



Date: November 2018
 To: Members of Mission Viejo Environmental
 From: The Board of Directors
 Re: Fiscal Year (January 1, 2019 - December 31, 2019)
 Annual Budget Report and Annual Policy Statement

Enclosed you will find the 2019 pro-forma operating budget for your Association, including the amount of your monthly assessment, as well as a variety of important information listed below and explained further in this report.

In the event that you have any questions about this material, please contact Senior Community Manager, Tiffany Kaldenbach at tkaldenbach@actionlife.com or 949-450-0202 or attend the next meeting of the Board of Directors.

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BODY OF FULL REPORT

I. Annual Budget Report [Civ. Code §5300]

1. **Pro Forma Operating Budget for Fiscal Year (January 1, 2019 - December 31, 2019) Prepared on an Accrual Basis [Civ. Code §5300(b)-(b)(1)] – Attached as Exhibit A.**

With the new fiscal year for our Association, our Board of Directors has reviewed the operating budget with the goal of providing efficient operations and funding adequate reserves to meet long-term requirements. As a result of this review, the Board of Directors has determined that they are able to continue to maintain the quality of service within the Association and continue to fund reserves for future replacements with an increase in the overall budget. The enclosed budget, which takes effect January 1, 2019, reflects an aggregate increase in overall assessment revenue of 2.5%. Due to the reallocation of funds to more accurately reflect anticipated expenses, the assessment for your individual unit may or may not have increased by the full aggregate percentage. The assessment for your unit can be found in the attached schedule of assessments as Exhibit B.

2. **Summary of the Association's Reserves [Civ. Code §§5300(b)(2)& 5565] – Attached as Exhibit C.**

The summary is based on the reserve study described in Section I(3) below (or the latest annual update to it). This information is based only on assets held in cash or cash equivalents. It includes: the current estimated replacement cost, estimated remaining life, and estimated useful life of each major component; the current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components; and the current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain major components. It also shows the ratio, expressed as a percentage, between the current estimated replacement cost of each major component and the current amount of cash reserves set aside, and the current deficiency in reserve funding expressed on a per unit basis.

3. **Summary of the Board-adopted Reserve Funding Plan [Civ. Code §§5300(b)(3) & 5550(b)(5)] – Attached as Exhibit D.**

In conjunction with the budget review and in accordance with California Civil Code §5550(a), the Board engaged a professional reserve study analyst, at least once every three years, to prepare a reserve study, to review our reserve funding program and to make recommendations for future funding. The 3-year reserve study involves a visual inspection of our development. The accompanying replacement funding program reflects assumptions about future events. The replacement funding program is based on factors such as manufacturers' specifications, information from contractors and subcontractors, construction pricing, scheduling manuals and the reserve study preparer's experience. The analyst then uses this information to calculate and establish the reserve amounts needed to defray the future repairs, replacement or additions to the components that the Association is obligated to maintain. A copy of the full reserve study is available upon request.

4. Statement of Deferral/Decision to Not Undertake Repair/Replacement of Major Component(s) [Civ. Code §5300(b)(4)]

In accordance with Civil Code §5300(b)(4) and as of the date of this letter, the Board has chosen not to defer and will undertake replacement of any major component with a remaining life of 30 years or less.

5. Statement of Anticipated Special Assessment(s) (if any) [Civ. Code §5300(b)(5)]

In accordance with Civil Code section §5300(b)(5), and as of the date of this letter, the Board does not anticipate that a special assessment will be required to repair, replace or restore any major components or to provide adequate reserves.

The foregoing statement is based on the reserve funding plan adopted pursuant to Civil Code section 5560 and the knowledge and information the Board has at the present time. Thus, this statement is not a guarantee and is subject to change in the future.

6. Statement of Mechanism for Funding Reserves to Repair or Replace Major Components [Civ. Code §5300(b)(6)]

The Board uses the following mechanism(s) to fund reserves to repair or replace major components:

Quarterly Assessments from homeowners.

7. Statement Addressing Procedures Used to Calculate and Establish Reserves [Civ. Code §5300(b)(7)]

As provided in Civil Code §5550, the Board had a reserve study with on-site inspection performed in 2018 . An accounting update to the reserve study was performed in 2017 .

A complete reserve study with on-site inspection must be done at least every three years and be reviewed and adjusted annually. In determining future needs, Civil Code §5570(b)(4) does not allow the Association to assume an earnings growth in the reserve fund that is more than two percent above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made. As also required by Civil Code §5570(b)(4), the reserve study has calculated the total reserves currently needed by determining the current cost of replacement or repair of each major component multiplied by the number of years the component has been in service and then dividing by the total useful life of the component. In effect, this computes the percentage of each component's useful life that has been used up as of the date of the reserve study or annual review and converts that to a current dollar cost of repair or replacement. For example, if a component has been in service three years, its total useful life is ten years, and the component would cost

\$100,000 to replace, then 3/10 or 30% of its useful life has been used up. When 30% is multiplied by the current replacement cost of \$100,000, the result is \$30,000, thus the current cost of replacement or repair of that component would be \$30,000. When these figures are added up for all major components, the result is the current cost of replacement or repair for all major components. Note that Civil Code §5570 does not require the Association to fund reserves in accordance with the above calculation.

The Board uses the information in the reserve study to create a budget and plan for future repairs or replacement of major components.

8. Statement of Association(s) Outstanding Loans [Civ. Code §5300(b)(8)]

The Association does not have any outstanding loans with an original term of more than one year.

9. Summary of the Association's Insurance Information [Civ. Code §5300(b)(9)]

"This summary of the association's policies of insurance provides only certain information, as required by §5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling, 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."

Below is a summary of the insurance that is currently in force for our Association.

