



NEPENTHE ASSOCIATION

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DATE: November 22, 2019
TO: The Membership – Nepenthe Association
FROM: The Board of Directors
RE: 2020 Budget – Effective January 1, 2020

Each year the association’s volunteer Board of Directors performs a very careful review of the past year’s expenses and income to best project the amount to collect from each member in the upcoming fiscal year. When reviewing the budget, the Board considers several factors such as: recurring contract costs, inflation, utility usage and rates, insurance, and appropriate reserve contributions (savings) each month to pay for repair, restoration and/or replacement of common area components as needed.

As a result of this review, the Board has determined that an increase of 3.59% will be necessary to meet the association’s financial needs in the upcoming fiscal year. **Please note that effective January 1, 2020, your new monthly assessment will be \$519 per month.**

What Is Included in This Budget Packet?

State law and the association’s governing documents require the Board of Directors to distribute the following documents annually to each member:

- A summary of the *pro forma* budget for the upcoming fiscal year
- Assessment and Reserve Funding Disclosure Summary
- Executive Summary pages of the reserve study
- 5-Year Reserve Projection Model
- 30-Year Reserve Cashflow Analysis
- Delinquency Policy
- Written Notice of Assessments, Foreclosure, and Payment Plans
- Alternative Dispute Resolution (ADR) procedure
- Internal Dispute Resolution (IDR) procedure
- Discipline Policy
- Schedule of Penalties for Violation of the Association’s Documents
- Architectural Submittal and Appeal process
- Insurance Summary
- FHA Certification Disclosure
- VA Certification Disclosure
- Billing Disclosure Form

About the Reserve Study

California law requires the association's Board of Directors to “cause to be conducted” a reserve study with an onsite inspection at least once every three years. Although the law does not require the Board to perform a reserve study in years two and three, the law does require an annual disclosure to be distributed to the membership in those years. To ensure that the association’s major components are appropriately identified, the Board hires a professional reserve analyst for these services.* The “Executive Summary” in this packet will show whether or not a site inspection was completed this year as determined by the Board.

California law also requires the Board to make these disclosures about the association’s reserve funds:

- 1) In the upcoming year, the association will fund reserves using the following sources:

Type of Funding		
XX	Regular Assessments	
		Special Assessments
	Borrowing	
	Use of Other Assets	
	Deferral of Repairs	
	Alternate Mechanisms	

- 2) **The association has a total of \$8,188,394 in actual accumulated reserve funds as of September 30, 2019. The Board anticipates that the amount will increase to \$8,716,367 by the end of the current fiscal year. According to the reserve analyst, the total replacement cost for all major components is \$35,782,061. The current reserve fund amount represents 24.36% of the projected total replacement cost.** Although this number usually seems low, the legislature requires the Board to disclose (in boldface type) how much it would cost the association to rebuild all of its major common area components if they were replaced all at once.
- 3) According to the reserve analyst, at the start of the upcoming fiscal year the association is anticipated to be 94.8% funded to the “ideal funding level”. That number represents the

amount the association is anticipated to have on hand to repair or replace major components when they are scheduled to be repaired or replaced.

Insurance Information

The association carries General Liability insurance in the amount of \$11,000,000 which meets the minimum amount specified in California law to ensure that owners are only individually liable for their proportionate share of special or regular assessments levied to pay any judgments against the association which exceed the limits of the association's insurance.

Additional disclosures about the association's insurance policies can be found within this packet, including the name(s) of the insurer(s), the types of insurance, the policy limits, and the amount of deductibles (if any).

Other Disclosures

The Board of Directors does not anticipate that any special assessment will be required during the upcoming fiscal year to repair, replace and/or restore any major components or to provide adequate reserves.

Please contact the General Manager, Dawn Robinson at 916-929-8380 or via e-mail at Dawn.Robinson@fsresidential.com should you have any questions or if you would like to have a copy of the complete *pro forma* operating budget provided to you at the association's expense or a copy of the complete reserve study plan. These documents are also available for review at 1131 Commons Drive, Sacramento, CA 95825 by appointment.

ANNUAL POLICY STATEMENT – NEPENTHE ASSOCIATION

Effective January 1, 2014, the board is required to distribute an annual policy statement that provides the association members with information about its policies.

1. The name and address of the person designated to receive official communications to the association is the Manager on behalf of Nepenthe Association c/o FirstService Residential Management, 1131 Commons Drive, Sacramento, CA 95825.
2. Members may submit a request to the address noted above to have notices sent to up to two different specified addresses.
3. Civil Code permits the association to provide General Notices to the membership via newsletter, billing statement messages, or posting in a prominent location. If the association chooses to post notices, they will be located at the clubhouse, 1131 Commons Drive, Sacramento, CA 95825.
4. If you would like all notices, including general notices, to be sent to you by individual delivery, please notify the association's Manager in writing.
5. Copies of board meeting minutes for meetings that are open to the membership are available upon written request throughout the year. Minutes can be released to you thirty days following the meeting date and any charges involved for copying and postage for those minutes are the responsibility of the requesting owner. If the minutes are not approved by the Board within the 30-day period of the request, draft minutes will be provided to you.

* The association's board of directors has relied on information, opinions, reports and statements presented to it by vendors, contractors, reserve study specialists, CPA's and/or other professionals and is relying upon this information, financial data and reports pursuant to the California Corporations Code in providing the association membership the information contained in this Assessment Reserve Funding Disclosure Summary. The information contained within the reserve study includes assumptions regarding future events based on information supplied to the association's board of directors from said professionals. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the date of this

Disclosure Summary. Therefore, the actual replacement cost and remaining life may vary from the reserve study and the variation may be significant. Additionally, inflation and other economic events may impact the reserve study, particularly over a 30-year period of time which could impact the accuracy of the reserve study and the funds available to meet the association's obligation for repair and/or replacement of major components during the next 30 years. Furthermore, severe weather conditions, earthquakes, floods or other acts of God, the occurrence of vandalism and other events that are difficult to anticipate cannot be accounted for and are excluded when assessing life expectancy of the components. The reserve study only includes items that the Association has a clear and express responsibility to maintain pursuant to the association's CC&Rs.

NEPENTHE ASSOCIATION
January 1, 2020 - December 31, 2020

Number Of Units : 590

	Per Unit	Per Month (rounded)	Per Year (rounded)
INCOME			
MEMBER ASSESSMENT	519.00	306,212	3,674,544
OTHER INCOME	6.50	3,835	46,020
TOTAL INCOME	525.50	310,047	3,720,564
RESERVE CONTRIBUTION			
	307.84	181,623	2,179,476
OPERATING EXPENSES			
UTILITIES	14.82	8,745	104,940
LAND MAINTENANCE	59.32	35,000	420,000
COMMON AREA	26.20	15,460	185,520
MANAGEMENT/ON-SITE ADMIN EXP	59.27	34,969	419,628
INSURANCE	58.05	34,250	411,000
TOTAL OPERATING EXPENSES	217.67	128,424	1,541,088
TOTAL RESERVE CONTRIBUTION	307.84	181,623	2,179,476
TOTAL OPERATING & RESERVES	525.50	310,047	3,720,564

The complete pro forma operating budget is available at the business office of the association. Copies will be provided to you upon request at the expense of the association.



