

**Spyglass Ridge Villas Homeowners Association
2024 Annual Policy Statement**

In compliance with California Civil Code §5310 the association is providing the following disclosures to the members:

Official Communications

The Board of Directors has designated their management company to receive all communication on behalf of the association. Please send all communication to the following address: Paragon Association Management Services - 1241 Johnson Ave #327, San Luis Obispo, CA 93401

Please see the enclosed association communication policy which provides detailed instructions on how owners must send documents and other communication to the association.

Secondary Address

Pursuant to Civil Code Section 4040(b), an owner has the right to submit, in writing, a secondary address to the association's management company for the purpose of receiving (1) annual reports the Association is required to provide and for (2) mailings and notices related to assessment payments, delinquencies and foreclosures at an additional address.

General Notice Location

The Board of Directors has designated the following location for posting of a general notice to the members: Association Mailboxes

Right to Receive General Notice by Individual Delivery

Pursuant to Civil Code 4045(b), upon receipt of written request to the association's management company, an owner may receive General Notices by Individual Delivery.

Minutes

In accordance with California Civil Code 4950 homeowners have the right to copies of the minutes of meetings of the Board of Directors excluding executive session minutes. Minutes of all Board of Directors meetings are kept on file at the office of the association's management company and will be made available within 30 days of a meeting. Minutes may be viewed or obtained during regular business hours, by giving reasonable notice, to the association's management company. The association may require reimbursement of the association's costs for making that distribution.

Assessment Collection Policy

Pursuant to Civil Code 5730, enclosed is the Notice of Assessment and Foreclosure which includes the Association's policies and practices in enforcing lien rights or other legal remedies for default in the payment of assessments and the mailing address for overnight payment of assessments.

Mailing Address for Overnight Payment:

Spyglass Ridge Villas Homeowners Association, 1241 Johnson Ave #327, San Luis Obispo, CA 93401.

Collection Fee Disclosure

The association will charge an owner a collection fee of \$12.50 for each late statement on accounts that have an assessment balance due. The association will charge an owner a collection fee of \$50.00 for each pre-collection letter prepared and sent on delinquent accounts. These collection costs are in addition to late charges that the association assesses on delinquent accounts. These collection costs are charged to the owner's account to reimburse the association in accordance with the Association's delinquency policy and Civil Code Section 5650 (b).

Governing Document Enforcement and Fine Policy

The association's discipline policy including a schedule of penalties for violations of the governing documents is included in this packet titled Rule Enforcement Policy.

Dispute Resolution Procedures

A summary of dispute resolution procedures:

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.

Members are also entitled to enact the Association's "Internal Dispute Resolution Procedure." If your association has approved an Internal Dispute Resolution Procedure, it is included in this packet. If your association has not approved an Internal Dispute Resolution Procedure, the association follows the Statutory Dispute Resolution Procedure as stated in Civil Code Section 5915.

Architectural Guidelines and Procedures

The procedures for applying for additions, alterations or modifications to a lot (or unit) within the association and for reviewing and approving or disapproving such applications are set forth in the governing documents of your homeowners' association. Pursuant to Civil Code 4765 the association has adopted an Architectural Review Procedure, please refer to the enclosed copy for more information on approval of physical changes to your property.

Returned Check Policy

A fee of \$35.00 plus bank charges will be assessed against the owner for returned checks. These fees do not preclude the member from being charged an additional fee if the non-sufficient funds check causes the member to be late in the payment of his or her assessment. If assessment is not paid in full by the published due date, the member has liability for possible additional fees as specified in the Assessment Delinquency Policy of the Association.

COMMUNICATION AND DOCUMENT DELIVERY POLICY

Unless otherwise authorized by the Board of Directors all communication and documents must be directed to the association's management company. The management company is the agent to the Board of Directors and will process and forward all communication and documents to the proper parties. Owners must deliver all documents to the following address.

Paragon Association Management Services
1241 Johnson Ave #327
San Luis Obispo, CA 93401
(805) 600-1006

Methods of delivering documents or correspondence that are authorized by the association: The following are acceptable methods for delivering documents (letters, architectural applications etc.) to the association:

- 1) First-class mail, postage prepaid, registered or certified mail, express mail, or overnight delivery by an express service carrier. The document shall be addressed to the address above.

- 2) Personal delivery to the association's business address listed above during regular business hours. A written receipt will be provided upon request.

Methods of delivering documents or correspondence that **are not** authorized by the association: Due to the unreliable nature of e-mail, facsimile, and other electronic means of communication the association has deemed these as unacceptable forms of communication. If an owner chooses to send documents or communication in this manner the association will only accept them **upon receipt**. An acknowledgment that your document or correspondence was received will be sent to you.

Owners sending documents or other communication should never assume that they are received by the intended party. Mail can be lost or delayed etc. Owners should contact their association manager to verify that correspondence or documents have been received.

SPYGLASS RIDGE VILLAS HOMEOWNERS ASSOCIATION

BOARD OF DIRECTORS POLICY DECISIONS

Motion approved to close both entrance gates at all times.

Regarding the hillside slope above the project from the northwest end to approximately 2600 Barcelona, comprising the slope below the chain link fence: A biennial inspection of this slope shall be conducted every two years to determine if action is required to protect the homes below from rocks loosening and coming down on them.

Motion approved to inform the owners of 2174 and 2184 Costa Brava that the Association has no responsibility to maintain the crib wall, firebreak and green belt behind their homes, as these items are outside the boundary of the project.

Motion approved that members who are preparing to construct homes on their lots must deposit with the Association a completion bond in the amount of \$1,000 to assure reimbursement to the Association for any costs of repair or cleanup that the Association may incur as a result of the member's construction.

Motion approved that the sewer lift station motors be turned off in the event of an electrical brown-out to prevent burnout of the motors.

Motion approved that all yards beyond garden or retaining walls (or property line if there are no walls) will be maintained by the Association. All yards within walls or property lines the homeowner must maintain. This pertains to homes bordering on the upper slope that runs along the (in general) northerly edge of the project as far east as 2500 Barcelona.

