

Villagio at Rancho San Clemente Homeowners Association

C/o CURTIS MANAGEMENT COMPANY, INC.
5050 Avenida Encinas, Suite 160
Carlsbad, California 92008

(949) 245-2753

November 17, 2017

Dear Homeowner,

This letter is written on behalf of the Villagio at Rancho San Clemente Homeowners Association Board of Directors. Enclosed is the following information pertinent to the 2018 fiscal year:

Civil Code §	Title
5300(b)-(b)(1)	Pro Forma Operating Budget for fiscal year 2018 prepared on a modified accrual basis.
5300(b)(2) & 5565	Summary of the Association's Reserves prepared in 2017
5300(b)(3) & 5550(b)(5)	Summary of the Board-adopted Reserve Funding Plan for 2018
5300(b)(6)	Statement of Mechanism for Funding Reserves to Repair or Replace Major Components
5300(b)(7)	Statement Addressing Procedures Used to Calculate and Establish Reserves
5300(b)(9)	Summary of the Association's Insurance Information
5300(b) (10) (11)	FHA and VA Statement
5570	Assessment and Reserve Funding Disclosure Summary
5655 & 5730	Statement of Assessment Collection Policies and Address for Overnight Payment of Assessments
5600-5730	Statement of Association's Policies and Practices in Enforcing Lien Rights
5850	Statement of Association's Discipline Policy and Schedule of Penalties - N/A
5900 - 5965	Summary of Association's Dispute Resolution Procedures (ADR and IDR)
4765	Summary of Procedures for Architectural Review
5300(b)(4)	Statement of Deferral/Decision to Not Undertake Repair or Replacement of Major Component(s)
5300(b)(5)	Statement of Anticipated Special Assessment(s)
5300(b)(8)	Statement of Association(s) Outstanding Loans
4035	Statement of Name and Address of Person Designated to Receive Official Communications to Association
4040	Statement of Members' Ability to Have Notices Sent to up to Two Different Addresses
4045	Statement of the Posting Location for General Notices
4045	Notice of Members' Right to Receive General Notices by Individual Delivery
4950	Notice of Members' Right to Minutes

With the new fiscal year for your Association, the Board of Directors has reviewed the operating budget with the goal of providing efficient operations and funding adequate reserves to meet long-term requirements. Based on this review, the Board has determined that the financial integrity of your Association is sound and voted to increase reserves funding while continuing regular maintenance, as recommended by your Reserves Specialist. **This will result in no increases to your monthly assessment and it will remain at \$150.00 per month.**

No special assessments are anticipated at this time for the upcoming 2018 fiscal year.

Villagio at Rancho San Clemente Homeowners Association
November 17, 2017
2018 Annual Budget
Page 2

The enclosed items are being provided to you in compliance with State Law. You may wish to keep these items available in the event you elect to sell or refinance your home. Most lenders are now requiring that these items be submitted to them as part of the mortgage approval process.

A complete copy of the reserve study is available. Should you wish to obtain a copy, please feel free to contact our office by calling (877) 587-9844. Owners may also request copies of meeting minutes at a reasonable rate for the copying, and handling charge.

Respectfully,

A handwritten signature in black ink, appearing to be 'SO' with a flourish extending to the right.