RESERVE STUDY

Member Distribution Materials

Nepenthe Association

Update w/o Site Visit Review

2019 Update- 3

Published - November 22, 2019

Prepared for the 2020 Fiscal Year

Section Report		Page
California:Member Summary		1
Assessment and Reserve Funding Disclosure Summary	[Civil Code §5570]	3
Section III:30 Year Reserve Funding Plan	Cash Flow Method {0	5

November 22, 2019

This is a summary of the Reserve Study that has been performed for Nepenthe Association, (the "Association"). This study was conducted in compliance with California Civil Code Sections 5300, 5550 and 5560 and is being provided to you, as a member of the Association, as required under these statutes. A full copy is available (through the Association) for review by members of the Association.

The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. This is done utilizing the "Cash Flow Method." This is a method of developing a reserve funding plan where the contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund.

Browning Reserve Group prepared this Update w/o Site Visit Review for the January 1, 2020 -December 31, 2020 fiscal year.

Nepenthe Association is a Planned Development with a total of 590 Lots.

The Reserve Study is not an engineering report, and no destructive testing was performed. The costs outlined in the study are for budgetary and planning purposes only, and actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report.

Funding Assessment

Based on the 30 year cash flow projection, the Association's reserves appear adequately funded as the reserve fund ending balances remain positive throughout the replacement of all major components during the next 30 years.

California statute imposes no reserve funding level requirements nor does it address funding level adequacy, and although one or more of the reserve fund percentages expressed in this report may be less than one hundred percent, those percentages do not necessarily indicate that the Association's reserves are inadequately funded.

Nepenthe Association
California Member Summary
2019 Update- 3 Prepared for
the 2020 Fiscal Year

Reserve Component	Current Replacement Cost	Useful Life	Remaining Life	2019 Fully Funded Balance	2020 Fully Funded Balance	2020 Line Item Contribution based on Cash Flow Method
01000 - Paving	1,925,948	1-15	1-10	871,291	1,056,600	149,240
02000 - Concrete	76,344	1-5	0-6	40,905	66,321	24,919
03000 - Painting: Exterior	1,664,626	1-16	0-6	572,358	799,289	176,362
03500 - Painting: Interior	25,385	4-10	1-5	13,625	17,141	2,535
04000 - Structural Repairs	6,829,482	1-30	0-28	1,255,273	1,660,297	452,959
05000 - Roofing	21,322,652	1-30	0-30	4,201,674	4,895,203	835,166
08000 - Rehab	564,846	1-30	0-25	225,999	233,311	30,638
12000 - Pool	598,752	1-30	0-25	194,394	205,281	39,818
13000 - Spa	38,327	1-24	0-19	20,602	20,042	3,643
14000 - Recreation	33,611	5-20	1-9	19,811	25,095	3,744
17000 - Tennis Court	234,211	1-21	0-11	132,121	150,056	13,391
18000 - Landscaping	1,333,967	1-25	0-9	867,824	672,843	307,538
19000 - Fencing	653,682	1-25	0-20	285,394	358,289	73,018
20000 - Lighting	74,483	1-20	0-14	26,698	20,595	7,957
21000 - Signage	78,633	5-25	1-15	38,722	44,479	4,345
22000 - Office Equipment	8,200	3-3	2-2	2,733	5,603	2,137
23000 - Mechanical Equipment	100,645	1-15	0-5	84,730	93,703	5,402
24000 - Furnishings	9,225	10-15	3-10	4,954	5,884	671
24600 - Safety / Access	20,507	1-10	0-10	14,241	2,711	728
25000 - Flooring	37,494	10-20	2-19	17,844	21,813	2,955
26000 - Outdoor Equipment	718	10-10	7-7	215	294	63
27000 - Appliances	18,450	10-20	2-15	8,521	10,286	1,329
30000 - Miscellaneous	117,413	1-50	0-2	114,687	113,927	35,971
31000 - Reserve Study	6,600	1-3	0-2	2,600	4,715	2,010
32000 - Undesignated	7,859	1-1	0-1	4,016	7,880	2,932
Totals				\$9,021,233	\$10,491,656	\$2,179,473
Estimated Ending Balance				\$8,555,149	\$9,953,246	\$307.84
Percent Funded				94.8%	94.9%	/Lot/month @ 590

November 22, 2019

(1) The regular assessment per ownership interest is \$519.00 per month for the fiscal year beginning January 1, 2020.

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page iii of the attached summary.

(0) 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 vixx ye z/el	Amount per ownership interest per month or year (if assessments are ...ariaYXe, see note immeziatexy yeXovz)	{r*ose o,, t*e assessment
N/A	\$0.00	N/A
Total:	\$0.00	

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page iii of the attached report.

(2) 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 X No _____

This disclosure has been prepared by Browning Reserve Group and has been reviewed and approved by the association's board of directors based upon the best information available to the association at the time of its preparation. The accuracy of this information over the next 30 years will be dependent upon circumstances which are impossible to predict with specificity, and will require future action to adjust assessments over the period in accordance with the current projections and future developments.

(3) 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

(1) All major components are included in the reserve study and are included in its calculations. See next page §5300(b)(4), for any major component exclusions.

(4) Based on the method of calculation in paragraph (4) of the subdivision (b) of section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is \$9,021,233, based in whole or in part on the last reserve study or update prepared by Browning Reserve Group as of August, 2019. The projected reserve fund cash balance at the end of the current fiscal year is \$8,555,149 resulting in reserves being 95% percent funded at this date. Civil code section 5570 does not require the board to fund reserves in accordance with this calculation.

An alternate and generally accepted method of calculation has been utilized to determine future reserve contribution amounts. The reserve contribution for the next fiscal year has been determined using the Cash Row method of calculation (see section III, Reserve Fund Balance Forecast). This is a method of developing a reserve funding plan where the contributions to the reserve fund are designated to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

(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 presented in column (b) 'Fully Funded Balance' in the table immediately below; and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is presented in column (c) 'Reserve Ending Balance'; leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

Fiscal Year (a)	Fully Funded Balance (b)	Reserve Ending Balance (c)	Percent Funded (d)
2020	\$10,491,656	\$9,953,246	94.9%
2021	\$12,302,931	\$11,262,00	91.5%
2022	\$13,969,157	\$12,919,36	92.5%
2023	\$15,978,722	\$13,638,38	85.4%
2024	\$17,036,689	\$12,908,941	75.8%

If the reserve funding plan approved by the association is implemented, the projected fund cash balance in each of those years will be the amounts presented in column (c) 'Reserve Ending Balance' in the table immediately above, leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

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. At the time this summary was prepared, 2.50% per year was the assumed long-term inflation rate, and 2.50% per year was the assumed long-term interest rate.

Additional Disclosures

§5565(d) The current deficiency in reserve funding as of December 31, 2020 is \$913 per ownership interest (average).

This is calculated as the current estimate of the amount of cash reserves necessary as of the end of the fiscal year for which the study is prepared, less, the amount of accumulated cash reserves actually (Projected to be) set aside to repair, replace, restore, or maintain the major components.

$$\text{Deficiency} = \frac{2020 \text{ Fully Funded Balance} - 2020 \text{ Reserve Ending Balance}}{\text{Ownership Interest Quantity}}$$

§5300(b)(4) The current board of directors of the association has not deferred or determined to not undertake repairs or replacements over the next 30 years.

Major Component:	Justification for Deferral:
N/A	N/A

§5300(b)(5) The board of directors as of the date of the study does not anticipate the levy of a special assessment for the repair, replacement, or restoration of the major components.