Trash and trash containers must be replaced out of sight within 24 hours of trash pickup.

No alterations of any kind in the common area shall be made by anyone without the written permission of the Association.

Regarding carrying out in a practical manner the CC&Rs requirement that the Association maintain the landscaping within fifty (50) feet of Mattie Road: On member property within this area, the Association will maintain up to the retaining wall for 2729, 2717, 2705 and 2681 Barcelona and will maintain up to the top of the (fescue) slope for 2669, 2657, 2645, 2633, 2621, 2609, 2597, 2585, and 2573 Barcelona.

ARCHITECTURAL GUIDELINES

The following is a logically organized statement of the CC&R requirements. Of course, if there is any conflict between this statement and the CC&Rs, the CC&Rs govern. Some requirements of the City of Pismo Beach are more restrictive and override those in the CC&Rs.

Architectural Regulation. No building, fence, wall, balcony, patio cover, awning, carport, or structure of any kind which is visible from outside any lot shall be commenced, erected, painted, or maintained, nor shall any alteration or improvement of any kind or change in exterior color be made to an existing improvement, until the same has been approved in writing by the Architectural Control Committee (ACC).

Composition of the ACC. The ACC shall be comprised of three (3) members.

Process for Approval. Plans and specifications showing the nature, kind, shape, color, size, materials, and location of any requested improvements shall be submitted to the committee for approval as to quality of workmanship and design, harmony of external design with existing structures, and location in relation to surrounding elements.

Architectural Character. The character of all development shall be of a Mediterranean village style, utilizing white or off-white plaster walls; deep recessed windows; sloping tile roofs, or where flat roofs are employed, using parapets with tile caps; wood beams and windows; and solid patio walls. Architectural designs on single family lots should take advantage of grade by building and stepping the units into the slope of the hillside and encouraging the use of terracing in those areas not enclosed within buildings, to create the village motif.

Architectural Controls. The following specific architectural controls and requirements shall apply to any development within the project:

- Mattie Road setback. All portions of all structures shall be set back a minimum of fifty feet from the right of way line along Mattie Road.
- Collector road setbacks. All garages facing any collector road shall set back a minimum of 15 feet from the edge of pavement. All other portions of single family residential structures and garages oriented parallel to the street wherein access is not direct to the street may be set back a minimum of 10 feet from the edge of pavement.
- Setback from open space easements. Residential structures may have a zero setback from adjoining areas covered by open space easements.
- Yard setbacks. Except as otherwise set forth, single family residential structures shall be set back a minimum of 3 feet from interior side and rear property lines, and 10 feet from roadway side yard areas, with the exception of duplex units joined by a common wall and having a zero setback.

- Common Access Driveway setbacks. The garages of single family residences served by common access driveways shall be set back a minimum of 15 feet from the edge of pavement of the common access driveway, or shall have their individual drives designed to allow for one space of tandem parking between the edge of the pavement of the common access drive and the opening to their garages. Other portions of single family residential structures served by common access drives may be situated within 5 feet of the edge of pavement of common access drives.
- Coverage Requirements. For all single family lots west of the collector road, the maximum area contained within residential structures shall not exceed 70% of the lot area between the Mattie Road setback and edge of pavement of the collector road. For all single family lots to the east of the collector road, maximum building coverage shall not exceed 70% of the lot area.
- Building Height Requirements. Structures developed on single family lots shall not exceed a building height of 25 feet above the grade existing prior to the development of the tract.
- Minimum Square Footage. All houses shall have a minimum size of 1650 square feet.
- Garages. Minimum house size (1650 square feet) must include a minimum of a two-car garage.
- Exterior Materials. Exterior materials and colors shall be limited to those allowed by applicable conditions of approval for the projects and as noted elsewhere herein.
- Roof Colors. All roofs shall be of Spanish-style tile material with a color range of tan, brown, orange and red.
- Landscaping Materials. When landscaping yards which are visible from the street or from the common area, the use of any landscaping materials other than natural plants, grass, trees or shrubs, or synthetic materials ordinarily used for landscaping purposes, shall not be undertaken until plans and specifications have been approved in writing by the ACC.
- Solar Access and Solar Energy Devices. All lots shall be furnished with solar access as required by applicable City criteria. All lots shall be entitled to construct on or upon the exterior thereof solar energy devices for the purposes of furnishing heat and/or energy to a building on that lot without prior approval, as long as the same is designed, constructed and installed in accordance with accepted architectural and engineering principles. All solar panels shall be located on flat roof areas only, and shall be screened by parapets. No solar panel shall be installed on a tile roof unless approved by the Board. Solar panels not installed on a roof shall not be in a visible yard area.

COMMUNITY RULES AND GUIDELINES

Definitions

For the purposes of the “Spyglass Ridge Villas Community Rules and Guidelines,” the following explanations will apply:

BOARD –	The Board of Directors of Spyglass Ridge Villas
CC&Rs –	The Declarations of Covenants, Conditions, and Restrictions governing Spyglass Ridge Villas
COMMON AREA –	In general, this includes all areas other than residential lots and is owned in common by all members of the Association. It does not include the land and improvements within the confines of that area that has been defined as Villas Antigua Homeowners Association.
FAMILY MEMBER –	Persons who are directly related to a resident such as spouse, child, parent, uncle, aunt, grandchild, cousin, etc.
GUEST –	Someone who has been invited to visit Spyglass Ridge Villas by a current Owner/Resident.
HOMEOWNER –	Anyone who is a member in good standing of the Spyglass Ridge Villas Homeowners Association.
LESSEE –	Someone who is leasing a home at Spyglass Ridge Villas
PROPERTY MANAGER –	Donald Martin Paragon Association Management Services 1241 Johnson Ave #327, San Luis Obispo, CA 93401 (805) 600-1006
REASONABLE –	To the degree it will not be a nuisance to others.
RESIDENT –	Any homeowner or renter residing at Spyglass Ridge Villas
RESIDENTIAL LOT –	Individual lots upon which homes are or will be constructed.
RESPONSIBLE ADULT –	A person who has the capacity to control a group and the judgment to make appropriate decisions to protect people and facilities from injury, while respecting the rights of others.