Property Insurance:

Name of Insurer: Mid Century Insurance Company	Agent: Berg Insurance Agency
Policy Limits: \$775,000	Amount of Deductible: \$1,000
Date Policy Begins: 9/1/18	Date Policy Ends: 9/1/19

General Liability Insurance:

Name of Insurer: Farmers Insurance Group	Agent: Berg Insurance Agency
Policy Limits: \$1,000,000	Amount of Deductible: Not Applicable
Date Policy Begins: 9/1/18	Date Policy Ends: 9/1/19

Earthquake and/or Flood Insurance:

Name of Insurer: None	Agent:
Policy Limits:	Amount of Deductible:
Date Policy Begins:	Date Policy Ends:

Fidelity Bond:

Name of Insurer: Great American Insurance Company	Agent: Berg Insurance Agency
Policy Limits: \$2,500,000	Amount of Deductible: \$25,000
Date Policy Begins: 9/1/18	Date Policy Ends: 9/1/19

10. Statement addressing Condominium Project Status & FHA Certification [Civ. Code §5300(b)(10)]

Per Civil Code §5300, this statement is required to *"be in at least 10-point font on a separate piece of paper and in the following form:"*

Certification by the Federal Housing Administration may provide benefits to members of an association, including an improvement in an owner's ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest.

The common interest development [is / is not] a condominium project.

The association of this common interest development [is / is not] certified by the Federal Housing Administration.

11. Statement addressing Condominium Project Status & VA Certification [Civ. Code §5300(b)(11)]

Per Civil Code §5300, this statement is required to "*be in at least 10-point font on a separate piece of paper and in the following form:*"

Certification by the federal Department of Veterans Affairs may provide benefits to members of an association, including an improvement in an owner's ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest.

The common interest development [is / **is not**] a condominium project.

The association of this common interest development [is / **is not**] certified by the federal Department of Veterans Affairs.

12. Assessment and Reserve Funding Disclosure Summary [Civ.Code §5570] – Attached as Exhibit E.

13. Charges for Documents Provided [Civ. Code §5300(b)(12)] - Attached as Exhibit F.

II. Annual Policy Statement [Civ. Code §5310]

1. Statement of Name and Address of Person Designated to Receive Official Communications to Association [Civ. Code §4035]

The name and address of the person designated to receive official communications on behalf of the Association is as follows:

Name: Tiffany Kaldenbach

Title: Senior Community Manager

Company: Action Property Management

Address: 2603 Main Street, Suite 500, Irvine, CA 92614

2. Statement of Members' Ability to Have Notices Sent to up to Two Different Addresses [Civ. Code §4040]

As provided in Civil Code §4040(b) owners have a right to receive (1) annual reports the Association is required to provide to owners and (2) mailings and notices related to assessment payments, delinquencies and foreclosures at an additional address if they submit a secondary address to the Association. The owner's request must be in writing and must be sent to the Association in the manner provided in Civil Code §§4035 and 5260.

3. Statement of the Posting Location for General Notices [Civ. Code §4045]

The location designated for posting of a General Notice is: The Association's Bulletin Board located on Antela & Lovios.

4. Notice of Member's Right to Receive General Notices by Individual Delivery [Civ. Code §4045]

Documents designated by the Civil Code as requiring General Delivery or General Notice will be delivered using one of the methods detailed in Civil Code §4045(a). If a member of the Association wishes to receive these general notice documents by individual delivery, they must make such a request to the Association, and the Association will comply with the request.

5. Notice of Members' Right to Minutes [Civ. Code §4950]

The minutes or a summary of minutes of a Board meeting, other than an executive session are available to members within 30 days of the meeting. Minutes, proposed minutes, or summary of minutes will be distributed to any member upon request and upon reimbursement of the Association's costs for making that distribution. Members may send their request in writing to the Board of Directors in care of the property manager.

6. Statement of Assessment Collection Policies [Civ. Code §5730]

NOTICE ASSESSMENTS AND FORECLOSURE

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

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure, or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code, inclusive) In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common area damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code) The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 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 5675 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, the owner 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, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise. 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 Part 5 of Division 4 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 Part 5 of Division 4 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 time-share interest 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 exists. (Section 5665 of the Civil Code) The board must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 5665 of the Civil Code)

7. Statement of Association's Policies and Practices in Enforcing Lien Rights, etc. [Civ. Code §5730]

For the Association's Collection Policy, see Exhibit G.

8. Statement of Association's Discipline Policy and Schedule of Penalties [Civ. Code §5850]

For the Association's Enforcement and Fine Policy, see Exhibit H.

9. Summary of Association's Dispute Resolution Procedures (ADR and IDR) [Civ. Code §5920 and 5965]

Alternative Dispute Resolution - "ADR"

The California Legislature has established a public policy in this state that requires the use of Alternative Dispute Resolution ("ADR") before resorting to litigation to resolve certain conflicts that arise in condominiums, planned developments and other common interest developments. The law requires every association to distribute a summary of California Civil Code sections 5925 through 5965 to its members annually in its Annual Policy Statement prepared pursuant to Civil Code section 5310.

Rather than attempt to summarize the law, which is lengthy, and may result in omissions or misunderstandings of what the law provides, we are providing a copy of law in its entirety below. **PLEASE NOTE, Civil Code §5965 states:**

"Failure of a member of the association to comply with the alternative dispute resolution requirements of §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. Please note that the section headings below are not a part of the law, but are present only to assist you in identifying the contents of each section.

§5925. ADR Definitions

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. ADR Required Before Filing Certain Actions

(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. Initiating ADR by Request for Resolution

(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. Time for Completing ADR Process and Cost Splitting

(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. Effect of ADR on Statutes of Limitation

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. Filing ADR Certificate when Filing Court Action

(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. Referral to ADR and Stay of Court Action by Stipulation

(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. Refusal to Participate in ADR; Effect on Award of Fees and Costs 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. Annual Disclosure of ADR Procedures to Members

(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.

Internal Dispute Resolution - "IDR"

Please reference your association's Internal Dispute Resolution procedures below:

Internal Dispute Resolution Procedures

Adopted November 19, 2015

Mission Viejo Environmental Association (the "Association") and its members are subject to the provisions of the Davis-Stirling Common Interest Development Act (the "*Davis-Stirling Act*"). The Davis-Stirling Act (at *Civil Code §5900 et seq.*), provides for Internal Dispute Resolution ("IDR") which is a process intended to encourage the informal, non-judicial resolution of disputes between the Association and its members regarding their respective rights, duties and/or liabilities related to Association's governing documents and/or certain applicable laws. The following is the IDR procedure that has been adopted for his Association.