30 Year Reserve Funding Plan Cash Flow Method

2019 Update- 3

Prepared for the 2020 Fiscal Year

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Beginning Balance	7,072,859	8,555,149	9,953,246	11,262,001	12,919,363	13,638,382	12,908,941	13,293,097	14,370,916	16,179,437
Inflated Expenditures 0 2.5%	822,540	1,009,875	1,202,378	962,365	2,004,323	3,529,310	2,490,559	1,896,583	1,285,767	1,823,064
Reserve Contribution ¹	2,111,892	2,179,473	2,249,216	2,321,191	2,395,469	2,472,124	2,551,232	2,632,871	2,717,123	2,804,071
Lots/month @ 590	298.29	307.84	317.69	327.85	338.34	349.17	360.34	371.87	383.77	396.06
Percentage Increase		3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax 0 2.50%	192,938	228,499	261,917	298,535	327,873	327,745	323,482	341,531	377,165	416,749
Ending Balance	8,555,149	9,953,246	11,262,001	12,919,363	13,638,382	12,908,941	13,293,097	14,370,916	16,179,437	17,577,192

1) The funding plan does not have a traditional "low year" or "threshold year" in terms of a dollar amount. The percent funded calculation is driving 3.2% increases to keep the Percent Funded above 60% in the long term, per the association.

	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Beginning Balance	17,577,192	18,646,342	20,893,055	22,171,502	22,971,985	23,644,248	25,405,594	27,710,480	30,021,141	32,376,047
Inflated Expenditures 0 2.5%	2,271,855	1,227,831	2,335,182	2,937,436	3,185,615	2,231,614	1,846,671	2,009,745	2,138,543	1,827,328
Reserve Contribution	2,893,801	2,986,403	3,081,968	3,180,591	3,282,370	3,387,406	3,495,803	3,607,669	3,723,114	3,842,254
Lots/month @ 590	408.73	421.81	435.31	449.24	463.61	478.45	493.76	509.56	525.86	542.69
Percentage Increase	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax 0 2.50%	447,204	488,141	531,661	557,327	575,509	605,554	655,754	712,736	770,336	834,588
Ending Balance	18,646,342	20,893,055	22,171,502	22,971,985	23,644,248	25,405,594	27,710,480	30,021,141	32,376,047	35,225,561

	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
Beginning Balance	35,225,561	35,971,750	34,614,192	32,737,440	33,286,085	33,442,604	29,819,735	27,938,344	25,216,251	20,388,031
Inflated Expenditures 0 2.5%	4,097,997	6,321,082	6,931,294	4,624,637	5,164,931	9,045,449	7,384,547	8,321,698	10,492,800	8,160,467
Reserve Contribution	3,965,206	4,092,093	4,223,040	4,358,177	4,497,639	4,641,563	4,790,093	4,943,376	5,101,564	5,264,814
Lots/month @ 590	560.06	577.98	596.47	615.56	635.26	655.59	676.57	698.22	720.56	743.62
Percentage Increase	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax 0 2.50%	878,979	871,431	831,502	815,105	823,811	781,017	713,063	656,230	563,016	473,505
Ending Balance	35,971,750	34,614,192	32,737,440	33,286,085	33,442,604	29,819,735	27,938,344	25,216,251	20,388,031	17,965,882

DELINQUENT ASSESSMENT COLLECTION POLICY

Effective: **JANUARY 2020**

Prompt payment of assessments by all owners is critical to the financial health of the Association and to the enhancement of the property values of our Association. Your Board of Directors takes very seriously its obligation under the CC&R's and the California Civil Code to enforce the members' obligation to pay assessments. The Board has adopted this Collection Policy in an effort to discharge that obligation in a fair, consistent, and effective manner. Therefore, pursuant to the CC&R's and Civil Code, the following are the Association's assessment collection practices and policies:

- Regular monthly assessments are due and payable on the 1st day of each month. A courtesy billing statement is sent each month to the billing address on record with the Association. However, it is the owner of record's responsibility to pay each assessment in full each month regardless of whether a statement is received.
- All other assessments, including, but not limited to, Special Assessments, Reimbursement Assessments, Reconstruction Assessments, and Capital Improvement Assessments are due and payable on the date specified by the Board in the notice of assessment.
- Regular monthly assessments and all other assessments (as defined in Paragraph 2) are collectively referred to herein as "Assessments".
- 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.
- Unpaid Assessments are delinquent 15 days after they are due.
- A late charge of \$10.00 or 10%, whichever is greater, will be charged for any Assessment that is not received on or before the 15th day of the month, prior to the close of business.
- When Assessments become delinquent, the Association may, but is not required to, send a courtesy reminder notice to the owner of record for all outstanding charges on the owner's account. (Assessments, late fees, interest, costs of collection, including attorneys' fees). A fee of \$25.00 may be charged for this notice.
- Interest on the balance due will accrue at a rate not to exceed 12% per annum; commencing thirty (30) days after the Assessment becomes due.
- At fifteen (15) days past due, the association may invite owner(s) to a hearing for the purpose of revoking membership privileges. Those privileges can include access to common areas or facilities, services paid for by the association, and/or the member's right to vote in association elections.
- When an Assessment becomes more than sixty (60) days past due, the Association will send a pre-lien letter to each owner, as required by the Civil Code, by certified mail to the owner's address of record. The owner will be charged **\$200.00** for the pre-lien letter, as well as title check fees and all costs to complete the transmittal of the letters.
- If the owner fails to pay the amounts set forth in the pre-lien letter within 30 days of receipt of that letter, a lien for the amount of any delinquent Assessments, late charges, interest and/or costs of collection, including attorneys' fees, may be recorded against the

NEPENTHE ASSOCIATION

owner's property. The owner will be charged **\$250.00** for the lien as well as any processing fees and costs. A copy of the lien will be sent to each owner at his/her address of record via certified mail within ten (10) days of recordation thereof. After the expiration of thirty (30) days following recordation of the lien, the lien may be enforced in any manner permitted by law.

- Prior to the recording of a Board authorized lien for delinquent Assessments, an owner that is delinquent has the right to participate in internal dispute resolution ("IDR") pursuant to the "meet and confer" program in accordance with California Civil Code. Prior to recording a lien, the Board of Directors will approve such action by a majority vote of the Board of Directors.
- Upon receipt of payment in full, that includes any late fees, interest, collection costs and/or attorneys' fees, a Release of Lien will be recorded. Copies of the Release of Lien will be sent to all owners of record. A charge of **\$140.00** for this release will be levied against the owners account. A **\$25.00** recording service will be charged for the recording of the Release of Lien with the County Recorder Office. All county recording fees are charged as applicable and as counties may charge from time to time. Such fees will be charged to the owners account.
- If an owner is delinquent for thirty (30) additional days after the Notice of Delinquent Assessment (Lien) has been recorded, the Assessment collection matter will be referred to the Association's attorney or collection agent, and the lien may be enforced by judicial or non-judicial foreclosure sale, or by money judgment at the Association's option. An actual foreclosure sale of an owner's property will not be conducted unless or until either; (a) the delinquent assessment amount totals One Thousand, Eight Hundred Dollars (\$1,800) or more, excluding accelerated assessments and specified late charges and/or fees; or (b) the assessments are delinquent for more than twelve (12) months. [You could lose ownership of your property if a foreclosure action is completed. You will be responsible for significant additional fees and costs, including attorneys' fees, if a foreclosure action is commenced against your property.] The decision to foreclose on a lien must be made by a majority of the Board of Directors in an Executive Session meeting and the Board of Directors must record their votes in the Minutes of the next open session Meeting of the Board. The Board must maintain the confidentiality of the delinquent owner(s) by identifying the matter in the Minutes by only the parcel number of the owner's property. Prior to initiating any foreclosure sale on a recorded lien, the Association shall offer delinquent owners the option of participating in IDR or Alternative Dispute Resolution ("ADR").
- Nothing herein limits or otherwise affects the Association's right to proceed in any other lawful manner to collect any delinquent sums owed to the Association.
- The Association will charge a processing fee to the owner for a returned check.
- A \$25.00 recording service will be charged for the recording of the Notice of Delinquent Assessment (Lien) with the Country Recorder Office. All county recording fees are charged as applicable and as counties may charge from time to time. Such fees will be charged to the owners account.
- Any owner who is unable to pay Assessments will be entitled to submit a written request for a payment plan to be considered by the Board of Directors. The Board of Directors is not required to approve a payment plan. If a payment plan is approved, the Board of Directors may establish the terms of the payment plan. A payment plan request or approved payment plan will not impede the Board's ability to vote for and record a lien.