ASSOCIATION RULES

If there is any conflict with the rules below and the CC&Rs, the CC&Rs shall prevail.

- Residents of Spyglass Ridge Villas shall be held responsible for any of their activities which create an unreasonable nuisance for others. This includes animals.
- It is an owner's obligation to see that lessees, guests, and family members are aware of and comply with Association rules.
- Complaints or conflicts should first be resolved between neighbors. On those rare occasions when there is no resolution, the matter should be referred in writing to the property manager and/or Board.
- Repairing any damage done to Association property by homeowners, their lessees, families, or other guests is the responsibility of the homeowner.
- All lots and structures shall be maintained in good condition and repair, and in a clean, neat and orderly condition. If the area in question is the owner's responsibility to maintain, the Association has the right to perform necessary maintenance and bill the owner for the costs.
- Each homeowner must remain a member in good standing of the Association by keeping current with monthly dues payments. This rule is enforceable by our "Standard Procedure for Collection."
- Door-to-door solicitation of any kind is not allowed within the community by individuals, groups, or organizations except as approved by the Board.
- No commercial business shall be conducted on any residential lot or in the common area except where designated by the Board. No activity that could cause loud noise or heavy foot and/or vehicle traffic would be considered for approval, including rummage and garage sales, etc.
- Except for minor repairs or adjustments, no automobile or other large piece of equipment may be repaired in open view within Spyglass Ridge Villas without Board permission.
- No automobile, trailer, camper, mobile home, commercial vehicle, recreational vehicle, dune buggy, truck, inoperable automobile, boat or similar equipment are to park anywhere visible within Spyglass Ridge Villas, other than temporarily, without written permission from the Board. (See Parking Rules.)
- Pets must not run free in the common areas. Dogs are to be leashed and accompanied by a responsible person. Droppings are to be picked up as they occur.

- In case of equipment failure in the common area, the property manager must be notified. Residents should not attempt to make repairs. An exception would be for those individuals having specific knowledge of how to disengage the gate in the event of a failure.
- Signs are not to be placed anywhere at Spyglass Ridge Villas unless they conform to the configurations specified in the CC&Rs, Architectural Rules, and the Pismo Beach ordinance on signage. A sign shall not be placed on the property of another without that owner's permission nor on the common area without the permission of the Board.
- Homeowners must provide their lessees, renters, and prospective buyers with a current copy of the following documents before selling or leasing:

Spyglass Ridge Villas CC&Rs
 By-laws of the Association
 Spyglass Ridge Villas Community Rules and Guidelines
 Standard Procedure for Collection of Assessments
 Rules and Procedures for Board Meetings
 Parking Rules

ASSOCIATION GUIDELINES

By respecting our neighbors' rights as carefully as our own, we can maintain a quality of life we can all enjoy. SAFETY, SECURITY, and APPEARANCE are important.

- Pismo Beach's residential speed limit of 25mph is in effect for Spyglass Ridge Villas.
- Our informal Neighborhood Watch should be supported, especially when someone is away from home. If anything of a suspicious or hazardous nature occurs, call the property manager or "911." If possible, leave a key with a neighbor when you are away. A responsible adult should be present when young children are in the common area.
- Residents should request their guests to park in the designated areas or in their driveways. For large functions, a person should be assigned to direct guests to parking spaces.
- Garage doors should remain closed except when someone is in the garage. Doors can be temporarily raised for pet access or ventilation.
- Trash containers within sight of neighbors and others add an ugly element to their view and detract from the value and elegant appearance of the Association. Accordingly, trash containers should be kept out of sight except for the period from the day before pickup day to the morning after pickup day. Pickup day is Thursday.

POLICY FOR PROCESSING REQUESTS FOR REPAIRS

1. A concern about a landscaping issue should be referred to the Landscape Committee. The exception to this policy would be if there were a water-related problem, e.g., a sprinkler was shooting up into the air or a line was broken and you could see flowing water.
2. All matters other than routine landscaping issues should be directed to (805-600-1006). The person calling should speak with whomever answers the telephone and allow them to direct the call.
3. If a problem arises after hours, **and it is an emergency**, please call the normal number for (805-600-1006) and stay on the line. The answering service will come on, discuss the matter with you, and call our maintenance crew to come and help. This process should be used only in a maintenance emergency.
4. All routine service calls will be responded to as follows:
 - If we know what needs to be done, and know this is an item for which the association is responsible and the cost should be well under \$500, we will proceed.
 - If we know what needs to be done, but realize this may be more expensive than \$500, and it is not an emergency, we will confer with the President and we will jointly discuss how to proceed.
 - If we know what to do and it's an emergency, we will proceed regardless of cost, keeping the President involved as soon as it is feasible.
 - If we don't know what to do and it's an emergency, we will seek advice from any and all people who are available and try to solve the problem.
 - If we don't know what to do and it isn't an emergency, we'll confer with the President and decide upon a course of action.
5. In every case, if the President is unavailable, we will seek advice from other Board members.

MAINTENANCE RESPONSIBILITIES

If there is any conflict between the following and the CC&Rs, the CC&Rs shall prevail.

Spyglass Ridge Villas Homeowners Association consists of a combination of three general types of properties: single family homes (and vacant lots upon which single family homes will be built), condominiums, and three groups of joined homes known variously as Half-plexes and Townhomes.