Internal Dispute Resolution

The following procedure is intended to provide a fair, reasonable and expeditious process for seeking an informal and non-judicial resolution of disputes between the Association and an Association member concerning their respective rights, duties or liabilities under the Davis-Stirling Act, the California Nonprofit Mutual Benefit Corporation Law or the governing documents of the Association.

1. The Association or an Association Member may request IDR, which is a process by which the Association and the Association member will meet and confer in an effort to resolve the dispute between them (hereinafter the "IDR Meeting").
2. A request for IDR must be in writing and contain a brief description of the dispute between the parties. If made by the Association to a member of the Association, the request shall be sent by individual delivery pursuant to *Civil Code §4040*. If made to the Association, the request shall be sent to the person designated in the Association's Annual Policy Statement to receive documents on behalf of the Association, pursuant to *Civil Code §§ 4035 and 5310*.
3. A member of the Association may refuse an Association IDR request. A member that does not respond to an Association IDR request, in writing, within thirty (30) days will be deemed to have refused the Association's request.
4. The Association may not refuse a member's proper IDR request. The Association will respond to a proper IDR request, in writing, within thirty (30) days. Also, the Association will propose at least two dates/times for an IDR Meeting that are within forty-five (45) days of a member's IDR request and otherwise endeavor to conduct the IDR Meeting within that time period (unless the parties agree to extend that time period or the parties are prevented from participating in an IDR Meeting within that time frame due to notice requirements or scheduling conflicts beyond the reasonable control of either party). If a member who has requested IDR does not respond to an Association communication regarding the setting/scheduling of the date/time for the IDR Meeting within fourteen (14) days of that communication, the member's request for IDR will be deemed withdrawn.
5. The Association's Board of Directors shall designate one (1) or more directors to participate in the IDR Meeting. Both the member and Association may, at their own cost, be assisted by an attorney or another person in explaining their positions. A member bringing an attorney to an IDR Meeting must notify the Association, in writing, of that fact at least ten (10) days prior to the meeting. The Association reserves the right to postpone/reschedule any IDR Meeting if such notice is not timely provided or if the Association is unable to arrange to have its own attorney at the same meeting.
6. At the IDR Meeting, the Association representative and the member shall explain their positions and confer in good faith in an effort to resolve the dispute.
7. If an agreement is reached to resolve the dispute it will be binding and judicially enforceable if (1) it is in writing and signed by both parties; and (2) its terms are not in conflict with law or the governing documents of the Association. If the IDR procedure is invoked by the Association, the member participates, but the dispute is resolved other than by agreement of the member, the member shall have the right of appeal to the Association's Board of Directors. Any such appeal must be requested, in writing, within twenty (20) days of the completion of the IDR Meeting.
8. A member of the Association shall not be charged a fee to participate in the IDR process.

10. Summary of Procedures for Architectural Review [Civ. Code §4765]

See Exhibit I.

11. Statement of Address for Overnight Payment of Assessments [Civ. Code §5655]

Association Name: Mission Viejo Environmental

c/o: Action Property Management, Inc.

Address: 2603 Main Street, Suite 500, Irvine, CA 92614

III. List of Exhibits

- Exhibit A - Copy of the Annual Budget - Sec. I, Item 1
- Exhibit B - List of Variable Assessments - Sec. I, Item 1(a)
- Exhibit C - Summary of the Association's Reserves - Sec. I, Item 2
- Exhibit D - Reserve Funding Plan - Sec. I, Item 3
- Exhibit E - Assessment and Reserve Funding Disclosure Summary - Sec. I, Item 12
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- Exhibit I - Summary of Architectural Control Procedures - Sec. II, Item 10

Mission Viejo Environmental Association
Operating Budget
January 1, 2019 to December 31, 2019
Based on 2892 Units

	<u>2019 Annual Budget</u>	<u>2019 Monthly</u>	<u>Average Per Unit</u>
Revenues			
300000 Member Assessments	1,706,760.00	142,230.00	49.18
321000 Late Charges	12,000.00	1,000.00	0.35
321100 Late Charge Processing Fees	5,448.00	454.00	0.16
323000 Interest Charges	2,496.00	208.00	0.07
325000 Collection Charges	25,008.00	2,084.00	0.72
327000 Violations	9,504.00	792.00	0.27
331000 Architectural Review Fees	504.00	42.00	0.01
370000 Interest Income	39,996.00	3,333.00	1.15
Total Revenues	<u>1,801,716.00</u>	<u>150,143.00</u>	<u>51.92</u>
Utilities			
404000 Electricity	22,056.00	1,838.00	0.64
405500 Communication/Irrigation	3,744.00	312.00	0.11
408000 Water	390,000.00	32,500.00	11.24
Total Utilities	<u>415,800.00</u>	<u>34,650.00</u>	<u>11.98</u>
Landscape			
481000 Contract Landscape Maintenance	593,988.00	49,499.00	17.12
481500 Contract Tree Maintenance	53,088.00	4,424.00	1.53
483000 Landscape Extras	172,380.00	14,365.00	4.97
484000 Monthly Mulch	18,000.00	1,500.00	0.52
485000 Tree Maintenance	50,004.00	4,167.00	1.44
487000 Irrigation Repairs	26,004.00	2,167.00	0.75
489000 Backflow	1,680.00	140.00	0.05
Total Landscape	<u>915,144.00</u>	<u>76,262.00</u>	<u>26.37</u>
Common Area			
565000 Pest Control Contract	15,000.00	1,250.00	0.43
565500 Pest Control Extras	5,004.00	417.00	0.14
Total Common Area	<u>20,004.00</u>	<u>1,667.00</u>	<u>0.58</u>
General & Administrative			
602000 Annual Review / Audit	1,500.00	125.00	0.04
612000 Collection / Delinquency	18,660.00	1,555.00	0.54
613000 Contingency	9,996.00	833.00	0.29
615000 Dues / Licenses / Fees	60.00	5.00	0.00
635000 Insurance	29,184.00	2,432.00	0.84
639000 Late Service Fee	5,448.00	454.00	0.16
642500 Legal Fees - Collection	12,960.00	1,080.00	0.37
643500 Legal Fees - General	30,000.00	2,500.00	0.86
650000 Management - Administrative Costs	3,300.00	275.00	0.10
652000 Management Fees	176,904.00	14,742.00	5.10
658000 Meeting Expenses	2,004.00	167.00	0.06
666000 Newsletter	10,164.00	847.00	0.29
685000 Property Taxes	600.00	50.00	0.02
691000 Reserve Study	1,008.00	84.00	0.03
699000 Storage	2,304.00	192.00	0.07
Total General & Administrative	<u>304,092.00</u>	<u>25,341.00</u>	<u>8.76</u>

