Any decorative plaques or signs such as “Welcome” signs may not be attached to the exterior of any building or visible from the window of any Unit without the advance written approval of the Architectural Committee.
- Restricted Areas (yards and front courtyards—inside of front gates) are not intended for storage of any kind.
- No items should be hung or attached to any part of the Association-maintained structures in such a way that moisture can intrude or that the strength of the structure is threatened. When such items are removed, repairs and touch-ups are the **Homeowner(s)**’ responsibility.
- Clothing, Rugs, etc. hung on any portion of property visible outside which may be obtrusive to neighbors are not permitted.
- Rain Gutters
 - Architectural approval must first be obtained prior to installing rain gutters on a unit.
 - Rain gutters must be white.
 - Gutters should be installed in a manner to avoid and preclude drainage into flower beds or planters resulting in dirt overflow on sidewalks or driveways.
 - Gutters should be installed to prevent water pooling and to drain the water away from the **Unit**.
- Windows
 - Windows are not to be covered with newspaper, tinfoil, cardboard, stickers, decals, sheets, or anything else that is not normally sold as window covering or treatments.
- Window Screens
 - Window screens and doors shall be maintained in good repair. Screen frames including doors and windows shall only be white.

GREENBELTS/SIDEWALKS & WALKWAYS

Littering in any of the **Common Areas** is not permitted.

Climbing on walls, trees, fences, roofs and mailboxes is not permitted.

Toys, hoses, pet feces, pet feces bags (full or empty), and debris left in entries or in front of garages, on sidewalks, driveways or in streets are not permitted.

Homeowners on both sides of the home must approve, in writing, the proposed locations prior to submittal to the **Architectural Committee**.

Spa screening must be painted white or the color of the fence and cannot be higher than the existing fence. Location of the spa and equipment shall require written consent of the **Architectural Committee** prior to commencement of any installation. **Homeowners** are encouraged to share their proposed plans with their neighbors to sign off on the plans as part of the architectural application.

Prior written approval is required from the **Architectural Committee** prior to any alterations, modifications, changes or installation of plants, trees or vegetation in the **Restricted Common Area** (your enclosed rear yard or courtyard entry). **Homeowners** are encouraged to share their proposed plans with their neighbors to sign off on the plans as part of the architectural application.

Trees in the **Restricted Common Area** shall have a height limitation of thirty feet (30') and shall comply with CC&R Sec 8.08. No tree or vegetation of any kind may attach itself to, or cause damage to any building, or **Common Area Property**.

Wrought iron fencing shall be white square tubular, of same like, kind and quality as the pool wrought iron without spikes or any other device that may cause risk of injury or harm.

VIOLATIONS, HEARINGS & DELINQUENCY PROCEDURE

Rules Violations

Any alleged violation of the **CC&R's** and **Rules** of the **Association** will be processed according to the procedure outlined below.

1. The **Property Manager** will send a "Courtesy Notice" to the **Homeowner** stating the alleged violation and date by which the violation will need to be cured.
2. If the violation still exists by the cure date, the **Property Manager** will issue a second letter, by regular mail, requesting the **Homeowner** attend a hearing with the Board of Directors to explain the circumstances regarding the violation and the failure to cure.
3. The **Homeowner** will be notified as to the decision rendered by the Board of Directors as a result of the hearing within ten (10) days of the hearing date.
4. If the **Homeowner** is found to be in continuing violation, the Board of Directors may perform any of the following:
 - Apply additional fines in accordance with the Fine Schedule to the **Homeowner's** assessment billing;

LAURELMONT COMMUNITY ASSOCIATION RULES & REGULATIONS – 10/2011

- Choose to correct the violation and assess the **Homeowner** for reimbursement of costs;
 - Seek remedy by litigation; or
 - A combination thereof.
5. Significant or hazardous violations may go directly to a hearing or legal action without a first notice depending upon the circumstances and severity of the violation.

If **Homeowners, Residents and Tenants** observe any infractions of the **Rules**, the **Homeowners, Residents and Tenants** may either point out the infraction to the person involved, or may inform the Board of Directors in writing, of the facts surrounding the infraction. Mailing of any such notice shall be in care of the designated **Property Management Company**.

Fine Schedule

| Violation Type | 1st Violation Letter | 2nd Uncured Violation Letter | Subsequent Uncured Violation Letters |
|--|---|---|---|
| Rules or CC&R's Violation(s) | Warning | Call to Hearing with possible \$250.00 fine per violation | All of the following: 1. \$500.00 fine per violation. 2. All costs and expenses incurred by the Association to cure violation. 3. Any and all legal fees incurred by the Association to enforce cure. |
| Common Area damage caused by Homeowners, Residents, Tenants or their Guests | All of the following: 1. \$250.00 fine per violation. 2. All costs and expenses incurred by the Association to cure violation. 3. Any and all legal fees incurred by the Association to enforce cure. | All of the following: 1. \$500.00 fine per violation. 2. All costs and expenses incurred by the Association to cure violation. 3. Any and all legal fees incurred by the Association to enforce cure. | Legal Action |

Note: Fine amounts will continue to double with each occurrence and will be assessed to the violating **Homeowner**.