NEPENTHE ASSOCIATION

The mailing address for overnight payment of assessments is:

FirstService Residential California, LLC
15241 Laguna Canyon Rd
Irvine, CA 92618

• Fee Schedule

Service	Fee(s)
Intent to Lien Letter with Title Check	\$200.00
Notice of Delinquent Assessment Lien	\$250.00
Intent to Foreclose Letter	\$50.00
Release of Lien	\$140.00
Foreclosure Package	\$300.00
Title Report	\$50.00
Notary Service	\$15.00
Recording Service	\$25.00
State SB2 Recording Fee	\$75.00
Additional Letter Fee	\$15.00

NOTICE ASSESSMENTS AND FORECLOSURE

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

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner’s property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure, or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney’s fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner’s property. The owner’s property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code, inclusive)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney’s fees, late charges, and interest. The association may

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not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common area damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5675 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 5685 of the Civil Code)

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, the owner may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 5655 of the Civil Code)

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code)

MEETINGS AND PAYMENT PLANS

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

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

ASSIGNMENT OF RENTS

In the event that the Association files any action against an Owner for unpaid Assessments on Owner's Unit, and said Unit is or becomes rented or leased at any time during the pendency of the action, the Association shall have the right, upon ex parte notice and application, to request that the Court order Owner to assign all rents due from the renter/lessor of said Unit to the Association until such time as all Assessment delinquencies are cured.

ALTERNATIVE DISPUTE RESOLUTION

5925. As used in this article: (a) "Alternative dispute resolution" means mediation, arbitration, conciliation, or other non-judicial procedure that involves a neutral party in the decision making process. The form of alternative dispute resolution chosen pursuant to this article may be binding or nonbinding, with the voluntary consent of the parties.

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

(1) Enforcement of this title.

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

(3) Enforcement of the governing documents of a common interest development.

5930. (a) An association or an owner or a member of a common interest development may not file an enforcement action in the superior court unless the parties have endeavored to submit their dispute to alternative dispute resolution pursuant to this article.

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

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

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

5935. (a) Any party to a dispute may initiate the process required by serving on all other parties to the dispute a Request for Resolution. The Request for Resolution shall include all of the following:

(1) A brief description of the dispute between the parties.

(2) A request for alternative dispute resolution.

(3) A notice that the party receiving the Request for Resolution is required to respond within 30 days of receipt or the request will be deemed rejected.

(4) If the party on whom the request is served is the owner of a separate interest, a copy of this article.

(b) Service of the Request for Resolution shall be by personal delivery, first-class mail, express mail, facsimile transmission, or other means reasonably calculated to provide the party on whom the request is served actual notice of the request.

(c) A party on whom a Request for Resolution is served has 30 days following service to accept or reject the request. If a party does not accept the request within that period, the request is deemed rejected by the party.

5940. (a) If the party on whom a Request for Resolution is served accepts the request, the parties shall complete the alternative dispute resolution within 90 days after the party initiating the request receives the acceptance, unless this period is extended by written stipulation signed by both parties.

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

other than arbitration.

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

5945. If a Request for Resolution is served before the end of the applicable time limitation for commencing an enforcement action, the time limitation is tolled during the following periods:

(a) The period provided in Section 5935 for response to a Request for Resolution.

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

5950. (a) At the time of commencement of an enforcement action, the party commencing the action shall file with the initial pleading a certificate stating that one or more of the following conditions is satisfied:

(1) Alternative dispute resolution has been completed in compliance with this article.

(2) One of the other parties to the dispute did not accept the terms offered for alternative dispute resolution.

(3) Preliminary or temporary injunctive relief is necessary.

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

5955. (a) After an enforcement action is commenced, on written stipulation of the parties, the matter may be referred to alternative dispute resolution. The referred action is stayed. During the stay, the action is not subject to the rules implementing subdivision (c) of Section 68603 of the Government Code.

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

5960. In an enforcement action in which fees and costs may be awarded pursuant to subdivision (c) of the court, in determining the amount of the award, may consider whether a party's refusal to participate in alternative dispute resolution before commencement of the action was reasonable.

5965. (a) An association shall annually provide its members a summary of the provisions of this article that specifically references this article. The summary shall include the following language:

"Failure of a member of the association to comply with the alternative dispute resolution requirements of 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."

(b) The summary shall be provided either at the time the pro forma budget is distributed or in the manner prescribed in Section 5016 of the Corporations Code. The summary shall include a description of the association's internal dispute resolution process.

INTERNAL DISPUTE RESOLUTION

5915. Statutory Dispute Resolution Procedure

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

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

(1) The party may request the other party to meet and confer in an effort to resolve the dispute. The request shall be in writing.

(2) A member of an association may refuse a request to meet and confer. The association may

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not refuse a request to meet and confer.

(3) The association's board of directors shall designate a member of the board to meet and confer.

(4) The parties shall meet promptly at a mutually convenient time and place, explain their positions to each other, and confer in good faith in an effort to resolve the dispute. 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.

(c) A written agreement reached under this section binds the parties and is judicially enforceable if it is signed by both parties and both of the following conditions are satisfied:

(1) The agreement is not in conflict with law or the governing documents of the common interest development or association.

(2) The agreement is either consistent with the authority granted by the board of directors to its designee or the agreement is ratified by the board of directors.

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



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Fine Schedule

Adopted by the Board of Directors March 2, 2016

1. Violations related to Architectural Rules as set forth in CC&Rs, Article IV [Requirement for Member's Prior Application and Approval Before making certain improvements].
 - a. An owner making an improvement to their property requiring prior application to the Architectural Review Committee (herein "ARC") and approval of the Board of Directors who fails to apply for and acquire such approval prior to construction may be assessed a fine up to \$100.00 per occurrence.
 - b. An owner making an improvement to their property requiring prior application to the ARC and approval of the Board who fails to apply for and obtain approval of the Board of Directors and who fails to obtain subsequent approval of the Board for such improvement may be required to remove or remedy the noncomplying improvement, pay legal costs of any proceeding brought and fined a sum reasonably related to the cost of obtaining member's compliance.
2. Nuisance violations, including those involving excessive noise, vehicles, pets, trash and yard waste may be assessed a fine of \$50/day up to a maximum of \$1,000 for the first offense and \$50 per day of violation up to a maximum for \$1,000 for repeated, similar offenses.