Sandrine Oblak
Community Association Manager

Enclosures

**VILLAGIO AT RANCHO SAN CLEMENTE HOMEOWNERS ASSOCIATION
APPROVED BUDGET
JANUARY 1, 2018 - DECEMBER 31, 2018**

ACCT.	INCOME	2018 MONTHLY	2018 ANNUALLY
4110	Association Dues (114 units x \$150.00)	\$17,100.00	\$205,200.00
4270	Land Use Agreement	\$35.00	\$420.00
	TOTAL INCOME:	\$17,135.00	\$205,620.00
OPERATING EXPENSES			
(General & Administrative)			
5115	Audit / Tax Preparation	85.00	1,020.00
5120	Reserve Study	50.00	600.00
5121	Social Events	188.00	2,256.00
5150	Insurance Expense	4,200.00	50,400.00
5155	Legal Expense	500.00	6,000.00
5156	Legal- Collections	155.00	1,860.00
5158	Miscellaneous General & Administrative	125.00	1,500.00
5159	Bank Charges	7.00	84.00
5160	Office Expense	400.00	4,800.00
5165	Professional Management	1,657.00	19,884.00
5171	Bad Debt	25.00	300.00
5175	Steno Services	130.00	1,560.00
5180	Taxes - Federal	285.00	3,420.00
5195	Taxes - State	166.00	1,992.00
	SUB TOTAL:	\$ 7,973.00	\$ 95,676.00
(Common Area Expenses)			
5226	Tree Trimming	585.00	7,020.00
5227	Landscape Additions	601.00	7,212.00
5228	Landscape Maintenance Service	2,700.00	32,400.00
5230	Landscape Irrigation Repairs	67.00	804.00
5238	Miscellaneous Contingency	455.00	5,460.00
5245	Pest Control	200.00	2,400.00
5256	Repair & Maintenance (Common Area)	255.00	3,060.00
5281	Electrical- Lighting Maintenance	125.00	1,500.00
5460	Patrol Service	20.00	240.00
5290	Utilities - Electric	400.00	4,800.00
5295	Utilities - Water	500.00	6,000.00
	SUB TOTAL:	\$ 5,908.00	\$ 70,896.00
	TOTAL OPERATING EXPENSES:	\$13,881.00	\$166,572.00
RESERVES			
(Reserve Allocations)			
8120	Irrigation/Controllers/Backflow	127.00	1,524.00
8130	Landscape- Enhancement/Replacement	144.00	1,728.00
8151	Concrete Curb-Gutter/V-ditches/Swales	517.00	6,204.00
8125	Lighting- Grounds/Palm Tree	65.00	780.00
8126	Misc. Contingency	95.00	1,140.00
8140	Painting-Entry Walls & Trellis	8.00	96.00
8141	Monuments-Signs & Wall Repair/Trellis	224.00	2,688.00
8171	Mailboxes- Replace	115.00	1,380.00
8175	Streets/Walkways/Pavers	1,959.00	23,508.00
	TOTAL RESERVE ALLOCATION:	\$3,254.00	\$39,048.00
	TOTAL OPERATING & RESERVES:	\$17,135.00	\$205,620.00

Villagio I at Ranch San Clemente Homeowners Association

Assessment and Reserve Funding Disclosure Summary
For the Fiscal Year January 1, 2018 through December 31, 2018

- (1) The regular assessment per ownership interest is \$ 150 per month. *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 summary.*
- (2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:

Date assessment will be due:	Amount per ownership interest per month or year (If assessments are variable, See note immediately below):	Purpose of the assessment:
N/A		
	Total: \$	

Note: If assessments vary by the size of the 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 and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years? **YES**
- (4) If the answer to (3) is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the board or the members?

Approximate date assessment will be due:	Amount per ownership interest per month or year:
n/a	n/a
	Total n/a

- (5) All major components are included in the reserve study and are included in its calculations.
- (6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is \$174,846, based in whole or in part on the last reserve study or update prepared by Reserve Data Analysis California, LLC as of July 3, 2017. The projected reserve fund cash balance at the end of the current fiscal year is \$187,922, resulting in reserves being 107 percent funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is \$174,846. The current deficiency in reserve funding expressed on a per unit basis is \$0.
- (7) Based on the method of calculation in paragraph (4) of subdivision (b) of section 5570 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is (b), and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is (a), leaving the reserve at (c) percent funding. *(See recommendation below)*

Year Ending	Projected Reserve Balance (a)	Estimated Amount Required in Reserves (b)	Percent Fully Funded (c)
2018	\$197,763	\$196,037	101%
2019	\$225,708	\$228,142	99%
2020	\$267,360	\$274,868	97%
2021	\$292,061	\$302,775	96%
2022	\$317,680	\$332,384	96%

If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years will be (a), leaving the reserve at (b) percent funding. *(See approved budget below)*

Year Ending	Projected Reserve Balance (a)	Percent Fully Funded (b)
	Please See Above	

At the time this summary was prepared, the assumed long-term before tax interest rate earned on reserve funds was 1% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 2.5% per year.

Note: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. The preparer of this form will be indemnified and held harmless against all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which may become subject in connection of this engagement, because of any false, misleading or incomplete information which has been relied upon by others, or which may result from any improper use or reliance on the disclosure by you or any third party.

Villagio I at Rancho San Clemente HOA
 San Clemente, California
RDA Reserve Analysis Report Summary

Report Date	July 3, 2017	Parameters:	
Version	025	Inflation	2.50%
Account Number	3489	Annual Contribution Increase	2.50%
Budget Year Beginning	1/ 1/18	Investment Yield	1.00%
Ending	12/31/18	Taxes on Yield	30.00%
Total Units Included	114	Contingency	3.00%
Phase Development	4 of 4	Reserve Fund Balance as of	
		1/ 1/18:	\$187,922.00

Project Profile & Introduction

For budgeting purposes, unless otherwise noted within this report we have used January 1986 as the average placed in service date for aging all the original components examined in this analysis.