Architectural Violations

In the case of **Homeowners** who have installed exterior improvements (e.g., windows, solar panels, patio covers, hardscape, landscape, satellite, etc.) without having first submitted plans for **Architectural Review Committee Approval**, the first notice will be sent at the first sighting of the violation requiring that any unapproved work cease and desist, and will request that plans be submitted within 30 days of the date of the notice. Depending on the severity or potential damage resulting from the unauthorized installation, the Board may require the installation to be immediately removed at owner's expense. If the plans are not received within the time frame, the **Homeowner** will receive a second notice asking that they attend a hearing. If the **Homeowner** still fails to submit plans by the hearing date or fails to attend the hearing, the **Homeowner's** account may be fined in accordance with the Fine Schedule and/or be directed to remove the improvement/installation.

In the case of improvements installed without prior written approval, the Board of Directors may, at its discretion, accept photographs of the improvements for review and decision in lieu of plans and specifications. The **Homeowner's** account may be fined in accordance with the Fine Schedule. If the violation continues past the hearing and first fine stage, additional hearings will be scheduled with the **Homeowner** and the fines may be doubled with each hearing. Any fine not paid may result in legal action in accordance with California law.

The Board may determine to use alternative dispute resolution, commence legal action or cause correction of the violation to effect a cure and the **Homeowner** may be responsible for legal fees and/or reimbursement of costs to the **Association**. Alternative dispute resolution or legal action may be commenced without issuance of a warning letter or a hearing letter depending upon the circumstances and severity of the violation.

Special Assessment Violations

Should a violation occur that imposes financial obligation of the **Association**, then the party responsible for the violation shall incur a Special Assessment to reimburse the **Association** for the financial obligation.

Delinquency

As members of the association, all members are required to make monthly payments to the association by the due date as set forth in the Assessment and Billing Collection Policy which is mailed to all members each year as part of the budget package.

Please refer to the duly adopted Assessment and Collection Policy which is published each year with the operating budget for further information on assessment payments and delinquent account facilitation.

LAURELMONT COMMUNITY

Insurance Disclosure Form

State law requires that community associations disclose to the individual homeowners the extent of liability coverage carried by the Association. Our Association carries the following coverages: **Directors and Officers Insurance:** The association carries Directors and Officers insurance in compliance with Civil Code 5800.

Property Insurance:

| | | | |
|----------------------------|--------------|------------------------------|------------|
| Name of Insurer: | Allied | | |
| Policy Limits: | \$38,187,100 | Amount of Deductible: | \$5,000 |
| Date Policy Begins: | 03/31/2014 | Date Policy Ends: | 03/31/2015 |

General Liability Insurance:

| | | | |
|----------------------------|-------------|------------------------------|------------|
| Name of Insurer: | ALLIED | | |
| Policy Limits: | \$1,000,000 | Amount of Deductible: | None |
| Date Policy Begins: | 03/01/2014 | Date Policy Ends: | 03/01/2015 |

Earthquake and/or Flood Insurance:

| | | | |
|----------------------------|-------------------|------------------------------|------------|
| Name of Insurer: | Ironshore None | | |
| Policy Limits: | \$5,000,000 | Amount of Deductible: | 10% |
| Date Policy Begins: | 03/31/2014 | Date Policy Ends: | 03/31/2015 |

Fidelity Insurance:

| | | | |
|----------------------------|----------------|------------------------------|------------|
| Name of Insurer: | Liberty Mutual | | |
| Policy Limits: | \$3,000,000 | Amount of Deductible: | \$10,000 |
| Date Policy Begins: | 03/01/2014 | Date Policy Ends: | 03/01/2015 |

Individual Liability Policies & Loss Assessment Coverage:

It is very important that you explore your own risks with a knowledgeable insurance agent and purchase coverage to protect you from any liability of an accident occurring in your own unit, the common area and/or any exclusive use common area (such as patios, garages, carports, balconies), and to protect you from any liability or insurance gaps in coverage between the Association's coverage and your own. We strongly recommend that you also inquire about Loss Assessment Coverage. The cost of an endorsement for loss assessment is very minimal and provides protection to individual unit owners for any extraordinary special assessments, such as excess liability over the Association's insurance proceeds or an extraordinary expense incurred by the Association and allocated to the owners, through a special assessment (such as a special assessment to pay for rebuilding costs which exceed insurance proceeds from an earthquake or fire loss). Individual homeowners are encouraged to obtain Loss Assessment Coverage for earthquake damage, particularly in light of policies which are now available by participating insurance carriers which have joined the California Earthquake Authority.

Statutory Disclosure

This summary of the Association's policies of insurance provides only certain information, as required by Civil Code Section 5300(b)(9), 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, 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 additional coverage.

**INTERNAL DISPUTE RESOLUTION POLICY REQUIRED BY
CIVIL CODE SECTION 5915**

ARTICLE 2. Internal Dispute Resolution

5915.