Single family homes. These homes are located on Costa Brava, Calle Cordova, Calle Corea, and certain sections of Barcelona. These are individual houses on single lots. The maintenance

and insurance coverage of these units are the responsibility of the owners. The homes that fit in this category are:

Barcelona: 2573, 2500, 2582, 2585, 2597, 2600, 2608, 2609, 2610, 2621, 2622, 2633, 2645, 2657, 2669, 2681, 2705, 2717, 2729

Calle Cordova: 109, 111, 112, 113 Calle Corea: 106, 107, 108, 109, 110

Costa Brava: 1951, 1961, 1981, 1991, 2001, 2021, 2041, 2061, 2081, 2101, 2121, 2141, 2151, 2171, 2174, 2181, 2184

Condominiums. Within the confines of Spyglass Ridge Villas is a condominium sub-association called Villas Antigua. This consists of 34 attached homes in 5 buildings located on the land between Costa del Sol and Barcelona. These homeowners are members of both the Spyglass Ridge Villas and Villas Antigua homeowner associations. All the homes on the inland side of Costa del Sol and the ocean side of Barcelona to the southeast of the southeast entry gate are part of Villas Antigua. These homes are maintained by the Villas Antigua Homeowners Association, and their addresses are:

Barcelona: 1945, 1959, 1973, 1987, 2001, 2013, 2027, 2041, 2055, 2069, 2101, 2113, 2127, 2155, 2169

Costa del Sol: 1944, 1958, 1972, 1986, 2000, 2014, 2028, 2042, 2056, 2070, 2084, 2098, 2100, 2114, 2128, 2142, 2156, 2170, 2184

Townhomes and Half-plexes. There are 3 groups of properties which fall into this category. There are 8 townhomes on the ocean side of Costa del Sol, a group of 12 half-plexes at the northwestern end of Barcelona Street, and an additional 4 half-plexes, also on Barcelona Street. The maintenance and insurance coverage of these units are the responsibility of the owners. The property addresses in these 3 groups are:

Townhomes on Costa del Sol: 1963, 1975, 1987, 1999, 2011, 2021, 2031, 2041

12 Half-plexes on Barcelona: 2656, 2658, 2668, 2670, 2678, 2680, 2704, 2706, 2716, 2718,

2728, 2730 4 Half-plexes on Barcelona: 2632, 2634, 2644, 2646

FINANCIAL INFORMATION

The following is a summary of what is required in accordance with the CC&Rs. Of course, if there is any conflict between this summary and the CC&Rs, the CC&Rs shall prevail.

Every year, the Board of Directors meets and adopts a budget for the following calendar year. Once approved, the budget is mailed to the members at least 30 to 90 days prior to the new fiscal year in order to meet Civil Code requirements.

The Board has the right to increase the assessment of any given homeowner by up to 20% of the prior year's assessment without getting approval from the members. Any increase which exceeds 20% must be approved by a majority of the members as a whole, not just those homeowners affected.

REGULAR MONTHLY ASSESSMENTS

Each lot owner at Spyglass Ridge Villas pays a monthly fee for membership in the Association. This payment is not voluntary, but is mandated by Article I of the CC&Rs. The fees paid are broken down into the following categories:

1. All 107 lot owners pay an equal amount toward the following:
 - Landscaping of the common areas, including the strip along Mattie Road and the bordering “greenbelt” on the bank which runs along the uphill length of the complex up to 2500 Barcelona. (Note: the bank uphill of 2174 and 2184 Costa Brava and uphill of the rest of Costa Brava is not within the Association.)
 - Maintenance/replacement of the two gate systems and their telephones, and payment for electricity and phone use
 - Maintenance of the streets and peripheral fences and walls
 - Street light repairs/replacement, and the electricity to keep light them
 - Insurance, including general liability insurance and insurance for the Board of Directors
 - Administrative costs, including accounting, tax preparation, management, and legal expenses
2. In addition to this base fee, 44 lot owners at the northern end of the complex pay to maintain a sewer lift station that services their properties.

SPECIAL ASSESSMENTS

It is generally considered that regular assessments should be sufficient to meet the needs of a homeowner’s association. However, from time to time, issues may arise that require additional funds that could not be anticipated when the annual budget is established. These needs are often met by levying a special assessment. Special assessments must be levied on the same basis as that prescribed for the levying of regular assessments.

Under most circumstances, special assessments must be approved by the membership. Three exceptions are:

1. Annually, the Board of Directors has the right to levy a small special assessment up to 5% of the budgeted gross expenses for that fiscal year.
2. The Board has the ability to levy an emergency special assessment without membership approval. This could be as a result of a court order, or when a threat to personal safety has been discovered and there is an emergency.
3. The Board may also levy a special assessment without membership approval when an extraordinary expense is necessary which the Board could not have reasonably foreseen when it was preparing the budget. In this case, a resolution must be passed containing written findings as to the necessity of the expense and why it could not have been anticipated; the resolution must be distributed to the members along with the assessment notice.

CONSTRUCTION GUIDELINES

- Stockpiling Material: Area can be no more than one-half the length of the lot by 8 feet out into the street and no more than 10 feet in height. Material can only be located in this spot for one week at a time; this is not a long-term storage area. Area must be free of hazards, clean, and have cones and other cautionary signs. Must have approval of Board of Directors.
- Storage containers may be on street for term of construction only. Storage containers and stockpile materials together may not exceed above specifications.
- Each lot owner is responsible for keeping site clean with a general lot and street cleanup every Friday; no dangerous debris is allowed in the street.
- Construction workers may park on one side of the street only; they may only park on site during working hours.
- Temporary toilets must be located off street on lot property.
- No signs other than (a) 2x3 foot FOR SALE sign, (b) Danger/Caution sign (c) lot location sign or development signs as enumerated in Association documents.
- Each lot owner is responsible for any damage to Association property in connection with the construction.
- All large trucks delivering shipping materials must use southeast gate entrance.
- Work hours are per City code.
- Each lot owner must make reasonable and sensible attempts to mitigate potential danger.
- No change to the exterior of home or lot may be made without written approval of the Architectural Control Committee.

SPYGLASS RIDGE VILLAS HOMEOWNERS ASSOCIATION

PARKING RULES

- Overnight parking of all vehicles on all Association streets is prohibited except on the 'Villas Antigua' side of Barcelona approximately between 2169 and 1945 Barcelona and on the 'ocean side' of Costa Brava. Parking is limited to this one side of the street and will not be allowed on the 'hill side' of Barcelona or Costa Brava.
- Overnight parking of all vehicles in driveways is prohibited
- Overnight parking in guest parking areas is limited to guests and may not exceed two weeks. As an exception, residents may request permission from the property manager to park for short periods in guest areas for unusual circumstances (e.g., construction, guest cars in garage). Overnight guests and residents approved as an exception will place a completed guest parking authorization (sample attached) on the dashboard of their vehicle. Only automobiles and small personal trucks may be parked overnight in guest areas.
- Garages are intended for parking. Use of garages for storage or other purposes is not an acceptable reason for violating the Association's parking rules.