Mission Viejo Environmental Association
Operating Budget
January 1, 2019 to December 31, 2019
Based on 2892 Units

	<u>2019 Annual Budget</u>	<u>2019 Monthly</u>	<u>Average Per Unit</u>
Reserve Funding			
805000 Contingency	1,776.00	148.00	0.05
810600 Interest	7,404.00	617.00	0.21
810800 Irrigation Controllers	3,996.00	333.00	0.12
811200 Irrigation Cabinets, Elec. Meters	9,996.00	833.00	0.29
811300 Irrigation System Renovation	42,504.00	3,542.00	1.22
811400 Landscape Renovation	48,000.00	4,000.00	1.38
811600 Landscape-Diseased Plant Replacement	996.00	83.00	0.03
815800 Path Repair/Replacement	20,004.00	1,667.00	0.58
820400 Slope Geology	2,004.00	167.00	0.06
823600 Tree Trimming (4 Yr.Cycle)	9,996.00	833.00	0.29
Total Reserve Funding	<u>146,676.00</u>	<u>12,223.00</u>	<u>4.23</u>
Total Expenses	<u><u>1,801,716.00</u></u>	<u><u>150,143.00</u></u>	<u><u>51.92</u></u>

Mission Viejo Environmental Association
ASSESSMENT SCHEDULE
January 1, 2019 to December 31, 2019
Based on 2892 Units

Increment Type	2018 QUARTERLY ASMT.	2019 QUARTERLY ASMT.	% CHANGE IN ASSMTS.
1	107.63	110.32	2.50%
2	107.63	110.32	2.50%
3	107.63	110.32	2.50%
4	107.63	110.32	2.50%
5	184.46	189.07	2.50%
6	107.63	110.32	2.50%
7	165.26	169.39	2.50%
8	165.26	169.39	2.50%
10	107.63	110.32	2.50%

Mission Viejo Environmental Association

Executive Summary

Component Calculation Method

Client Information:

Account Number	01102
Version Number	2
Analysis Date	11/6/2018
Fiscal Year	1/1/2019 to 12/31/2019
Number of Units	2,892
Phasing	9 of 9

Global Parameters:

Inflation Rate	2.50 %
Annual Contribution Increase	2.50 %
Investment Rate	0.36 %
Taxes on Investments	0.00 %
Contingency	1.29 %

Community Profile:

This community consists of 2,892 homes with extensive landscape and slope areas. The association also maintains several paved pathways that run throughout the community.

This community was constructed between 1977 and 1982. For the purposes of this analysis, we have used January 1977 as the placed-in-service date for the original components that remain within the community. Components that have been replaced or otherwise maintained since original construction have been aged according to the date of last replacement or other maintenance.

ARS site visits: July 23, 2018; September 2015; August 2012; July 2009; August 2007; July 2004 and September 1997

Adequacy of Reserves as of January 1, 2019:

Anticipated Reserve Balance	\$2,071,075.00
Fully Funded Reserve Balance	\$2,066,797.13
Percent Funded	100.21%

Funding for the 2019 Fiscal Year:	Annual	Monthly	Per Unit Per Month
Member Contribution	\$139,270	\$11,605.81	\$4.01
Interest Contribution	\$7,338	\$611.47	\$0.21
Total Contribution	\$146,607	\$12,217.28	\$4.22

Mission Viejo Environmental Association

Membership Disclosure Summary

Sorted by Category

Major Reserve Components	Current Cost	Assigned Reserves	Remaining Life Range	Useful Life Range
010 Slope Geology	\$0	\$650,000	n.a.	n.a.
020 Landscape	\$37,500	\$922,348	1	4
030 Irrigation	\$0	\$322,350	n.a.	n.a.
040 Pathways	\$100,000	\$100,000	0	4
050 Masonry Walls	\$0	\$50,000	n.a.	n.a.
Contingency	n.a.	\$26,377	n.a.	n.a.
Total	\$137,500	\$2,071,075	0-1	4