RDA On-Site Inspection: June 30, 2017

RDA Summary of Calculations

Monthly Contribution to Reserves Required:	\$3,150.96
(\$27.64 per unit per month)	
Average Net Monthly Interest Contribution This Year:	103.00
Net Monthly Allocation to Reserves 1/ 1/18 to 12/31/18:	\$3,253.96
(\$28.54 per unit per month)	

RDA Reserve Management Software
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Villagio I at Rancho San Clemente HOA
Distribution of Accumulated Reserves

REPORT DATE: July 3, 2017
 VERSION: 025
 ACCOUNT NUMBER: 3489

DESCRIPTION	REM LIFE	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Streets - Concrete, Repairs	0	29,207.00	29,207.00
Landscape - Replace/Refurbish	1	10,000.00	20,000.00
Painting - Entrance	2	2,057.50	4,115.00
Streets - Curb Painting	2	0.00	637.20
Streets - Pavers, Clean & Seal	2	0.00	0.00
Lighting - Palm Tree	3	2,327.29	2,327.29
Mailboxes - Pedestal Sets, 2006	3	2,376.00	2,376.00
Sign - Streets	3	914.29	914.29
Streets - Asphalt Repairs	4	6,974.02	6,974.02
Streets - Asphalt Slurry Seal	4	0.00	0.00
Irrigation - Controller, 2008	5	2,916.67	2,916.67
Irrigation - Backflow Devices	7	2,868.75	2,868.75
Sign - Monument	7	6,554.60	6,554.60
Irrigation - Controller, 2011	8	2,472.81	2,472.81
Sign - Entrance	8	727.27	727.27
Lighting - Grounds	10	4,365.50	4,365.50
Mailboxes - Pedestal Sets, 2014	11	396.00	396.00
Mailboxes - Pedestal Sets, 2016	13	402.02	402.02
Walls - Repairs	13	11,868.69	11,868.69
Mailboxes - Pedestal Sets, 2017	14	133.33	133.33
Streets - Asphalt Overlay	14	60,720.00	60,720.00
Streets - Pavers, Replace	14	15,984.60	15,984.60
Landscape - Potential Slope Failure	19	4,009.06	4,009.06
Irrigation - Enclosures	23	1,953.00	1,953.00
Trellis - Wood, Entrance	23	525.44	525.44

Villagio I at Rancho San Clemente HOA
Distribution of Accumulated Reserves

DESCRIPTION	REM LIFE	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Total Asset Summary:		169,753.84	182,448.54
Contingency @ 3.00%:		5,092.62	5,473.46
Grand Total:		174,846.46	187,922.00
Excess Reserves Not Used:			0.00
Percent Fully Funded:	107%		

Villagio I at Rancho San Clemente HOA
Funding Status Report

REPORT DATE: July 3, 2017
 VERSION: 025
 ACCOUNT NUMBER: 3489

DESCRIPTION	USE LIFE	+/-	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Streets - Asphalt Overlay	20	0	14	208,560	60,720	60,720
Streets - Asphalt Repairs	4	+4	4	13,948	6,974	6,974
Streets - Asphalt Slurry Seal	4	0	4	10,018	0	0
Streets - Concrete, Repairs	5	0	0	29,207	29,207	29,207
Streets - Curb Painting	2	0	2	2,539	0	637
Streets - Pavers, Clean & Seal	2	0	2	1,500	0	0
Streets - Pavers, Replace	20	0	14	53,282	15,985	15,985
*** CATEGORY SUMMARY:				319,054	112,886	113,523
Painting - Entrance	4	0	2	4,115	2,058	4,115
*** CATEGORY SUMMARY:				4,115	2,058	4,115
Trellis - Wood, Entrance	25	0	23	6,568	525	525
Walls - Repairs	25	0	13	25,000	11,869	11,869
*** CATEGORY SUMMARY:				31,568	12,394	12,394
Lighting - Grounds	20	0	10	8,731	4,366	4,366
Lighting - Palm Tree	22	0	3	2,703	2,327	2,327
*** CATEGORY SUMMARY:				11,434	6,693	6,693
Sign - Entrance	15	0	8	1,634	727	727
Sign - Monument	20	0	7	10,084	6,555	6,555
Sign - Streets	15	+20	3	1,000	914	914
*** CATEGORY SUMMARY:				12,718	8,196	8,196
Mailboxes - Pedestal Sets, 2006	15	0	3	2,970	2,376	2,376
Mailboxes - Pedestal Sets, 2014	15	0	11	1,485	396	396
Mailboxes - Pedestal Sets, 2016	15	0	13	4,583	402	402
Mailboxes - Pedestal Sets, 2017	15	0	14	7,600	133	133
*** CATEGORY SUMMARY:				16,638	3,307	3,307
Irrigation - Backflow Devices	24	0	7	4,050	2,869	2,869
Irrigation - Controller, 2008	15	0	5	4,375	2,917	2,917
Irrigation - Controller, 2011	15	0	8	5,638	2,473	2,473
Irrigation - Enclosures	30	0	23	8,370	1,953	1,953
*** CATEGORY SUMMARY:				22,433	10,211	10,211
Landscape - Potential Slope Failure	20	0	19	80,181	4,009	4,009
Landscape - Replace/Refurbish	2	0	1	20,000	10,000	20,000
*** CATEGORY SUMMARY:				100,181	14,009	24,009