The following actions will be taken against vehicles parked on streets and in guest parking areas in violation of Association rules:

First Notice	Warning
Second Notice	\$50.00 Fine
Third and Subsequent Notices	Towing or Denver Boot

The following actions will be taken against vehicles parked in driveways in violation of Association rules:

First Notice	Warning
Second Notice	\$50.00 Fine
Third and Subsequent Notices	\$100.00 Fine

Members are responsible for assuring that their residents, guests and tenants adhere to the parking rules and are responsible for paying fines and charges whether due to the action of residents, guests or tenants.

Procedures

The Board adopts the following procedures. Members should report violations to the property manager. The property manager will act on complaints or refer them to a Director or a designated member to act on. For each violation, a notice will normally be left on the windshield of the vehicle and/or a letter mailed by the property manager to the homeowner, if

known, with the appropriate penalty. The reckoning period for each home for penalties is the calendar year. The property manager will maintain records and may collect reasonable processing charges. The provisions of the CC&Rs with regard to but not limited to fines, hearings, enforcement by proceedings at law, and charges apply to this rule. Proceedings at law may be initiated when unpaid fines and charges exceed \$300.00.

SPYGLASS RIDGE VILLAS HOMEOWNERS ASSOCIATION ARCHITECTURAL REVIEW PROCEDURE

In compliance with Civ. Code 4765 the Association has adopted the following Architectural Review Procedure. This procedure applies to all owners interested in making any change to the exterior of their unit, the common area, satellite dishes, solar panels, and any other change that the governing documents of the Association requires to be reviewed for approval. This procedure does not replace any other architectural rule or policy that is in the governing documents of the association.

1. All owners must submit their architectural applications to the Association's management company only. All applications will be date stamped by the management company on the day they are received.
2. The Association's Architectural Committee shall render a decision within **45 days** of the date the application was received by the management company. If the Committee requires additional information, the tolling of the 45 day decision period will cease until the Committee receives all the information they require to make a decision.
3. A decision on a proposed change (application) shall be made in good faith and may not be unreasonable, arbitrary, or capricious.
4. A decision on a proposed change shall be consistent with any governing provision of law, including, but not limited to, the Fair Employment and Housing Act (Part 2.8 (commencing with Section 12900) of Division 3 of Title 2 of the Government Code, or a building code or other applicable law governing land use or public safety.
5. A decision on a proposed change shall be in writing. If a proposed change is disapproved, the written decision shall include both an explanation of why the proposed change is disapproved and a description of the procedure for reconsideration of the decision by the board of directors. Reconsideration by the board does not constitute dispute resolution within the meaning of Section 5905 of the Civil Code.
6. If a proposed change is disapproved, the applicant is entitled to reconsideration by the Board of Directors at an open meeting of the Board. Any owner wishing to appeal a decision must submit a written request to the management company. The Board shall consider the appeal at their next regularly scheduled meeting.
7. Some of the changes that require association approval are any change to the exterior of your unit, landscaping, use of common areas, fences, walls, and drainage. Please refer to Article VI Section L of your CC&R's for a complete description changes requiring association approval. Contact your community association manager for assistance.

Please submit all applications for a proposed change to: Paragon Association Management Services, 1241 Johnson Ave #327, San Luis Obispo, CA 93401

SPYGLASS RIDGE VILLAS HOMEOWNERS ASSOCIATION INTERNAL DISPUTE RESOLUTION PROCEDURE

In compliance with California Civil Code 5905 the Board of Directors has adopted the Internal Dispute Resolution Procedure (IDR) below. This procedure is intended to help resolve disputes between homeowners and the association in a fair, reasonable, expeditious and cordial manner.

Please keep in mind that this procedure *does not* replace the Alternative Dispute Resolution per Civ Code 5925. This law requires associations and owners to use mediation or arbitration under most circumstances before they are allowed to file a lawsuit. This IDR procedure does not replace or negate the Board's right to impose fines or take any other disciplinary action provided for them in the association's governing documents.

The Board of Directors views the Internal Dispute Resolution Procedure as an initial step in resolving disputes between the association and an owner. While owners have a right to bring their legal counsel to an IDR meeting the Board prefers that attorneys not be involved at this stage of the process. The Board believes this will help maintain a cordial and non-threatening atmosphere and prevent unnecessary costs. If the IDR fails the association or owner may move on to the next step in the dispute resolution process, Alternative Dispute Resolution. Owners and the association may bring their attorneys to the mediation or arbitration.

Spyglass Ridge Villas Homeowners Association - Internal Dispute Resolution Procedure

This procedure applies to a dispute between the association and a member involving their rights, duties, or liabilities under the Davis Stirling Act, under the Nonprofit Mutual Benefit Corporation Law (Part 3 (commencing with Section 7110) of Division 2 of Title 1 of the Corporations Code), or under the governing documents of the association.

- A. Either party to a dispute, within the scope of the section listed above, 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 association's board of directors shall designate one or more members of the board to meet and confer.
 - (4) The parties shall meet within 45 days of receipt of the written request 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) The member and association may be assisted by an attorney or another person in explaining their positions at their own cost.
 - (6) If either party chooses to be assisted by an attorney or another person they shall give the other party at least 10 days written notice prior to the date of the meeting (meet and confer). The notice shall contain the name(s) of the person(s) attending and whether they are licensed attorneys and/or acting as legal counsel.

Failure to properly notify the other party will result in the meeting (meet and confer) being postponed until a later date.

- (7) The Association may involve a neutral third party of their choosing to mediate the meeting.
- (8) 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.

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

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

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

D. Recording of the meeting (meet and confer) by any electronic means is prohibited unless consented to by both the association and member.

E. The association or member may not bring the same dispute against the other party, for IDR, more than once in any 12 month period unless consented to by both the association and member.