Mission Viejo Environmental Association Projections Component Calculation Method

Fiscal Year	Beginning Balance	Member Contribution	Interest Contribution	Expenditures	Ending Balance	Fully Funded Ending Balance	Percent Funded
2019	\$2,071,075	\$139,270	\$7,338	\$100,000	\$2,117,682	\$2,117,956	100%
2020	\$2,117,682	\$148,112	\$7,742	\$38,438	\$2,235,099	\$2,232,718	100%
2021	\$2,235,099	\$146,989	\$8,302	\$0	\$2,390,391	\$2,388,679	100%
2022	\$2,390,391	\$147,832	\$8,864	\$0	\$2,547,086	\$2,546,976	100%
2023	\$2,547,086	\$149,684	\$9,034	\$110,381	\$2,595,423	\$2,593,081	100%
2024	\$2,595,423	\$150,012	\$9,454	\$42,428	\$2,712,460	\$2,709,355	100%
2025	\$2,712,460	\$150,709	\$10,030	\$0	\$2,873,199	\$2,871,068	100%
2026	\$2,873,199	\$151,633	\$10,611	\$0	\$3,035,443	\$3,035,321	100%
2027	\$3,035,443	\$153,919	\$10,761	\$121,840	\$3,078,283	\$3,075,698	100%
2028	\$3,078,283	\$154,282	\$11,186	\$46,832	\$3,196,918	\$3,193,491	100%
2029	\$3,196,918	\$155,051	\$11,784	\$0	\$3,363,753	\$3,361,401	100%
2030	\$3,363,753	\$156,071	\$12,387	\$0	\$3,532,212	\$3,532,077	100%
2031	\$3,532,212	\$158,595	\$12,514	\$134,489	\$3,568,832	\$3,565,978	100%
2032	\$3,568,832	\$158,995	\$12,945	\$51,694	\$3,689,077	\$3,685,294	100%
2033	\$3,689,077	\$159,844	\$13,567	\$0	\$3,862,487	\$3,859,891	100%
2034	\$3,862,487	\$160,970	\$14,194	\$0	\$4,037,651	\$4,037,503	100%
2035	\$4,037,651	\$163,756	\$14,295	\$148,451	\$4,067,251	\$4,064,101	100%
2036	\$4,067,251	\$164,197	\$14,732	\$57,061	\$4,189,119	\$4,184,943	100%
2037	\$4,189,119	\$165,134	\$15,378	\$0	\$4,369,631	\$4,366,765	100%
2038	\$4,369,631	\$166,378	\$16,031	\$0	\$4,552,040	\$4,551,876	100%
2039	\$4,552,040	\$169,452	\$16,103	\$163,862	\$4,573,734	\$4,570,258	100%
2040	\$4,573,734	\$169,939	\$16,546	\$62,984	\$4,697,235	\$4,692,626	100%
2041	\$4,697,235	\$170,974	\$17,220	\$0	\$4,885,429	\$4,882,266	100%
2042	\$4,885,429	\$172,346	\$17,901	\$0	\$5,075,676	\$5,075,495	100%
2043	\$5,075,676	\$175,740	\$17,941	\$180,873	\$5,088,484	\$5,084,647	100%
2044	\$5,088,484	\$176,278	\$18,389	\$69,523	\$5,213,628	\$5,208,541	100%
2045	\$5,213,628	\$177,419	\$19,093	\$0	\$5,410,141	\$5,406,649	100%
2046	\$5,410,141	\$178,935	\$19,804	\$0	\$5,608,880	\$5,608,680	100%
2047	\$5,608,880	\$182,681	\$19,807	\$199,650	\$5,611,718	\$5,607,482	100%
2048	\$5,611,718	\$183,274	\$20,262	\$76,740	\$5,738,513	\$5,732,897	100%

NOTE: In some cases, the projected Ending Balance may exceed the Fully Funded Ending Balance in years following high Expenditures. This is a result of the provision for contingency in this analysis, which in these projections is never expended. The contingency is continually adjusted according to need and any excess is redistributed among all components included.

Mission Viejo Environmental Association
Assessment and Reserve Funding Disclosure Summary
For the fiscal year ending December 31, 2019
("Disclosure Summary")

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

(1) The regular assessment for the 2019 fiscal year per ownership interest is variable.

Note: The quarterly assessments vary and may be found on Exhibit B of the attached report.

(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:

Table with 3 columns: Date assessment will be due, Amount per ownership interest per month or year, Purpose of the assessment. Row 1: N.A., (If assessments are variable, see note immediately below):, (blank). Row 2: (blank), (blank), (blank). Row 3: (blank), (blank), (blank).

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 November 6, 2018, 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 X 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?

Table with 2 columns: Approximate date assessment will be due, Amount per ownership interest per month or year. Row 1: N.A., (blank). Row 2: (blank), (blank). Row 3: (blank), (blank).

Total: _____

Mission Viejo Environmental Association
Assessment and Reserve Funding Disclosure Summary
For the fiscal year ending December 31, 2019
 ("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:
N.A.	

(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 **\$2,066,797**, based in whole or in part on the last reserve study or update prepared by Advanced Reserve Solutions, Inc. as of January 1, 2019. The projected reserve fund cash balance at the end of the current fiscal year is **\$2,071,075**, resulting in reserves being **100%** funded at this date. The current surplus in the reserve fund represents **\$1.48** per ownership interest.

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the Civil Code, a reserve funding plan has been developed – see the attached projections. The assumed long-term before-tax interest rate earned on reserve funds is **0.36%** per year and the assumed long-term inflation rate applied to major component repair and replacement costs is **2.50%** per year. Full reserve study available upon request.

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 Section 55530. Components with an estimated remaining useful life of more than 30 years may be included in the study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary. (3) The form set out in subdivision (a) shall accompany each annual budget report or summary thereof that is delivered pursuant to Section 5300. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in subdivision (a) is provided. (4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. This shall not be construed to require the Board to fund reserves in accordance with this calculation. (5) 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.



CHARGES FOR DOCUMENTS PROVIDED AS REQUIRED BY SECTION 4525*

The seller may, in accordance with Section 4530 of Civil Code, provide to the prospective purchaser, at no cost, current copies of any documents specified by Section 4525 that are in the possession of the seller.

A seller may request to purchase some or all of these documents, but shall not be required to purchase ALL of the documents listed on this form.