(a) This section applies to an association that does not otherwise provide a fair, reasonable, and expeditious dispute resolution procedure. The procedure provided in this section is fair, reasonable, and expeditious, within the meaning of this article.

(b) Either party to a dispute within the scope of this article may invoke the following procedure:

(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 board shall designate a director 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 to its designee or the agreement is ratified by the board.

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

**ALTERNATIVE DISPUTE RESOLUTION POLICY REQUIRED BY
CIVIL CODE SECTIONS 5925-5965**

ARTICLE 3. Alternative Dispute Resolution Prerequisite to Civil Action

5925.

As used in this article:

(a) "Alternative dispute resolution" means mediation, arbitration, conciliation, or other nonjudicial procedure that involves a neutral party in the decision making process. The form of alternative dispute resolution chosen pursuant to this article may be binding or nonbinding, with the voluntary consent of the parties.

(b) "Enforcement action" means a civil action or proceeding, other than a cross-complaint, for any of the following purposes:

(1) Enforcement of this act.

(2) Enforcement of the Nonprofit Mutual Benefit Corporation Law (Part 3 (commencing with Section 7110) of Division 2 of Title 1 of the Corporations Code).

(3) Enforcement of the governing documents.

5930.

(a) An association or a member may not file an enforcement action in the superior court unless the parties have endeavored to submit their dispute to alternative dispute resolution pursuant to this article.

(b) This section applies only to an enforcement action that is solely for declaratory, injunctive, or writ relief, or for that relief in conjunction with a claim for monetary damages not in excess of the jurisdictional limits stated in Sections 116.220 and 116.221 of the Code of Civil Procedure.

(c) This section does not apply to a small claims action.

(d) Except as otherwise provided by law, this section does not apply to an assessment dispute.

5935.

(a) Any party to a dispute may initiate the process required by Section 5930 by serving on all other parties to the dispute a Request for Resolution. The Request for Resolution shall include all of the following:

- (1) A brief description of the dispute between the parties.
 - (2) A request for alternative dispute resolution.
 - (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.
 - (4) If the party on whom the request is served is the member, a copy of this article.
- (b) Service of the Request for Resolution shall be by personal delivery, first-class mail, express mail, facsimile transmission, or other means reasonably calculated to provide the party on whom the request is served actual notice of the request.
- (c) A party on whom a Request for Resolution is served has 30 days following service to accept or reject the request. If a party does not accept the request within that period, the request is deemed rejected by the party.

5940.

(a) If the party on whom a Request for Resolution is served accepts the request, the parties shall complete the alternative dispute resolution within 90 days after the party initiating the request receives the acceptance, unless this period is extended by written stipulation signed by both parties.

(b) Chapter 2 (commencing with Section 1115) of Division 9 of the Evidence Code applies to any form of alternative dispute resolution initiated by a Request for Resolution under this article, other than arbitration.

(c) The costs of the alternative dispute resolution shall be borne by the parties.

5945.

If a Request for Resolution is served before the end of the applicable time limitation for commencing an enforcement action, the time limitation is tolled during the following periods:

- (a) The period provided in Section 5935 for response to a Request for Resolution.
- (b) If the Request for Resolution is accepted, the period provided by Section 5940 for completion of alternative dispute resolution, including any extension of time stipulated to by the parties pursuant to Section 5940.

5950.

(a) At the time of commencement of an enforcement action, the party commencing the action shall file with the initial pleading a certificate stating that one or more of the following conditions are satisfied:

- (1) Alternative dispute resolution has been completed in compliance with this article.
- (2) One of the other parties to the dispute did not accept the terms offered for alternative dispute resolution.

(3) Preliminary or temporary injunctive relief is necessary.

(b) Failure to file a certificate pursuant to subdivision (a) is grounds for a demurrer or a motion to strike unless the court finds that dismissal of the action for failure to comply with this article would result in substantial prejudice to one of the parties.

5955.

(a) After an enforcement action is commenced, on written stipulation of the parties, the matter may be referred to alternative dispute resolution. The referred action is stayed. During the stay, the action is not subject to the rules implementing subdivision (c) of Section 68603 of the Government Code.

(b) The costs of the alternative dispute resolution shall be borne by the parties.

5960.

In an enforcement action in which attorney's fees and costs may be awarded, the court, in determining the amount of the award, may consider whether a party's refusal to participate in alternative dispute resolution before commencement of the action was reasonable.

5965.

(a) An association shall annually provide its members a summary of the provisions of this article that specifically references this article. The summary shall include the following language:

"Failure of a member of the association to comply with the alternative dispute resolution requirements of Section 5930 of the Civil Code may result in the loss of the member's right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."

(b) The summary shall be included in the annual policy statement prepared pursuant to Section 5310. *(Added by Stats. 2012, Ch. 180, Sec. 2. Effective January 1, 2013. Operative January 1, 2014, by Sec. 3 of Ch. 180.)*