ELECTION AND VOTING RULES AND PROCEDURES SPYGLASS RIDGE VILLAS HOMEOWNERS ASSOCIATION

These rules and procedures are designed to provide for a fair and reasonable process for election of directors to the Board and other matters to be voted by members of the Association, as required by Civil Code sections 5100 through 5145. These rules are intended to comply with Civil Code sections 5100 through 5145.

- 1. Qualifications for the Board.** The qualifications for candidates for a director for the Board of Directors include:
 - A. Candidates must be members of the Association,
 - B. Candidates may not be convicted felons, and
 - C. Additional qualifications may be stated in the CC&Rs or Bylaws of the Association.

- 2. Nomination Procedures.** Nominations for a director may be made by any member of the Association. A member may nominate himself or herself as a candidate for a directorship. All nominations shall be submitted, in writing, to the Board or nominating committee (appointed by the Board), if any, at least 45 days prior to the date set for the election of directors. If the number of open director positions on the Board exceed the number of candidates already nominated then nominations shall also be taken from the floor at the meeting. Nominations from the floor must be accepted in writing by the potential candidate or the potential candidate must be present at the election meeting and verbally accept the nomination. Additional nomination procedures are set forth in Article V, section 1 of the Bylaws which states, in part:

“Nomination. Nomination for election of directors to the Board shall [also] be made by a Nominating Committee. Notice to the members of the meeting shall include the names of all those who are nominees at the time the notice is sent. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors not less than [sixty (60)] days prior to each annual meeting of the members, to serve until the close of such annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. All candidates shall have reasonable opportunity to communicate their qualifications to members and to solicit votes.”

- 3. Return of Ballots.** All ballots must be returned to the management company of the Association. The management company is designated as the “Ballot Collector.” Ballots shall be addressed to the Inspector(s) of Election, but mailed to the management company. The management company is designated for the initial receipts of ballots until delivery to the Inspector(s) of Election. All ballots must be returned no later than the time scheduled for the election meeting to begin, or as otherwise set forth in section 6

below. The management company may review the returned unopened envelopes to determine which members have returned ballots. This will help identify which members still need to return ballots and whether those members should be given another ballot. The unopened ballots shall be delivered by the management company to the Inspector(s) of Election.

- 4. Qualifications for Voting.** Only members in good standing may vote. A member's voting rights may be suspended after notice and hearing (see Civil Code section 5855 and Corporations Code section 7341). Only one ballot may be cast per lot. If more than one ballot per lot is cast, then all such ballots for the lot shall not be counted to determine the election of any candidate but may be counted for quorum purposes.
- 5. Proxies.** Proxies need not be distributed by the Association to the membership. All proxies for the election of any director must be presented to the Association no later than the time scheduled for the start of the election. When a dispute arises, the Inspector(s) of Election shall determine the authenticity, validity, and effect of proxies and ballots. Instructions, if any, given in a proxy issued for an election that directs the manner in which the proxy-holder is to cast the vote shall be set forth on a separate page of the proxy that can be detached and given to the proxy-holder to retain. The proxy-holder shall cast the member's vote by secret ballot, unless the proxy is revoked prior to receipt of the secret ballot by the Inspector(s) of Elections. Proxies will be checked in after secret ballots have been checked-in to be assured that no irrevocable ballots have been checked-in for the same member. A proxy envelope may not be used as a proxy. A proxy may not be used as a ballot.
- 6. Voting Period.** Voting shall begin at the time ballots are mailed to the owners and shall end: 1) by motion from the members to close voting period, or 2) if the balloting is by mail only, without voting of a members' meeting, then the voting ends as specified in the ballot. A members' meeting must be held in conjunction with the election of directors.
- 7. Cumulative Voting.** Cumulative voting is allowed pursuant to Article V, section 2 of the Bylaws.\
- 8. Appointment of Inspector of Election.** Either one or three Inspector(s) of Election shall be appointed as follows:

- A. If before the meeting begins, then the Inspector(s) are appointed by the Board;
- B. If after the meeting begins, then appointment shall be by motion of the members.

If any Inspector(s) of Election fails appear at the election meeting or fails and/or declines to act as an Inspector then replacement Inspector(s) of Election may be appointed by the members or the Board, as specified in paragraph 8 A and B above.

Inspector(s) of Election shall not be candidates for the Board or related to any candidate for the Board. Inspector(s) of Election shall not be any director of the Board or related to any director of the Board. Inspector(s) of Election may be the manager or other persons

currently employed or under contract to the Association for compensable services. Inspector(s) of Elections may be outside independent third parties.

9. Duties of Inspectors of Election. The Inspector(s) of Election shall do all of the following:

- A. Determine the number of memberships entitled to vote and the voting power of each.
- B. Determine the authenticity, validity, and effect of proxies, if any.
- C. Receive ballots. The ballots shall be mailed by the owners to the Ballot Collector and delivered for receipt by the Inspector(s) of Election. The sealed ballots shall be at all times in the custody of the Inspector(s) of Election until after the tabulation of the vote, at which time custody shall be transferred to the Association.
- D. Verify the member's information and signature on the outer ballot envelope prior to election.
- E. Hear and determine all challenges and questions in any way arising out of or in connection with the right to vote.
- F. Count and tabulate all votes. All votes shall be counted and tabulated by the Inspector(s) of Election in public at a properly-noticed open meeting of the Board of Directors or members. Any candidate or other member of the Association may witness the counting and tabulation of the votes
- G. Determine when the polls opened or closed to determine timely receipt of ballots.
- H. Determine the result of the election.
- I. Perform any acts as may be proper to conduct the election with fairness to all members in accordance with Civil Code sections 5100 through 5145, the Corporations Code, and all applicable rules of the Association regarding the conduct of the election that are not in conflict with Civil Code sections 5100 through 5145 or any successor statute.
- J. An Inspector of Election shall perform his or her duties impartially, in good faith, to the best of his or her ability, and as expeditiously as is practical. If there are three Inspectors of Election, the decision or act of a majority shall be effective in all respects as the decision or act of all. Any report made by the Inspector or Inspectors of Election is *prima facie* evidence of the facts stated in the report.
- K. Appoint or oversee additional persons, if necessary, to verify signatures and to count and tabulate votes, provided that such additional persons are independent third parties.