DOCUMENTS REQUESTED:		Civil Code Section:	Fee:
<input type="checkbox"/>	Transfer fee	4525	\$ 305.00
<input type="checkbox"/>	Lender's Cert. (# of Pages _____)		175.00
<input type="checkbox"/>	CC&R's	4525(a)(1)	40.00
<input type="checkbox"/>	By-Laws	4525(a)(1)	35.00
<input type="checkbox"/>	Articles of Incorporation	4525(a)(1)	25.00
<input type="checkbox"/>	Budget (per year)	5300 and 4525(a)(3),(4),(8)	30.00
<input type="checkbox"/>	Financial Statement (per mo.)	4525(a)(3)	25.00
<input type="checkbox"/>	Minutes (12 Months)	4525(a)(10)	65.00
<input type="checkbox"/>	Management Contract		30.00
<input type="checkbox"/>	Rules & Regulations	4525(a)(1)	20.00
<input type="checkbox"/>	Reserve Study	5300 and 4525(a)(3),(4)	40.00
<input type="checkbox"/>	Financial Stmt Review/Audit Report	5305 and 4525(a)(3)	35.00
<input type="checkbox"/>	Litigation Disclosure (if applicable)	4525(a)(6),(7) and 6000 and 6100	0.00
<input type="checkbox"/>	Violation Disclosure (if applicable)	5855 and 4525(a)(5)	0.00
<input type="checkbox"/>	Other:		0.00
<input type="checkbox"/>	Rush Fee (Next Business Day)		125.00
TOTAL FEES FOR THESE DOCUMENTS: \$			

PLEASE NOTE: *If escrow is canceled within 90 days of the date of this statement, the Transfer Fee will be refunded less a cancellation fee of \$75.*

* The information provided by this form may not include all fees that may be imposed before the close of escrow. Additional fees that are not related to the requirements of Section 4525 may be charged separately.

- O 800.400.2284
- O 949.450.0202
- F 949.450.0303

**MISSION VIEJO ENVIRONMENTAL ASSOCIATION
ASSESSMENT 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 to enforce the members' obligation to pay assessments. The Board has adopted this Collection Policy in an effort to discharge that obligation in a fair, consistent and effective manner. The following are the Association's assessment collection practices and policies, pursuant to Civil Code ("CC") §5310(a) (7) and payment plan standards consistent with CC §5665:

1. Regular assessments are due and payable on the first day of each quarter: January, April, July, and October. It is the owner's responsibility to timely pay each assessment regardless of whether a statement is received.
2. All other assessments, including special assessments, are due and payable on the date specified in the notice of assessment.
3. Assessments, late charges, interest, reasonable collection costs, and reasonable attorneys' fees, if any, are the personal obligation of the owner of the subject property (the "Property") at the time the assessment or other sums are levied. (CC §5650 (a)) Owners shall be responsible for all such amounts unless it is determined that all assessments were paid on time to the Association. (CC §5650 (b); 5660)
4. Unpaid assessments are delinquent 30 days after they are due. (CC&R's, Art. IX, Section 5, §5650(b)). A late charge of \$ 5.00 or 5% whichever is greater may be charged for any assessment which is not paid in full within 30 days of the due date. (CC&R's, Art. IX, Section 5; CC §5650(b)(2)).
5. Interest on the balance due will accrue at the rate of 6% per annum; commencing thirty (30) days after the assessment becomes due. (CC&R's, Art. IX. Section 5; CC §5650(b) (3)).
6. Any payments received will be applied first to assessments owed, and, only after the assessments owed are paid in full will the payments be applied to fees and costs of collection, late charges and/or interest. Payments will be applied to assessments so that the oldest assessment arrearages are retired first, unless the payment indicates that it shall be otherwise applied. A late charge may accrue if payment is not sufficient to satisfy all delinquent assessments, and the current month's assessment.
7. If any assessment becomes delinquent, the Association may send a notice regarding the delinquency, and demanding payment thereof, to the owner at his/her address or addresses on file with the Association. The owner will be charged a fee for such delinquency notice. If the amount set forth in the delinquency notice is not received before the due date set forth therein, the matter may be turned over to a collection agent or an attorney for further action, including legal action, or the Association may take such other collection action as it deems appropriate.
8. Owners may submit a written request to the Association to use a secondary address. Any such request must be mailed to the Association (at the address indicated below) in a manner that shall indicate that the Association has received it (e.g., via certified mail). (CC §4040(b)) The Association will send notices to the indicated secondary address only

from and after the point that the Association receives any such request. Nothing herein shall require the Association to re-send or duplicate any notice sent to the owner prior to the date that a request for a secondary address is received.

9. Without prejudice to its right to continue with and/or take other collection action, an owner's membership rights, including, but not limited to voting rights, or rights of use and enjoyment of the recreational common areas and common facilities may be suspended after notice and a hearing pursuant to CC §4820 and Corporations Code §7341. The Association will not deny an owner or occupant physical access to his or her separate interest by way of any such suspension of privileges. (CC §4510)
10. If payment is not received within 120 days of due date and prior to recording a lien for delinquent assessments, the Association, its collection agent or attorney will send a pre-lien letter to the record owner as required by CC §5650(a) by certified and first class mail to the owner's address of record with the Association. The owner will be charged a fee for such pre-lien letter. The Association may obtain a vesting report from a title company in connection with preparation of a pre-lien letter. If a vesting report is obtained, the owner will be charged a fee for the report.
11. An owner may dispute the debt noticed in the pre-lien letter by submitting to the board a written request to meet and confer with a designated director of the Association pursuant to the Association's Internal Dispute Resolution Policy. (CC §§5915; 5660(a)(5))
12. Owners may submit a written request to meet with the board to discuss a payment plan. If such request is mailed within 15 days of the postmark of the pre-lien notice, the board will meet with the owner, in executive session, within 45 days of the postmark of such request, unless there is no regularly-scheduled meeting of the board within that period of time, in which case the board may designate a committee of one or more directors to meet with the owner. (CC §5665) In addition to the foregoing procedure for requesting a payment plan, an owner may negotiate a payment plan with the Association's managing agent, attorney or authorized collection agent. Any payment plan must comply with the standards for payment plans set forth herein below.
13. A delinquent owner may also request a payment plan to satisfy his or her debt, without first meeting with the board. Payment plans will be considered on a case-by-case basis. Generally, no payment plan may exceed six (6) months in duration. Fees and/or costs may be charged for the administration of any payment plan, and may vary based upon the duration of the payment plan. Any request for a payment plan which exceeds six months in duration must be accompanied by a written explanation of the reason for the request, which includes documentation of the owner's special circumstances, financial hardship, and ability to make the payments requested. If a lien has not been recorded prior to the time that any payment plan is entered into, one may be recorded during the repayment period to secure the debt while the payment plan is pending. Payment plans must provide for full payment of the delinquent amounts, in addition to the amounts, which will accrue during the repayment period, including any regular and/or special assessments, and any fees and/or costs related to the administration of the payment plan and/or for the recording and/or release of any lien. Once a payment plan is entered into, additional late charges will

not accrue for so long as the owner complies with the terms of the payment plan. In the event of a default in any payment agreement, the Association will resume collection efforts from the time prior to entering into the payment plan. (CC §5665)