Villagio I at Rancho San Clemente HOA
Funding Status Report

DESCRIPTION	USE +/- REM LIFE LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
TOTAL ASSET SUMMARY:		518,141	169,754	182,449
CONTINGENCY @ 3.00%:			5,093	5,473
GRAND TOTAL:			174,846	187,922

Percent Fully Funded: 107%

Villagio I at Rancho San Clemente HOA
Asset Listing - Summary by Category

REPORT DATE: July 3, 2017
 VERSION: 025
 ACCOUNT NUMBER: 3489

DESCRIPTION	REM LIFE	CURRENT COST	MONTHLY CONTRIBUTION	NET MONTHLY ALLOCATION
Streets - Asphalt Overlay	14	208,560	1,096.82	1,135.88
Streets - Asphalt Repairs	4	13,948	162.82	167.42
Streets - Asphalt Slurry Seal	4	10,018	218.93	219.63
Streets - Concrete, Repairs	0	29,207	515.11	516.77
Streets - Curb Painting	2	2,539	82.64	83.28
Streets - Pavers, Clean & Seal	2	1,500	64.42	64.63
Streets - Pavers, Replace	14	53,282	277.70	287.95
*** CATEGORY SUMMARY:		319,054	2,418.44	2,475.56
Painting - Entrance	2	4,115	6.15	8.58
*** CATEGORY SUMMARY:		4,115	6.15	8.58
Trellis - Wood, Entrance	23	6,568	27.77	28.17
Walls - Repairs	13	25,000	113.15	120.46
*** CATEGORY SUMMARY:		31,568	140.92	148.63
Lighting - Grounds	10	8,731	46.72	49.42
Lighting - Palm Tree	3	2,703	14.33	15.74
*** CATEGORY SUMMARY:		11,434	61.05	65.16
Sign - Entrance	8	1,634	11.34	11.80
Sign - Monument	7	10,084	55.03	59.04
Sign - Streets	3	1,000	3.84	4.39
*** CATEGORY SUMMARY:		12,718	70.21	75.23
Mailboxes - Pedestal Sets, 2006	3	2,970	20.71	22.17
Mailboxes - Pedestal Sets, 2014	11	1,485	9.79	10.05
Mailboxes - Pedestal Sets, 2016	13	4,583	30.98	31.31
Mailboxes - Pedestal Sets, 2017	14	7,600	51.01	51.25
*** CATEGORY SUMMARY:		16,638	112.49	114.78
Irrigation - Backflow Devices	7	4,050	19.43	21.17
Irrigation - Controller, 2008	5	4,375	30.08	31.88
Irrigation - Controller, 2011	8	5,638	39.50	41.07
Irrigation - Enclosures	23	8,370	31.58	32.82
*** CATEGORY SUMMARY:		22,433	120.59	126.94
Landscape - Potential Slope Failure	19	80,181	99.46	102.13
Landscape - Replace/Refurbish	1	20,000	29.87	41.67
*** CATEGORY SUMMARY:		100,181	129.33	143.80

Villagio I at Rancho San Clemente HOA
Asset Listing - Summary by Category

DESCRIPTION	REM LIFE	CURRENT COST	MONTHLY CONTRIBUTION	NET MONTHLY ALLOCATION
TOTAL ASSET SUMMARY:		518,141	3,059.18	3,158.68
CONTINGENCY @ 3.00%:			91.78	95.28
GRAND TOTAL:			3,150.96	3,253.96