10. Secret Written Ballot. The election of directors shall be held by secret written ballot in accordance with the procedures set forth in these Rules. Once a secret ballot is received by an Inspector(s) of Elections, it is not revocable. Ballots shall be counted as "attendance" by a member at the meeting for quorum purposes for the matter being voted upon. Write-in candidates may be added to the ballot provided the candidate is qualified as set forth in section 3 above and the candidate has accepted the nomination or the candidate has provided the Association with a written self-nomination statement.

11. Confidentiality of Ballots. Ballots and two pre-addressed envelopes with instructions on how to return ballots shall be mailed by first-class mail or delivered by the Association to

every member not less than 30 days prior to the date of the annual election. In order to preserve confidentiality, a voter may not be identified by name, address, or lot, parcel, or unit number on the ballot. The Association shall use as a model those procedures used by California counties for ensuring confidentiality of voter absentee ballots, including all of the following:

- A. The ballot itself is not signed by the voter, but is inserted into an envelope that is sealed. This envelope is inserted into a second envelope that is sealed. In the upper left hand corner of the second envelope, the voter signs his or her name, prints his or her name, and prints the address of his or her lot in the Association.
- B. The second envelope is addressed to the Inspector(s) of Election, who will be tallying the votes. The envelope may be mailed or delivered by hand to a location specified by the Inspector(s) or delivered to the Inspector(s) at the meeting where the election is held. The member may request a receipt for delivery.
- C. No person, including a member of the Association or an employee of the management company, shall open or otherwise review any ballot prior to the time and place at which the ballots are counted and tabulated.

12. Counting Ballots. All ballots must be counted and tabulated in public so that candidate or the members may, if they so choose, view, but not interfere with, the counting and tabulation. The ballots must be counted and tabulated at a noticed meeting of the Association.

13. Voting Results. The results of the election shall be promptly reported to the Board and shall be recorded in the minutes of the next meeting of the Board and shall be available for review by members of the Association. Within 15 days of the election, the Board shall publicize the results of the election in a communication directed to all members.

14. Storage of Ballots. After tabulation, election ballots shall be stored by the Association in a secure place for no less than one year after the date of the election. In the event of a recount or other challenge to the election process, the Association shall, upon written request, make the ballots available for inspection and review by Association members or their authorized representatives. Any recount shall be conducted in a manner that shall preserve the confidentiality of the vote.

15. Campaign Funds. Association funds shall not be used for campaign purposes in connection with any Association Board election. Funds of the Association shall not be used for campaign purposes in connection with any other Association election, except to the extent necessary to comply with duties of the Association imposed by these Election Rules and Procedures and by law.

"Campaign purposes" include, but are not limited to, the following:

- (1) Expressly advocating the election or defeat of any candidate that is on the Association election ballot.

- (2) Including the photograph or prominently featuring the name of any candidate on a communication from the Association or its board, excepting the ballot and ballot materials, within 30 days of an election, provided that this is not a campaign purpose if the communication is one for which Civil Code section 5105 (a)(1) requires that equal access be provided to another candidate or advocate.

16. Access to Media. No candidate or member shall be provided access to the Association's media, newsletters, or internet web sites for advocating for any candidate or for advocating a point of view related to an election of the Association.

17. Access to Meeting Space. The Association shall allow access to the common area meeting space, if any exists, during a campaign, at no cost, to all candidates, including those who are not incumbents, and to all members advocating a point of view, including those not endorsed by the Board, for purposes reasonably related to the election.

18. Other Ballots. The provisions of these rules regarding secret ballots also apply to amendments to the governing documents, election to or recall from the Board, the grant of exclusive use common area (pursuant to Civil Code section 4600), or assessments, provided the vote of the membership is so required.

Adopted by the Board of Directors on January 26, 2007.

**SPYGLASS RIDGE VILLAS HOMEOWNERS ASSOCIATION
RULE ENFORCEMENT POLICY - HEARING PROCEDURE AND FINES**

- 1. Remedies for Enforcement of the Governing Documents.** To enforce the governing documents, the Board may impose one or more of the remedies described below as it deems appropriate to be effective. The selection of one remedy does not preclude the Association's right to pursue others.
- a. Warning letters
 - b. Monetary penalties
 - c. Suspension of membership privileges
 - d. Alternative dispute resolution
 - e. Litigation

Failure to pay fines within thirty (30) days may result in legal action to collect the fines. If the Association is forced to retain an attorney to ensure compliance, collect fines, etc., the owner may be liable for those attorney fees and all related expenses in addition to the fines.

- 2. Notice and Hearing Procedures.** The following notice and hearing procedures will be used whenever the Board meets to consider an alleged violation which could result in disciplinary action against a Member.
- a. Notice of Hearing. Notice of the hearing will be sent at least ten (10) days prior to the hearing and will be given either personally or by prepaid first-class mail to the most recent address shown in the Association's records. The notice shall contain, at a minimum, the date, time, and place of the meeting, the nature of the alleged violation for which a Member may be disciplined, and a statement that the Member has a right to attend and may address the Board at the meeting.
 - b. Opportunity to Be Heard. Members have the right to send a letter or appear in person to present evidence as to why they should not be disciplined. The hearing will be held in executive session unless the member requests otherwise.
 - c. Notice of Decision. Within fifteen (15) days of the Board's decision, the Member will be given written notice of the decision.
 - d. Conflicts of Interest. If members of the Board have a conflict of interest (i.e., they filed the complaint, or the complaint was filed against them) such persons may not vote on the issue.
- 3. Fine Schedule.** Violation of the association's governing documents may result in a warning letter, fine, suspension of privileges and/or continuing fines as the Board may determine to be appropriate to the situation and as provided for in the fine schedule below. In addition to fines, the Board may file a lawsuit seeking judicial relief. The imposition of penalties and suspension of privileges will be subject to notice and hearing procedures.