14. If an owner to whom a pre-lien letter is sent fails to pay the amounts demanded therein within thirty (30) days from the date such pre-lien letter is mailed, a lien for the amount of any delinquent assessments, late charges, interest and/or costs of collection, including attorneys' fees may be recorded against the owner's Property. (CC §5675) The owner will be charged a fee for such lien. No lien will be recorded unless a majority of the members of the board of directors approves the decision to record the lien at an open board meeting. (CC §5705(c))
15. A copy of the lien will be sent to every person whose name is shown as an owner of the Property in the Association's records, via certified mail, within ten (10) calendar days of recordation of the lien. (CC §5675) Any lien recorded by the Association will remain as an encumbrance against the Property until the debt secured thereby is satisfied.
16. Prior to initiating foreclosure of any lien, the Association shall offer to the owner of the Property, and if so requested by the owner, shall participate in dispute resolution in accordance with the Association's Internal Dispute Resolution Policy, or in alternative dispute resolution with a neutral third party pursuant to CC §5925 et seq. The decision to pursue internal dispute resolution or a particular type of alternative dispute resolution shall be the choice of the owner, except that binding arbitration shall not be available if the Association intends to pursue judicial foreclosure.
17. The Association will not seek to foreclose any lien through judicial or non-judicial foreclosure unless and until the amount of delinquent assessments secured thereby reaches \$1,800.00, or until the assessments are at least twelve (12) months delinquent. The decision to initiate foreclosure of any lien shall be made by a majority vote of the board members, in executive session.
18. If the board of directors decides to initiate foreclosure of a lien, it shall provide notice of such decision to the owner pursuant to CC §5705(d). Such notice will be by personal service to an owner who occupies the Property or to the owner's legal representative. The board shall provide written notice to an owner of Property who does not occupy the Property by first-class mail, to the most current address shown on the books of the Association. In the absence of written notification by the owner to the Association, the address of the owner's Property shall be treated as the owner's mailing address. (CC §5705(d))
19. Within 21 days of receipt of full payment to satisfy a lien, the Association will record a release of lien, and provide a copy thereof to the owner. (CC §5685(a))
20. Owners have the right to inspect certain Association records pursuant to Corporations Code §8333 to verify the debt.
21. The mailing address for overnight payment of assessments, notices or requests, is: c/o Action Property Management, Inc., 2603 Main Street, Suite 500, Irvine, CA 92614.

22. Nothing herein limits or otherwise affects the Association's right to proceed in any other lawful manner to collect any delinquent sums owed to the Association. The Association reserves the right to change the amount of any collection fee or charge, without notice, and reserves the right to modify or amend this collection policy at any time.

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 NON-JUDICIAL FORECLOSURE

The failure to pay association assessments may result in the loss of an owner's property without court action, often referred to as non-judicial foreclosure. When using 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 lien is not paid. Assessments become delinquent 30 days after they are due, unless the governing documents of the association provide for a longer time (Section 5600 and 5650 (a) of the Civil Code)

In a 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 area damaged by a member or a member's guests, if the governing documents provide for this. (Sections 5600 and 5650(a) of the Civil Code)

The association must comply with the requirements of Section 1367.1 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5650(a) 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. Among these documents, the association must send 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 5650(a) 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 5650(a) 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 (Sections 5650(a) of the Civil Code)

An owner may dispute an assessment debt by giving the board of the association a written explanation, and the board must respond within 15 days if certain conditions are met. An owner may pay assessments that are in dispute in full under protest, and then request alternative dispute resolution. (Sections 5658 and 5650(a) of the Civil Code)

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 5650(a) of the Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share 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 5650(a) of the Civil Code)

The board of directors must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 5650(a) of the Civil Code)

Adopted by the Board of Directors on December 18, 2008.

Mission Viejo Environmental Association Enforcement and Fine Policy

Violation of the Associations’ governing documents (CC&Rs, Bylaws, Architectural Guidelines, Rules and Regulations) by owners, tenants, or other residents or guests may result in the imposition of enforcement measures including fines, special assessments, and suspension or revocation of membership privileges after due process as determined by the Board of Directors.

In accordance with the Association’s governing documents, the Board has adopted the following enforcement procedures and list of fines for infractions of the governing documents.

1. Violation(s) reported by a homeowner must be submitted to the Management Company in writing. Violations may also be noted by either an Association representative or the Association’s managing agent. If the Board determines a violation has occurred that does not require resolution through the Neighbor to Neighbor Dispute Policy, a written violation notice of the alleged violation will be mailed to the last known address of the member via first class mail.

The member has the right to contest this charge. In order to avail the member’s right to contest this charge, the member must:

- Contact the Management Company, in writing, within ten (10) days of the date of the violation letter to confirm with the Board that the member wishes to contest the charge. Scheduling of the hearing will occur as provided in applicable provisions of California Law.
 - At the hearing, bring all documentation, photos, witnesses, and any other information which may substantiate the member’s case to the Board.
 - Should the member fail to appear at the hearing or fail to make alternative arrangements for a more convenient meeting date, the member will be subject to continuing enforcement.
2. If the violation is not corrected within the stated or agreed upon period of time, a written notice of hearing will be sent to the member. The alleged violator will be provided an opportunity to present their matter to the Board, in person or in writing, to discuss the violation or charge for each violation. At the hearing, bring all documentation, photos, witnesses, and any other information that may substantiate the member’s case to the Board. Should the member fail to appear to the hearing or fail to make arrangements for a convenient meeting date. The member will be subject to continuing enforcement. Scheduling of the hearing will occur as provided in applicable provisions of California law.