Villagio I at Rancho San Clemente HOA
RDA Standard Projections

REPORT DATE: July 3, 2017
 VERSION: 025
 ACCOUNT NUMBER: 3489

Beginning Accumulated Reserves: \$187,922

YEAR	CURRENT REPLACEMENT COST	ANNUAL CONTRBTN	ANNUAL INTEREST CONTRBTN	ANNUAL EXPENDTRS	PROJECTED ENDING RESERVES	FULLY FUNDED RESERVES	PERCENT FULLY FUNDED
'18	518,141	37,812	1,236	29,207	197,763	196,037	101%
'19	531,095	47,049	1,396	20,500	225,708	228,142	99%
'20	544,372	48,539	1,681	8,567	267,360	274,868	97%
'21	557,981	51,583	1,842	28,724	292,061	302,775	96%
'22	571,931	54,522	2,009	30,912	317,680	332,384	96%
'23	586,229	55,857	1,985	60,623	314,899	332,734	95%
'24	600,885	56,597	2,327	9,456	364,366	388,512	94%
'25	615,907	60,062	2,467	40,575	386,320	414,268	93%
'26	631,305	60,744	2,607	42,982	406,689	439,567	93%
'27	647,087	62,535	2,882	24,977	447,128	486,016	92%
'28	663,265	64,885	2,934	59,002	455,946	499,249	91%
'29	679,846	65,675	3,215	28,190	496,646	546,927	91%
'30	696,842	68,713	3,444	37,664	531,139	587,420	90%
'31	714,264	70,223	3,475	68,351	536,487	598,153	90%
'32	732,120	67,842	1,231	392,236	213,324	268,681	79%
'33	750,423	59,289	1,188	71,266	202,535	271,578	75%
'34	769,184	64,903	1,339	41,574	227,202	307,682	74%
'35	788,413	71,404	1,612	30,432	269,785	358,280	75%
'36	808,124	73,482	1,998	18,910	326,356	424,184	77%
'37	828,327	76,851	2,314	31,973	373,548	473,101	79%
'38	849,035	78,425	2,166	100,917	353,222	452,254	78%
'39	870,261	79,260	2,500	33,592	401,390	503,812	80%
'40	892,017	82,359	2,985	14,038	472,697	579,195	82%
'41	914,318	86,547	3,075	74,484	487,834	594,588	82%
'42	937,176	87,089	3,350	50,653	527,620	637,513	83%
'43	960,605	90,112	3,319	96,238	524,813	635,423	83%
'44	984,620	91,400	3,851	18,317	601,747	717,636	84%
'45	1,009,236	96,914	4,126	58,598	644,189	761,520	85%
'46	1,034,466	98,511	4,384	65,062	682,022	801,871	85%
'47	1,060,328	101,264	4,718	56,481	731,523	854,541	86%

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

VILLAGIO AT RANCHO SAN CLEMENTE HOMEOWNERS ASSOCIATION INSURANCE INFORMATION FOR OWNERS

The Association's Commercial General Liability, Workers' Compensation, Crime Fidelity Bond, and Property coverages are carried by: **FARMERS INSURANCE EXCHANGE**
The Umbrella Liability coverage is carried by: **TRUCK INSURANCE EXCHANGE**
The Earthquake Insurance is carried by: **ROCKHILL INSURANCE COMPANY**

The Agent who services this policy, and whose advice is used by the Association on insurance matters, is:

**AGENT: PATRICK PRENDIVILLE
PRENDIVILLE INSURANCE AGENCY
24661 DEL PRADO, SUITE #3
DANA POINT, CA 92629
PHONE: (949) 487-9696**

The Villagio at Rancho San Clemente Homeowners Association does carry a Master Policy of property coverage on the buildings, which is under the building coverage part of the policy. The property coverage limit is \$37,035,896.00 with a \$5,000.00 deductible.

Liability coverage for the Association is carried in the amount of \$1,000,000.00 per occurrence. The Directors & Officers coverage for the Association is carried in the amount of \$2,000,000.00 without a deductible. An Umbrella Liability policy for the Association is carried in the amount of \$5,000,000.00 with no deductible; Crime Fidelity Bond is \$1,900,000.00 with a \$500.00 deductible. Workers' Compensation coverage is carried for the Association in the amount of \$1,000,000.00 with no deductible. The Association carries Earthquake Insurance through Rockhill Insurance Company in the amount of \$10,000,000.00. The limits of coverage under the liability policies meet the requirements of California Civil Code §5805.

The deductible for filing a claim on the Association's policy is \$5,000.00. In the event of damage to a building and/or real property improvements to the separate interests by a significant covered casualty (such as, but not limited to, fire or explosion), it is the policy of the Association, set by the Board of Directors, to file a claim on the Master Policy. The homeowner will be responsible for any deductible.

EACH OWNER IS RESPONSIBLE FOR OBTAINING COVERAGE ON THEIR UNIT'S INTERIOR AND CONTENTS, AND FOR THEIR PERSONAL LIABILITY EXPOSURE.

This summary of the Association's policies of insurance provides only certain information, as required by Section 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, 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.

VILLAGIO AT RANCHO SAN CLEMENTE HOMEOWNERS ASSOCIATION
ANNUAL CIVIL CODE §5300 FHA AND VA STATEMENT

FEDERAL HOUSING ADMINISTRATION - FHA

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.