1st violation, warning or fine of \$100

2nd violation, same offense: \$200

3rd violation, same offense: \$500

Additional violations, same offense: \$500

Continuing violations: fines up to \$500 per day may accrue until the violation is cured

Suspension of Privileges: in addition to or in lieu of fines, privileges may be suspended for up to 30 days.

The Association may pursue one or more remedies simultaneously. The selection of one remedy does not preclude the Association's right to pursue others.

**SPYGLASS RIDGE VILLAS HOMEOWNERS ASSOCIATION
ASSESSMENT DELINQUENCY POLICY**

Prompt payment of assessments by all owners is critical to the financial health of the Association, to the enhancement of the property values of our homes and for the health, safety and welfare of the owners and tenants. Assessments are the lifeblood of the Association. Your Board of Directors takes very seriously its obligation under the Declaration of Covenants, Conditions and Restrictions (the "CC&Rs") and the California Civil Code to enforce the owner's 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&Rs and Article 2 and 3 of Chapter 8 of the Civil Code, the following are the Association's assessment practices and policies:

1. Assessments, late charges, interest and collection costs, including any attorneys' fees, are the personal obligation of the owner of the property at the time the assessment or other sums are levied. (Civil Code Section 5650(a))
2. Regular monthly assessments are due and payable on the first day of each month. All other assessments, including special assessments, are due and payable on the date specified by the Board in the Notice of Assessment, which date will not be less than 30 days after the date of notice of the special assessment.
3. Any payments made shall be first applied to assessments owed, and only after the assessments owed are paid in full shall such payments be applied to late charges, interest, and collection expenses, including attorneys' fees, unless the owner indicates the payment is to be applied in a different manner, or the owner and the Association enter into an agreement providing for payments to be applied in a different manner.
4. Assessments not received within 15 days of the stated due date are delinquent and shall be subject to a late charge of 10% of the delinquent assessment.
5. An interest charge at the rate of 12% per annum will be assessed against any outstanding balance, including delinquent assessments, late charges and costs of collection, which may include attorneys' fees. Such interest charges shall accrue 30 days after the assessment becomes due and shall continue to be assessed each month until the account is brought current.
6. If a special assessment is payable in installments and an installment payment of that special assessment is delinquent for more than 30 days, at the option of the Association, all installments may be accelerated and the entire unpaid balance of the special assessment shall become immediately due and payable. The remaining balance shall be subject to a late charge, interest, and other charges as provided herein.
7. A first notice of past due assessments (an account statement or late letter) will be prepared and mailed after an assessment becomes delinquent.

8. If an assessment is not received within 30 days after the assessment becomes delinquent, the Association or its designee, in the event the account is turned over to a collection agent, will send a pre-lien letter to the owner as required by Civil Code Section 5740(b) (for liens that may record before January 1, 2003) or 5660 (for liens that may record on or after January 1, 2003), 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 fee for the pre-lien letter.
9. Prior to the recording of a lien, homeowners that are delinquent will be sent a "pre-lien" letter that 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 Article 2 (commencing with Section 5900) of Chapter 10 of the Civil Code.
10. If an owner fails to pay the amounts set forth in the pre-lien letter within 30 days of the date of that letter, the Association or its designee will record a lien for the amount of any delinquent assessments, late charges, interest and/or costs of collection, including attorneys' fees, against the owner's property. 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 owner will be charged for the fees and costs of preparing and recording the lien. Thirty 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 Sections 5673, 5675, 5700, 5705, 5710, 5715 and 5720).
11. An owner is entitled to inspect the Association's accounting books and records to verify the amounts owed pursuant to Corporations Code Section 8333.
12. 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.
13. 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. Generally the Board will accept a payment plan when a lien is already in place or when the owner agrees to allow a lien to be recorded against the owner's property and the payment plan requires payment in full (including all assessments, interest, late charges, costs of collection and attorneys' fees) within 90 days. The payment plan should be in writing and signed by the owner. The Association or its collection agent may charge a fee for the monitoring of an approved payment plan.
14. 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.

15. Prior to the release of any lien, or dismissal of any legal action, all assessments, late charges, interest, and costs of collection, including attorneys' fees, must be paid in full to the Association.
16. All charges listed herein are subject to change upon thirty 30 days' prior written notice.
17. **The mailing address for overnight payment of assessments is:**

**Spyglass Ridge Villas Homeowners Association
1241 Johnson Ave #327
San Luis Obispo, CA 93401**

18. The association may not foreclose unless delinquent assessments are greater than \$1,800 or greater than one year in arrears.
19. 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 Article 2 (commencing with Section 5900) of Chapter 10 of the Civil Code and will also offer to engage in formal alternative dispute resolution with a neutral third party pursuant to Civil Code Sections 5925-5965.
20. 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.
21. All foreclosures shall be subject to a ninety (90) day right of redemption.
22. Owners are entitled to give the association a secondary address for both fiscal matters and collection matters. Fiscal second address notices may be served on the association by facsimile or first class mail. Collection second address notices must be served on the association in a way that shows that the association received it. (i.e., Fed Ex, certified, or registered mail.) The owner must state, in writing, what the second address is to be used for, i.e., fiscal or collection second address.

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 Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 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 5700 through 5720 of the Civil Code, inclusive)

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 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)

COLLECTION CHARGES

The association will charge an owner a collection fee of \$12.50 for each late statement on accounts that have an assessment balance due. The association will charge an owner a collection fee of \$50.00 for each pre-collection letter prepared and sent on delinquent accounts. These collection costs are in addition to late charges that the association assesses on delinquent accounts. These collection costs are charged to the owner's account to reimburse the Association in accordance with the Association's delinquency policy and Civil Code Section 5650.

NON-SUFFICIENT FUNDS (BAD CHECK) POLICY

A fee of \$35.00 will be assessed against an owner for returned checks. These fees do not preclude the member from being charged an additional fee if the non-sufficient fund check causes the member to be late in the payment of his or her assessment. If assessments are not paid in full by the published due date, the member has liability for possible additional fees as specified in the Assessment Delinquency Policy.

NOTICE OF RIGHT TO RECEIVE ANNUAL REPORT

You have the right to receive an annual report within 120 days after the end of the association's fiscal year upon written request.