CC&R References:

- Section 3.3 states rules regarding parking, Section 3.4 for household pets and animals, Section 3.6 for garbage and trash, and Section 3.12 for offensive conduct, nuisance, obstructions, hazards and drilling.
- Section 3.20 addresses the enforcement of property use restrictions.
- Article IV, ARCHITECTURAL REVIEW AND APPROVAL gives examples of owner improvements that require the approval of the Architectural Review Committee (ARC), what the owner must furnish with their application, how the ARC operates, rules governing proceeding with the work, inspecting the completed work, emergency improvements and the appeals process available to owners if they do not receive ARC approval.
- Section 4.12 describes remedies the Association has in cases in which an owner undertakes improvements not authorized or approved by the ARC and Board.

- Section 5.3 allows the Association to recover the costs of certain repairs and maintenance.
- Section 8.4 describes actions the Association can take to enforce the CC&Rs via fines and otherwise.
- Section 16.6(b) gives the Board the authority to implement a schedule of fines.
- Section 16.6(f) provides for a hearing when an owner receives a penalty or suspension of his or her rights under the CC&Rs.

Section 3.20. Enforcement of Property Use Restrictions

(a) Voluntary Compliance

The objective of these CC&Rs shall be to promote and seek voluntary compliance by Owners and other residents with the environmental standards and property use restrictions contained herein. Each Owner, contract purchaser, lessee, tenant, guest, invitee or other occupant of a Lot or user of the Common Area shall comply with the provisions of the Governing Documents. In the event that the Association becomes aware of an architectural or property use infraction that does not necessitate immediate corrective action under Section 16.6 hereof, the Owner responsible for the violation shall receive written notice thereof and shall be given a reasonable opportunity to comply voluntarily with the pertinent Governing Document provision(s). Such notice shall describe the non-complying condition, request that the Owner correct the condition within a reasonable time specified in the notice.

(b) Board's Discretion Not to Pursue Enforcement

The Board shall have the discretion to decide whether or not it is in the Association's best interest to pursue any enforcement action, including taking into consideration the potential benefits to the Association (and/or its Owners) resulting from any such enforcement action as compared with the anticipated financial costs. Where the Board, in its discretion, determines that it is not in the Association's best interest to proceed with an enforcement action, the Board shall notify, in writing, any Owner(s) who have requested enforcement by the Association.

ARTICLE W: ARCHITECTURAL REVIEW AND APPROVAL

Section 4.1. Architectural Review Committee Approval of Improvements

(a) Approval Generally

Before commencing the construction or installation, of any improvement (as defined in subparagraph (b), below) within the Development, the Owner planning such improvement must submit to the Association's Architectural Review Committee a written request for approval. The Owner's request shall include structural plans, specifications and plot plans satisfying the requirements of Section 4.5, below. Unless the Committee's approval of the proposal is first obtained and that approval is confirmed by the Board (see Section 4.7, below), no work on the improvement shall be undertaken. The Architectural Review Committee shall base its decision to approve, disapprove or conditionally approve the proposed improvement on the criteria described in Section 4.6, below. All Architectural Review Committee action shall be subject to the ultimate approval of the Board of Directors as specified in Section 4.7, below.

(b) Definition of "Improvement" for ARC Review Purposes

The term "Improvement" for ARC review purposes includes, without limitation the construction, installation, alteration or remodeling of the exterior of any buildings, exterior walls, fences, landscaping, skylights, solar tubes, solar heating equipment, spas, antennas, utility lines or any structure of any kind. The term "landscaping", as used herein, shall not include landscaping within any patio area.

(c) Modifications to Approved Plans Must Also Be Approved

Once a work of improvement has been duly approved by the Architectural Review Committee and the Committee's approval has been affirmed by the Board, no material modifications shall be made in the approved plans and specifications therefore and no subsequent alteration, relocation, addition or modification shall be made to the work of improvement, as approved, without a separate submittal to, and review and approval by, the Committee. If the proposed modification will have, or is likely to have, a material effect on other aspects or components of the work, the Architectural Review Committee, in its discretion, may order the Owner, his or her contractors and agents to cease working not only on the modified component of the improvement, but also on any other affected component.

In the event that it comes to the knowledge and attention of the Association, its Architectural Review Committee, or the agents or employees of either, that a work of improvement, or any modification thereof, is proceeding without proper approval, the Association shall be entitled to exercise the enforcement remedies specified in Section 4.12, below, including, without limitation, ordering an immediate cessation and abatement of all aspects of the work of improvement until such time as proper Architectural Review Committee review and approval is obtained.

Section 4.2. Committee Membership

The Architectural Review Committee shall be composed of three (3) or more Owners of the Association appointed by the Board. In selecting members for the Architectural Review Committee, the Board of Directors shall endeavor to select individuals whose occupations or education will provide technical knowledge and expertise relevant to matters within the Committee's jurisdiction. Committee members shall serve for one-year terms subject to the Board's power to remove any Committee member and to appoint his or her successor. Neither the members of the Architectural Review Committee nor its designated representatives shall be entitled to any compensation for services performed pursuant hereto.

Section 4.3. Duties

It shall be the duty of the Architectural Review Committee to consider and act upon the proposals and plans submitted to it pursuant to these CC&Rs, to adopt Architectural Rules pursuant to Section 4.5, below, to perform other duties delegated to it by the Board of Directors and to carry out all other duties imposed upon it by these CC&Rs.

Section 4.4. Meetings

The Architectural Review Committee shall meet from time to time as necessary to properly perform its duties hereunder. Notice of meetings shall be provided in accordance with the Bylaws. The vote or written consent of a majority of the Committee members shall constitute an act by the Committee and the Committee shall keep and maintain a written minutes of all actions taken.

The Owner-applicant shall be entitled to appear at any meeting of the Architectural Review Committee at which the Owner's proposal has been scheduled for review and consideration. The Owner shall be entitled to be heard on the matter and may be accompanied by his or her architect, engineer and/or contractor. Other Owners whose Development may be affected by the proposed improvement (in terms of the view, noise or other considerations) shall also be entitled to attend the meeting.

Reasonable notice of the time, place and proposed agenda for Architectural Review Committee meetings shall be communicated before the date of the meeting to any Owner-applicant whose application is scheduled to be heard.

Section 4.5. Architectural Rules

The Architectural Review Committee may, from time to time and with approval of the Board of Directors, adopt, amend and repeal rules and regulations to be known as "Architectural Rules." Said Rules shall interpret and implement the provisions hereof by setting forth: (a) the standards and procedures for Architectural Review Committee review, including the required content of improvement plans and specifications, (b) guidelines for architectural design, placement of any work of improvement or color schemes, exterior finishes and materials and similar features which are recommended or required for use within the Development, and (c) the criteria and procedures for requesting variances from any property use restrictions or minimum construction standards that would otherwise apply to the proposed improvement under the Governing Documents (see Section 4.14, below). Notwithstanding the foregoing, no Architectural Rule shall be in derogation of the minimum standards required by these CC&Rs. In the event of any conflict between the Architectural Rules and these CC&Rs, the provisions of the CC&Rs shall prevail.

Section 4.6. Basis for Approval of Improvements

When a proposed work of improvement is submitted to the Architectural Review Committee for review, the Committee shall grant the requested approval only if the Committee, in its sole discretion, finds that all of the following provisions have been satisfied:

(a) The Owner has complied with the requirements of the Architectural Rules pertaining to the content and procedures for submittal of plans and specifications;

(b) The Owner's plans and specifications: (i) conform to these CC&Rs and to the Architectural Rules in effect at the time such plans are submitted to the Committee; (ii) will result in the construction of an improvement that is in harmony with the external design of other structures and/or landscaping within the Development; and (iii) will not interfere with the reasonable enjoyment of any other Lot Owner of his or her property, including, without limitation, the other Owner's rights to scenic and solar access free of unreasonable obstructions;

(c) The proposed improvement will not violate building codes or similar applicable governmental restrictions imposed by the City of Sacramento; and

(d) The proposed improvement(s), if approved, will otherwise be consistent with the architectural and aesthetic standards prevailing within the Development and with the overall plan and scheme of development for the project and the purposes of these CC&Rs.