This common interest development [(is) / is not (circle one)] a condominium project. The Association of this common interest development [is / (is not (circle one))] certified by the Federal Housing Administration.

DEPARTMENT OF VETERANS AFFAIRS - VA

Certification by the Federal Department of Veteran 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.

This common interest development [(is) / is not (circle one)] a condominium project. The Association of this common interest development [(is) / is not (circle one)] certified by the Federal Department of Veterans Affairs.

VILLAGIO AT RANCHO SAN CLEMENTE HOMEOWNERS ASSOCIATION
COLLECTION POLICY

1. Assessments are due the first (1st) day of each month, and are billed monthly. In compliance with Civil Code §5655 all payments are applied first to the oldest assessments owed, then when those are paid in full, payments shall be applied to the fees and costs of collection, then attorney's fees, then late charges or interest. The billing statement is a *courtesy* provided to Owners. Assessments are due whether you receive a bill, or not. Neither the Board of Directors nor Management can be responsible for lost, or slow movement of mail.
2. Checks returned by the bank will bear a \$20.00 service charge assessed to the Owner's account.
3. Any assessment not paid within thirty (30) days after the due date will be assessed a ten (\$10.00) dollar late charge of the delinquent assessment.
4. The Association shall be entitled to recover its reasonable costs incurred in collecting delinquent assessments, including reasonable attorney's fees and interest at the rate of 12% per annum on all such unpaid delinquent assessments, costs and fees commencing thirty (30) days after the assessments becomes due.
5. Not less than sixty (60) days after the due date, the Board may forward the delinquent account to the Association's lien service or Attorney for collection. The delinquent Owner shall bear all costs, and Attorney's fees associated with collecting the delinquent sum.
6. The Attorney shall be authorized to use its discretion in the manner of collecting the delinquent assessment, including but not limited to correspondence with the Owner, and recording of an assessment lien. With Board approval, such lien may be foreclosed by judicial or non-judicial procedures, not less than thirty (30) days after recordation, and for liens recorded after January 1, 2006, in compliance with Civil Code Section 5705 and 5720. With Board approval, the Board reserves the right to seek collection of delinquent assessments, late charges, interest, fees and costs in Small Claims Court.
7. After filing of a lien, a delinquent Owner who disputes the assessment may choose to pay under protest the entire disputed assessment, late charges, interest, fees, and costs within thirty (30) days. This must be done in writing, and sent by certified mail with the payment. The Association will then provide notice to the Owner that the dispute may be resolved through alternative dispute resolution, civil action, or other procedures. This option is available up to two (2) times per year, or up to three (3) times in five (5) years.

Important Notice: If your separate interest is placed in foreclosure because you are behind in your assessments, it may be sold without court action.

8. Upon payment in full of all sums owing to the Association, including costs & Attorney's fees, the Association shall cause a "release" to be filed with respect to any lien that may have been recorded.
9. Upon receipt of a written request by an Owner identifying a secondary address for purposes of collection notices, the Association shall send additional copies of any notices required by Civil Code Section §4040 to the secondary address provided. The Owner's request shall be in writing and shall be mailed to the Association in a manner that shall include the Association has received it. The Owner may identify or change a secondary address at any time, provided that, if a secondary address is identified or changed during the collection process, the Association shall only be required to send notices to the indicated secondary address from the point the Association receives the request.

Please be advised that Debtors have certain rights under the Federal Fair Debt collection Practices Act. The Association may use an agent for the purposes of collection of debts. Any information provided to the Association or its Agents will be used for the purpose of collection of the debt. Debtors have thirty (30) days from the date of the Intent to Lien Notice to contest and seek verification of the debt. The act does not prohibit the Association from continuing its efforts to collect the debt during the thirty (30) days. Thus, the Association will proceed with the lien as stated in this policy, unless the Debtor seeks verification of the debt within thirty (30) days of the notice. If the Debtor seeks verification of the debt within thirty (30) days of the notice, the Association will stay collection efforts during that period of time it is providing the required information.