If the violation is not corrected prior to the hearing, the Board of Directors may impose enforcement measures as outlined below, including imposition of a fine. If a fine is imposed, notice will be mailed to the member following the Director’s action and the next subsequent member statement will show the fine as an additional charge. The Board of Directors also has the authority to take whatever legal action is necessary in order to correct violations.

SCHEDULE OF FINE ASSESSMENTS

First Violation		Violation Letter Sent
Second Violation	Same Offense	Hearing Notice: \$100 Fine Possible
Third Violation	Same Offense	Hearing Notice: \$200 Fine Possible
Each Additional Violation	Same Offense	Hearing Notice: \$400 Fine Possible

3. For each subsequent violation of the same type or if the violation is not corrected within the stated period of time after the first hearing, subsequent hearings may be conducted and the Board of Directors may impose additional enforcement measures including levying fines according to the Schedule of Fine Assessments.
4. If, after two hearings, the member still does not correct the violation, legal action may be taken.
5. The Board may decide in certain instances that legal action should be initiated prior to or in lieu of the imposition of penalties.
6. Pursuant to the requirements of California Civil Code Section 5974, residents are hereby notified to their right, under certain circumstances, to participate in some form of Alternative Dispute Resolution (ADR) prior to initiating certain types of lawsuits.



Mission Viejo Environmental Association

TO: All Mission Viejo Environmental Homeowners
FROM: Community Manager
REF: Summary of Architectural Control Procedures

Dear Association Member:

The California Civil Code requires the Association to publish a notice annually that describes the types of architectural changes that require Association approval. This Summary of Architectural Control Procedures has been prepared for that purpose. This is only a summary and owners are therefore requested to refer to the CC&Rs and to the Association's Architectural Guidelines for additional architectural improvement related information. If you have questions about whether there are any standard guidelines or requirements for the type of improvement you would like to make, please contact management before you start work.

A. No Exterior Additions and Changes without Prior Approval. No construction, alteration, addition, modification, decoration, redecoration, or reconstruction of an Improvement in the Properties shall be commenced or maintained until the plans and specifications therefore showing the nature, kind shape, height, width, color,, materials, and location of the same shall have been submitted to committee and approved in writing by the Architectural Committee (CC&Rs Article VIII, Section 2).

B. Submission Procedures/Plan Requirements. An Owner's architectural application shall be submitted only on the Association's Architectural Application form. The completed Architectural Application form, two (2) copies of the Owner's plans and specifications, and the completed Neighbor Awareness form shall be submitted only to the Association's management agent, Action Property Management, Inc. The plans and specifications shall show a complete description of the proposed improvement and /or modification with diagrams showing the relationship to lot lines and other units. The Committee may require such detail in plans and specifications submitted for its review as it deems proper, including without limitation, floor plans, site plans, drainage plans, landscape material, elevation drawings, and description or samples of exterior materials or colors. Until the Committee receives all required plans and specifications, the application is not deemed complete, the Committee may postpone review of the application, and the sixty (60) day period within which the Committee must make its decision does not commence. (CC&Rs Article VIII, Section 2).

A one hundred and seventy-five dollar (\$175.00) non-refundable fee is required for submittal of previously initiated or completed unauthorized improvements

C. Approval Criteria. Approval shall be based, among other things, on adequacy of site dimensions; design and material; conformity and harmony of external design;. Plans are approved if the construction, alteration, or additions are not detrimental to the appearance of the surrounding area of the Properties as a whole; and the appearance of any structure or landscaping affected thereby will be in harmony with the surrounding improvements, and will not detract from the beauty, wholesomeness and attractiveness of the Slope Maintenance Areas. The Architectural Committee is composed of volunteers and will not review applications to ensure compliance with building codes, or other local or state laws. The homeowner submitting plans shall have the duty to obtain any necessary building permits from the governmental agencies involved to ensure compliance with these codes. Any violations of these ordinances will be the responsibility of the homeowner to correct. (CC&Rs Article VIII, Section 2).

D. Decision Timing. If the Architectural Committee, or its designated representatives, fails to approve or disapprove a complete submission of plans and specification within (60) days after the same have been submitted to the Committee, the applicant is required to notify the Association via written correspondence to the Management Company. If no notification is received by the Association within 15 days, the application is deemed un-approved. If notification is received by the Association within 15 days, the ARC will have 15 days to respond to the applicant. (Adopted Architectural Guidelines, Approval Process , Section B).

E. Disapproval/Request for Reconsideration. If plans and specifications submitted to the Architectural Committee are disapproved, the applicant shall be advised in writing of the reason(s) for the denial and of the applicant's ability to request reconsideration by the Board of Directors. The applicant may submit a request to the Board of Directors to reconsider the Architectural Committee's denial at an open meeting, or the applicant may request the matter to be heard in an executive session meeting of the Board of Directors. The request for reconsideration shall be in writing, shall be addressed to the Board of Directors of the Association, shall be delivered to the Association's managing agent, Action Property Management, Inc., and must be received by the Association's managing agent not more than fifteen (15) days following final decision of the Architectural Committee.

F. Board Decision on Request for Reconsideration. Notice of the date, time, and location of the Board of Directors meeting at which the applicant's request for reconsideration shall be heard shall be delivered to the applicant at least ten (10) days prior to the meeting. The Board of Directors shall render its decision on the request for reconsideration within forty-five (45) days following the Association's managing agent's receipt of the request for reconsideration, and the Board shall transmit its decision to the Owner within fifteen (15) days after its decision; provided, however, if no written decision is provided to the Owner within fifteen (15) days after the hearing, the request for reconsideration shall be deemed denied and the Architectural Committee's decision shall be deemed affirmed. In no event will a request for reconsideration be deemed approved based upon the passage or lapse of time; any approval must be by affirmative written action of the Board of Directors to be effective. The Board of Directors may agree with the Architectural Committee and uphold the disapproval or the Board of Directors may disagree with the ARC and approve the plans.