While it is recognized that the Architectural Review Committee's determination to approve or disapprove an improvement will, of necessity, be subjective to some degree, the members of the Committee shall act reasonably and in good faith and shall consider such factors as the quality of workmanship and materials proposed for the improvement project, the harmony of the proposed improvement's exterior design, finish materials and color with that of other existing structures, and the proposed location of the improvement in relation to the existing topography, finished grade elevations, roads, Common Areas and other existing structures. The Committee shall also be entitled to determine that a proposed improvement or any component thereof is unacceptable when proposed on a particular

Lot, even if the same or a similar improvement/component has previously been approved for use at another location if factors such as drainage, topography, unusual site conditions, visibility from roads, Common Areas or other Lots, or prior adverse experience with the product or design of the improvement mitigate against erection of the improvement or use of a particular component within the improvement on the Lot involved in the Owner's submittal. The Board's action to affirm or overrule the Committee's recommended action with respect to a proposed improvement shall also be based on the foregoing criteria.

Section 4.7. Time Limits for Approval or Rejection

With the exception of plans for the installation of solar energy systems which are governed by California Civil Code Section 714, within thirty (30) days after submission of plans and specifications satisfying the requirements set forth in the Architectural Rules, the Architectural Review Committee shall make its recommendations to the Board regarding the proposed improvement. The matter will then be calendared for action by the Board at its next regularly scheduled meeting. Following action by the Board, management shall provide the Owner-applicant with either written notice of the Board's approval or disapproval or with written suggestions of changes required for as a condition for approval if the Board recommends further changes or modifications, the applicant may implement such changes to the plans and within thirty (30) days resubmit plans incorporating such changes for approval to the Committee, which approval it shall not unreasonably withhold so long as the Owner has complied in all material respects with the requested changes. If no written notice of approval or disapproval is received by the Owner-applicant within sixty (60) days after the Owner's plans and specifications (or revisions thereto) are submitted to the Committee, the plans shall be deemed to have been denied by the Committee and the Board as submitted. In such case, the Owner can request that the matter be placed on the Board agenda for reconsideration at the next regularly scheduled Board meeting.

In approving a request for construction of an improvement, the Board may condition approval upon the adoption of modifications in the plans and specifications or observance of restrictions as to location, noise abatement or similar mitigating conditions. The Committee shall endeavor to resolve such issues with the Owner prior to the time scheduled for Board action so that the Board's decision need not be qualified.

Section 4.8. Employment of Architect or Engineer

If at any time the Architectural Review Committee determines that it would be in the best interests of the Association and its Owners for an applicant to employ an architect, licensed building designer or engineer to design or review any proposed improvements or component thereof, the Committee shall advise the applicant in writing of its determination whereupon all plans and specifications so designated by the Architectural Review Committee must thereafter bear appropriate evidence of such professional preparation or review at the Owner's expense.

Section 4.9. Proceeding with Work

Upon receipt of both written approval from the Architectural Review Committee and confirmation of that approval by the Board, the Owner shall, as soon as practicable, satisfy all conditions thereof and diligently proceed with the commencement of construction pursuant to said approval. In all cases, work on an approved improvement project shall commence within one year from the date of such approval. If the Owner fails to comply with this paragraph, any approval given pursuant to this Article IV, shall be deemed revoked unless the Board, upon written request of the Owner prior to the expiration of the initial one year period, extends the time for commencement or completion. No such extension shall be granted

except upon a finding by the Board that there has been no change in the circumstances upon which the original approval was granted and that the Owner has a bona fide intention and ability to complete the improvement project within the time specified in the extension request.

Section 4.10. Failure to Complete Work

Unless the Owner has been granted an extension of time to complete the project by the Architectural Review Committee, construction, reconstruction, refinishing or alteration of any such improvement must be complete within one year after construction has commenced, except and for so long as such completion is rendered impossible or would result in great hardship to the Owner because of strikes, fires, national emergencies, natural calamities or other supervening forces beyond the control of the Owner or his or her agents.

If the Owner fails to comply with this Section, the Architectural Review Committee shall notify the Board of such failure, and the Board shall proceed in accordance with the provisions of Section 4.11(c) and (d), below, as though the failure to complete the improvement was in noncompliance with approved plans.

Section 4.11. Inspection of Work by Architectural Review Committee

Inspection of the work relating to any approved improvement and correction of defects therein shall proceed as follows:

(a) During the course of construction, representatives of the Architectural Review Committee shall have the right to inspect the job site to confirm that the work of improvement is proceeding in accordance with the approved plans and specifications.

(b) Upon the completion of any work of improvements for which Architectural Review Committee approval is required under this Article IV, the Owner shall give the Architectural Review Committee a written notice of completion.

(c) Within forty five (45) days thereafter, the Architectural Review Committee, or its duly authorized representative, may inspect the improvement to determine whether it was constructed, reconstructed, altered or refinished in substantial compliance with the approved plans. If the Architectural Review Committee finds that the improvement was not erected, constructed or installed in substantial compliance with the Owner's approved plans, then within the forty five (45) day inspection period the Committee shall give the Owner a written notice of noncompliance detailing those aspects of the project that must be modified, completed or corrected. If the violation or nonconforming work is not corrected, the Association and its Architectural Review Committee shall have the rights and remedies set forth in Section 4.12 below.

(d) If for any reason the Architectural Review Committee fails to notify the Owner of any noncompliance within forty five (45) days after receipt of the Owner's notice of completion, the improvement shall be deemed to have been constructed in accordance with the approved plans for the project, unless it can be demonstrated that the Owner knew of the noncompliance and intentionally misled the Committee with respect thereto.

Section 4.12. Enforcement

(a) In addition to other enforcement remedies set forth in these CC&Rs, the Board of Directors and the Architectural Review Committee shall have enforcement rights with respect to any matters required to be submitted to and approved by the Board and/or the Architectural Review Committee and may enforce such architectural control by any proceeding at law or in equity. In addition, the Board and the Committee shall have the authority to order an abatement of any construction, alteration or other matter for which approval is required, to the extent that it has not been approved by the Committee and the Board, or if it does not conform to the plans and specifications submitted to the Committee. No work for which approval is required shall be deemed to be approved simply because it has been completed without a complaint, notice of violation, or commencement of a suit to enjoin such work. If any legal proceeding is initiated to enforce any of the provisions hereof, the prevailing party shall be entitled to recover reasonable attorneys' fees in addition to the costs of such proceeding.

(b) If the Owner fails to remedy any noncompliance for pending construction of which notice has been given within thirty (30) days from the date of such notification, the Architectural Review Committee shall notify the Board in writing of such failure. The Board shall then set a date on which a hearing before the Board shall be held regarding the alleged noncompliance. The hearing date shall be not more than thirty (30) days nor less than fifteen (15) days after the notice of the noncompliance is issued by the Board to the Owner, to the Architectural Review Committee and, in the discretion of the Board, to any other interested party.