Payments on delinquent accounts may be sent overnight to:
VILLAGIO AT RANCHO SAN CLEMENTE HOMEOWNERS ASSOCIATION
C/o: Curtis Management Company
5050 Avenida Encinas, Suite #160
Carlsbad, CA 92008

**VILLAGIO AT RANCHO SAN CLEMENTE HOMEOWNERS ASSOCIATION
STATEMENT OF ASSOCIATION'S POLICIES AND PRACTICES IN ENFORCING LIEN
RIGHTS**

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 (\$1,800.00). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800.00) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Section §5730 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. (§5600-§5730 of the Civil Code)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged by a member or a member's guests, if the governing documents provide for this. (§5610 and §5650 of the Civil Code)

The association must comply with the requirements of Section §5650 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 satisfying the requirements are the responsibility of the association. (§5650 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of

the charges owed by the owner. An owner has a right to review the association's record to verify the debt. (§5650 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 alien release within 21 days, and to provide an owner certain documents in this regard. (§5650 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. (§5650 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 Civil Code §5658. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Civil Code §5670, 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. (§5650 of the Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a timeshare may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exist. (§5665 of the Civil Code)

The board of directors must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. . (§5665 of the Civil Code)

Villagio at Rancho San Clemente Homeowner Association

Rules and Regulations

ENFORCEMENT

All residents and owners may report violations. Written complaints should be submitted to the Managing Agent. Violations are also noted and reported by the Managing Agent, Board of Directors and Committees. The following actions may be taken:

FIRST VIOLATION

A warning letter will be sent describing the violation that needs to be corrected immediately.

SECOND VIOLATION

Upon a second or subsequent violation a Show Cause Hearing Notice will be sent. Violations of Rules and Regulations of Covenants, Conditions and Restrictions (CC&R's) will carry fines. Owners have a right to appear on their own behalf in response to any violation hearing and assessment of a fine.

If you fail to appear and appeal the violation you may be charged a fine in accordance with the following:

Second Violation	\$50.00
Third Violation	\$100.00
Fourth Violation	\$150.00

Subsequent Violations of a repeating nature or non-compliance after a violation notice may bear a \$150.00 per month fine until the violation is corrected.

Architectural Control Violations or violations that pose a threat to the community's safety may carry a harsher fine. The Board reserves the right to pursue any and all legal means to correct a violation.

Fines will be assessed to the owner's assessment account and are expected to be paid within the immediate thirty-day period following the assessment of the fine.

Violations should be reported to:

Curtis Management Company

5050 Avenida Encinas Suite 160

Carlsbad, CA 92008

Revised August 2013

**VILLAGIO AT RANCHO SAN CLEMENTE HOMEOWNERS ASSOCIATION
INFORMATION FOR OWNERS REGARDING THE LAW ON DISPUTES BETWEEN
HOMEOWNER ASSOCIATIONS AND ASSOCIATION MEMBERS**

Dear Homeowner(s):

Amended in January 2005, California Civil Code Section 5900 through 5965 requires certain types of disputes between homeowner associations and their members, or between members themselves, to be submitted to arbitration or mediation (collectively called "Alternative Dispute Resolution"). This law first went into effect January 1, 1994, and prohibits the filing of a lawsuit until after certain conditions have been met. This law will affect you if you have a dispute with the Association or with another homeowner.

The law applies only to disputes regarding the Association's "governing documents", which include the CC&R's, By-Laws, Articles of Incorporation, and Rules and Regulations. Further, it applies only to two types of cases. The first type of case is "declaratory relief." In this type of case a party is asking the court to declare or interpret the parties' rights or obligations under one or more of the governing documents. The second type of case is "injunctive relief". Here, a party is asking the court to order the other party to do something, or to stop doing something. Either type of case may also include a claim for money damages as long as it does not exceed \$5,000.00. The new law does not apply to cases which seek only money damages, or to cases involving assessments.

The Alternative Dispute Resolution procedure is commenced by serving upon the other party an offer to submit the dispute to arbitration or mediation. The offer is called a "Request for Resolution". The law requires that this document contain certain mandatory language.

The party receiving a Request for Resolution has thirty (30) days to respond. If the party accepts it, the arbitration or mediation must be completed within ninety days. If the offer is refused, the other party may then file its lawsuit. Refusing arbitration or mediation does carry a risk. If the court awards attorneys' fees and costs, it may consider the party's refusal to participate in arbitration or mediation when considering the amount of the award.

The law contains a number of other technical provisions and requirements and it should be read in its entirety and discussed with your own legal counsel. It does, however, require us to quote the following language in this letter:

"Failure by any member of the Association to comply with the alternative dispute requirements of Section 5930 of the Civil Code may result in the loss of your right to sue the Association or another member of the Association regarding enforcement of the governing documents or the applicable law."