(c) At the hearing, the Owner, a representative(s) of the Architectural Review Committee and, in the Board's discretion, any other interested person may present information relevant to the question of the alleged noncompliance. After considering all such information, the Board shall determine whether there is a noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. If a noncompliance is determined to exist, the Board shall require the Owner to remedy or remove the same within such period or within any extension of such period as the Board, at its discretion, may grant. If the Owner fails to take corrective action after having a reasonable opportunity to do so, the Board, at its option, may either remove the noncomplying improvement or remedy the noncompliance and the Owner shall reimburse the Association for all expenses incurred in connection therewith upon demand. If such expenses are not properly repaid by the Owner to the Association, the Board shall recover such expenses through the levy of a Special Individual Assessment against such Owner.

(d) This approval by the Architectural Review Committee and the Board of any plans, drawings or specifications for any work of improvement done or proposed, or for any other matter requiring the approval of the Architectural Review Committee and the Board under these CC&Rs, or any waiver thereof, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification or matter subsequently submitted for approval by the same or some other Owner. Different locations for improvement, the size of the structure, proximity to other Residences or Common Facilities and other factors may be taken into consideration by the Committee in reviewing a particular submittal.

Section 4.13. Emergency Action and Authority

The Architectural Review Committee shall have the authority, with prior notice to the President of the Board of Directors and the property manager, to review and approve certain works of improvement required to protect the health, safety or welfare of an Owner or Resident, or the Development, under Standards and Practices adopted by the Committee and approved by the Board.

(a) Any such emergency work of improvement approved by the Architectural Review Committee shall be presented to the Board at its next regularly scheduled meeting at which time the Board may ratify, modify or reject such approval.

Section 4.14. Variances

The Board, in its sole discretion, shall be entitled to allow reasonable variances in any procedure specified in this Article IV, or in any land use restrictions specified in Article III, to overcome practical difficulties, avoid unnecessary expense or prevent unnecessary hardships to Owner-applicants, provided all of the following conditions are met:

(a) If the requested variance will necessitate deviation from, or modification of, a property use restriction that would otherwise be applicable under these CC&Rs, the Board must conduct a public hearing on the proposed variance after giving prior written notice to all Owners residing within one hundred (100) feet of the subject Lot. Said notice shall also be posted in the Association's principal office within the Development. The notice shall be posted and mailed to the interested Owners at least fifteen (15) days prior to the date when the Board is scheduled to act on the requested variance. No decision shall be made with respect to the proposed variance until the 15-day comment period has elapsed.

(b) The Board must make a good faith written determination that the variance is consistent with one or more of the following criteria: (i) the requested variance will not constitute a material deviation from any restriction contained herein or that the proposal allows the objectives of the violated requirements to be substantially achieved despite noncompliance; or (ii) that the variance relates to a required land use restriction or minimum construction standard otherwise applicable hereunder that is unnecessary or burdensome under the circumstances; or (iii) that the variance, if granted, will not result in a nuisance to or be a material detriment to any other Lot or Common Area within the Development.

Section 4.15. Estoppel Certificate

Within thirty (30) days after written demand is delivered to the Architectural Review Committee by any Owner who has completed a work of improvement, and upon payment to the Association of a reasonable fee (as established from time to time by the Board), the Architectural Review Committee shall record an estoppel certificate, executed by any two of its members, certifying (with respect to any Lot owned by the applicant Owner) that as of the date thereof, either: (a) all improvements made and other work completed by said Owner comply with these CC&Rs, or (b) such improvements or work do not so comply, in which event the certificate shall also identify the noncomplying improvements or work and set forth with particularity the basis of such noncompliance. Any purchaser from the Owner, or from anyone deriving any interest in said Lot through the Owner, shall be entitled to rely on the Association's estoppel certificate with respect to the matters therein set forth, such matters being conclusive as between the Association, all Owners and any persons deriving any interest through them.

Section 4.16. Limitation on Liability

Neither the Association, its Architectural Review Committee nor any member thereof shall be liable to any Owner for any damage, loss or prejudice suffered or claimed on account of any mistakes in judgment, negligence or nonfeasance arising out of: (a) the approval or disapproval of any plans, drawings and specifications, whether or not defective; (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings, specifications; or (c) the execution and filing of a Notice of Noncompliance pursuant to Section 4.11, above, or an estoppel certificate pursuant to Section

4.15, above, whether or not the facts therein are correct; provided, however, that such member has acted in good faith on the basis of such information as may be possessed by him or **her**.

Section 4.17. Compliance With Governmental Regulations

Review and approval by the Architectural Review Committee of any proposals, plans or other submittals pertaining to improvements shall in no way be deemed to constitute satisfaction of, or compliance with, any building permit process or any other governmental requirements, the responsibility for which shall lie solely with the Lot Owner who desires to construct, install, or modify the improvement.

Section 4.18. Appeals

Appeals from decisions of the Architectural Review Committee may be made to the Board of Directors, which may elect, in its discretion, to hear the appeal or, in the alternative, to affirm the decision of the Architectural Review Committee. The Association Rules shall contain procedures to hear and process appeals pursuant to this Section.

ARTICLE V: MAINTENANCE RESPONSIBILITIES

The Development shall be maintained in an attractive, safe, and sanitary condition and in a good state of repair.

Section 5.1. Association Maintenance Responsibility

(a) Common Area

Except as is provided in this Article, the Association will be solely responsible for all maintenance, repair, and replacement within the Common Area, including all facilities, Improvements and landscaping thereon. Without limiting the generality of the foregoing, the Association must maintain, repair, and replace the following components that are not located within the Lots: walkways; concrete surfaces, the parking lots; any road, or surface upon any portion of Common Area designated on a Subdivision Map as a private road or parking area; brick and mortar components (excluding chimney components); utility facilities, excluding those utility facilities maintained by utility companies or agencies; signs that the Association may deem necessary for the identification of the development and of roads, the regulation of traffic, including parking, the regulation and use of Common Area and Common Facilities and for the health, welfare and safety of Owners, tenants and guests; landscaping; lighting fixtures; open spaces; swimming pools; swimming pool apron areas; swimming pool equipment; spas; tennis courts; and the Common Area perimeter fences and walls, which consist of fences and walls that separate Common Area and property outside of the Development and patio fences separating the Common Area and Lots.

The Association shall maintain the underground sewer, water, sprinkler systems and electrical lines, in the Common Area, excluding under and within Residences, foundations of Residences, and driveway aprons; provided, however, that the Association shall not be responsible for the risers and connecting lines between the underground service lines and the individual Residences or for any sprinkler lines or systems within an Owner's patio area.

Only the Association may construct, reconstruct, alter, or maintain any Improvement upon, or create any excavation or fill or change the natural or existing drainage of any portion of the Common

Nepenthe Association

2019-2020 Insurance Summary & Disclosure

Property Insurance:

Insurance Company: Farmers Insurance Exchange
Policy Number: 605044453
Policy Limits: \$ 94,000,000 ***
Deductible: \$ 10,000
Policy Period: 10/1/2019 – 10/01/2020

General Liability Insurance:

Insurance Company: Farmers Insurance Exchange
Policy Number: 605044453
Policy Limits: \$1,000,000 Per Occurrence/ \$2,000,000 Aggregate
Policy Period: 10/1/2019 – 10/1/2020

Directors & Officers Liability:

Insurance Company: Farmers Insurance Exchange
Policy Number: 605044453
Policy Limits: \$ 2,000,000
Retention: \$ 1,000
Policy Period: 10/1/2019 – 10/1/2020

Fidelity Bond:

Insurance Company: Farmers Insurance Exchange
Policy Number: 605044453
Policy Limits: \$ 1,000,000
Retention: \$ 10,000
Policy Period: 10/1/2019 – 10/1/2020