Sincerely,

Villagio at Rancho San Clemente Homeowners Association Board of Directors

**VILLAGIO AT RANCHO SAN CLEMENTE HOMEOWNERS
ASSOCIATION
INTERNAL DISPUTE RESOLUTION PROCEDURES**

VILLAGIO AT RANCHO SAN CLEMENTE HOMEOWNERS ASSOCIATION (“the Association”) will continue to provide a fair, reasonable, and expeditious procedure for resolving disputes between an Association and any Member of the Association involving the Member’s rights, duties, or liabilities under the Davis-Stirling Act, the Nonprofit Mutual Benefit Corporation Law, or under the governing documents of the Common Interest Development or Association. The procedures for dispute resolution, as now set forth in *California Civil Code §5900 through §5965*, are as follows:

1. Either party to the dispute may deliver a written request to the other party seeking to meet and confer in an effort to resolve the dispute.
2. A member of the 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 up to two Members of the Board of Directors to meet and confer.
4. The parties shall meet promptly at a mutually convenient time and place, explain their positions to each other, and confer in good faith in an effort to resolve the dispute. The parties may be assisted by an attorney or another person at their own cost when conferring.
5. A resolution of the dispute agreed to by the parties shall be memorialized in writing and signed by the parties, including the Board designee on behalf of the Association.
6. A written agreement reached using these procedures will bind the parties and is judicially enforceable if it is signed by both parties and both of the following conditions are satisfied:
 - (a) The agreement is not in conflict with law or the governing documents of the common interest development or Association.
 - (b) 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.
7. A Member of the Association shall not be charged a fee to participate in this process.

**ARCHITECTURAL REVIEW PROCESS FOR THE
VILLAGIO AT RANCHO SAN CLEMENTE HOMEOWNERS ASSOCIATION**

Please consider this to be your notice regarding the architectural process of the Villagio at Rancho San Clemente Homeowners Association. This notice is generated in compliance with California Civil Code Section 4765. The Association's architectural process is listed in Article 17 on pages 53 through 54 of the "Covenants, Conditions & Restrictions for Villagio at Rancho San Clemente Homeowners Association" hereafter called the CC&R's. Excerpts from this Article are provided below.

17.1 Architectural Approval. Except as to construction of improvements by Declarant in any phase of the Project, no building, fence, wall or other structure shall be commenced, erected or maintained on the Property, nor shall any exterior addition to or change or alteration in any such structures or the Property, including solar heating systems, pools, spas, ponds, fountains, landscaping, stonework, concrete work or related mechanical plumbing or electrical facilities, awnings or antennae, be made until the plans and specifications showing the nature, kind, shape, materials and location of the same have been submitted to and approved in writing as to harmony of design and location in relation to surrounding structures and topography by the Architectural Committee provided for in Section 17.2 and, if required, by the separate Architectural Committee provided for in Article IX of the Master Declaration. Whenever in this Declaration the prior consent or approval of the Association is required as a condition to any action by an Owner affecting any alterations, changes, additions or modifications of the Common Area, or such Owner's unit, the Association through the board may delegate to the Architectural Committee the right and duty to grant or withhold such consent or approval. The Architectural Committee shall from time to time establish and distribute to Owners written standards and policies relating to landscaping and maintenance of structures or other improvements within units, including plantings, equipment, mechanical or electrical systems, walls, roofs, windows and doors, as well as procedures and schedules for meetings and hearings concerning such standards and policies or the enforcement thereof. In the event the Architectural Committee or its designated representatives fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required, and this Section will be deemed to have been complied with in full. No such deemed approval shall constitute approval of the Architectural Committee under the Master Declaration.

The Association must provide for the right of appeal at an open meeting of the Board of Directors unless the denial was by the Board or a body that has the same membership as the Board and the Architectural Committee for the Master Association.

**VILLAGIO AT RANCHO SAN CLEMENTE HOMEOWNERS ASSOCIATION
ANNUAL POLICY STATEMENT CIVIL CODE §5310 ADDITIONAL DISCLOSURES**

STATEMENT OF ASSOCIATION OUTSTANDING LOANS [CIV. CODE SECTION §5300(B)(8)]

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

DESIGNATED AGENT FOR RECEIPT OF ASSOCIATION MAIL [CIV. CODE SECTION §4035]

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

*Patrick Campbell, Managing Agent
Curtis Management Company
5050 Avenida Encinas, Suite 160
Carlsbad, CA 92008
(760) 643-2200*

SECONDARY ADDRESSES FOR OWNERS [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 for (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.

POSTING LOCATION OF GENERAL NOTICES [CIV. CODE §4045]

The location designated for posting of a General Notice may be found at the intersection of Via Villagio and Via Otono underneath the decorative awning.

INDIVIDUAL DELIVERY NOTICE [CIV. CODE §4045(B)]

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 section 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.

AVAILABILITY OF 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 written request and upon reimbursement of the Association's costs for making that distribution.

In order to make a request for a copy of minutes, members should contact the property manager via e-mail, fax and/or in writing.

ITEMS DEFERRED FOR MAINTENANCE, REPAIR OR REPLACEMENT [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.