Commercial Auto Liability:

Insurance Company: Farmers Insurance Exchange
Policy Number: 605044453
Policy Limits: \$1,000,000
Policy Period: 10/1/2019 – 10/1/2020

Umbrella Liability Insurance:

Insurance Company: Truck Insurance Exchange
Policy Number: 605044513
Policy Limits: \$ 10,000,000 **
Retention: \$ 10,000
Policy Period: 10/1/2019 – 10/1/2020

** *Umbrella / Excess Liability is excess of the following underlying limits*
General Liability \$1,000,000 / \$2,000,000 aggregate
Non-owned / Hired Auto \$1,000,000
Directors & Officers Liability \$2,000,000

*** Please see the following key points for the master policy property insurance as it relates to coverage that is provided to the homeowner and coverage that is not provided. It is recommended that each individual homeowner consult with their insurance broker/agent to determine the correct amount of coverage needed for the items not covered. An HO-6 form or similar type of coverage is recommended.***

Covered under the Master Policy

- Foundation
- Structural Framing
- Roof
- Exterior Wall Finish
- Doors and Windows
- Heating System
- Partition Walls
- Plumbing
- Electrical Wiring
- Structured Wiring (communication)
- Stairs when appropriate

NOT Covered under the Master

- Elevators
- Balconies and Decks
- Swimming Pools
- Electrical Fixtures
- Plumbing Fixtures
- Interior floor, ceiling, and wall finishes (*Carpet, tile, paint...*)
- Air Conditioning
- Window Treatments
- Appliances
- Cabinetry
- Personal Belongings

This summary of the association's policies of insurance provides only certain information, as required by subdivision (e) of Section 1365 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property or, real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.

Ryan DeShong
CA License #0E44888
3400 Bradshaw Road, Suite C
Sacramento, CA. 95827
916-636-0115





NEPENTHE ASSOCIATION

Federal Housing Administration Certification Disclosure

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] a condominium project.

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

This information regarding the association's Federal Housing Administration certification status is as of 11/22/2019.

For current information, please visit the Federal Housing Administration website at: <https://entp.hud.gov/idapp/html/condlook.cfm>



NEPENTHE ASSOCIATION

Veterans Affairs Certification Disclosure

Certification by the federal Department of Veterans Affairs may provide benefits to members of an association, including an improvement in an owner's ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest. This common interest development **is / is not** a condominium project. The association of this common interest development **is / is not** certified by the federal Department of Veterans Affairs.

This information regarding the association's Veterans Affairs certification status is as of 11/22/19.

For current information, please visit the U.S. Department of Veterans Affairs website at:

<https://vip.vba.va.gov/portal/VBAH/VBAHome/condopudsearch>



FirstService Residential California
 15421 Laguna Canyon Road
 Irvine, CA 92618
 (800) 428-5588

Billing Disclosure Form - *Provided as required by Section 4525**

Effective 9-21-2019

THIS IS NOT AN INVOICE: This form is being provided as required by California Civil Code §4530 and is not intended to be utilized as a total amount due on any specific resale transaction.

The seller may, in accordance with Section 4530 of the Civil Code, provide to the prospective purchaser, at no cost, current copies of any documents specified by Section 4525 that are in the possession of the seller. A seller may request to purchase some or all of these documents, but shall not be required to purchase all of the documents listed on this form.

Account Information:

Association:
 Property Address:

 Owner of Property:
 Owner's Mailing Address:

Provider of §4525 Items:

Print Name:
 Position/Title:
 Date Completed:

Not Available (N/A), Not Applicable N/App), OR Directly Provided by Seller and confirmed in writing by Seller as a current document (DP)

		Fee For Document	
Articles of incorporation or statement that Section 4525(a)(1)		\$38.0	
CC&Rs	Section 4525(a)(1)	\$43.00	
Bylaws	Section 4525 (a)(1)	\$38.00	
Operating Rules	Section 4525 (a)(1)	\$27.00	
Age restrictions, if any	Section 4525 (a)(2)	\$0.00 (Included in CC&Rs)	
Rental restrictions, if any	Section 4525 (a)(9)	\$0.00 (Included in CC&Rs)	
Annual budget report or summary, including reserve study	Sections 5300 and 4525(a)(3)	\$38.00	
Assessment and reserve funding disclosure summary	Sections 5300 and 4525(a)(4)	\$0.00 (Included in Budget)	
Financial statement review	Sections 5305 and 4525(a)(3)	\$38.00	
Assessment enforcement policy	Sections 5310 and 4525(a)(4)	\$0.00 (Included in Budget)	
Insurance summary	Sections 5300 and 4525(a)(3)	\$0.00 (Included in Budget)	
Regular assessment	Section 4525(a)(4)	\$0.00 (Included in Statement)	
Special assessment	Section 4525(a)(4)	\$0.00 (Included in Statement)	
Emergency assessment	Section 4525(a)(4)	\$0.00 (Included in Statement)	
Other unpaid obligations of the seller	Sections 5675 and 4525(a)(4)	\$0.00 (Included in Statement)	
Approved changes to assessments	Sections 5300 & 4525(a)(4), (8)	\$0.00 (Included in Budget)	
Settlement notice regarding common area defects	Sections 4525(a)(6), (7) & 6100	See disclosure if applicable	
Preliminary list of defects	Section 4525(a)(6), 6000 and 6100	See disclosure if applicable	
Notice(s) of violation	Sections 5855 and 4525(a)(5)	\$0.00 (Included in Statement)	
Required statement of fees	Section 4525	\$0.00 (Included in Statement)	
Minutes of regular meetings of the board of directors conducted over the previous 12 months, if requested	Section 4525(a)(10)	\$77.00	

TOTAL FEES for these documents:

\$299.00 DO NOT PAY

*The Information provided in this form may not include all fees that may be imposed before the close of escrow. Additional fees that are not related to the requirements of Section 4525 may be charged separately. The documents listed on this form are the property of the Association, and not FirstService Residential. Please visit www.fsresidential.com/california, click Order Documents & Certifications in the upper left-hand corner, and follow the instructions to download a full list of fees and services.



Annual Homeowner Disclosure

Civil Code §4041 requires owners, on an annual basis, to provide notice to their association of four pieces of information:

- 1) Mailing address to receive notices from the Association (if different than Property Address)
- 2) Secondary address (if any) to receive notices from the Association
- 3) Name and address of Legal Representative (if any), including any person with power of attorney or other person who can be contacted in the event of the owner's extended absence
- 4) Status of Property (Owner-Occupied, Rented, Vacant or Undeveloped Land)

Please provide the information listed above by visiting your association's Connect Community Website at <https://nepenthehoa.com> under the "My Account" section by December 6, 2019. Please note this website is different than your normal community website and has been created for the purpose and security of providing the information above.

Your responses to the questions above will dictate your proper receipt of important Association information. Please note that if the information above is not provided, the last address provided in writing by the owner, or if none, the property address shall be deemed the address to which notices are to be delivered. The Association thanks you for your cooperation as we seek to comply with this legislation.

Registering for the Connect Community Website

To register for the Connect Community Website to provide the information above, please navigate <https://nepenthehomeowners.connectresident.com>. Registration is completed by clicking REGISTER on this page and entering in your email address and mobile phone number. If both are found in our database, you will receive either an email or text to finalize registration. This 2-factor authentication method ensures the highest levels in security!

If your mobile number and/or email is not found, please call our Customer Care Center for fast, live support 24/7 at **1-800-428-5588** to help finalize your registration.

