

DATE: November 8, 2023
TO: The Membership – Nepenthe Association
FROM: The Board of Directors
RE: 2024 Budget – Effective January 1, 2024

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 8.39% will be necessary to meet the association's financial needs in the upcoming fiscal year. **Please note that effective January 1, 2024 your new monthly assessment will be \$620.00 per month.**

What Is Included in the 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
- Reserve Study Executive Summary
- 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
- ADR/IDR Policy

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:

	<i>Type of Funding</i>
<input checked="" type="checkbox"/>	Regular Assessments
<input type="checkbox"/>	Special Assessments
<input type="checkbox"/>	Borrowing
<input type="checkbox"/>	Use of Other Assets
<input type="checkbox"/>	Deferral of Repairs
<input type="checkbox"/>	Alternate Mechanisms

- 2) **The association has a total of \$11,253,607 in actual accumulated reserve funds as of October 31, 2023. The Board anticipates that the amount will decrease to \$11,543,101 by the end of the current fiscal year. According to the reserve analyst, the total replacement cost for all major components is \$48,587,390. The current reserve fund amount represents 23.75% 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 48.5% 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.
- 4) The Board of Directors has determined to defer or not undertake repairs or replacement of the following major components with a remaining life of 30 years

or less (as identified in the reserve study as having zero estimated remaining life):

Item #	Item Description	Reason for Deciding to Defer or Not Undertake Repairs/Replacement

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 deductible amounts (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.

You may contact our community manager, Dusty Favichia via e-mail at nepenthe.hoa@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

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, association website, or posting in a prominent location. If the association chooses to post notices, they will be

located outside of Manager's office in Clubhouse Lobby, 1131 Commons Drive, Sacramento, CA.

- 4) If you would like all notices, including general notices, to be sent to you by individual delivery, please log in to the community website at <https://NepentheHomeOwners.connectresident.com> and update your communication preferences within the "My Account" settings of your profile.
- 5) Copies of minutes for board meetings that are open to the membership are available upon written request throughout the year. Minutes can be released to you 30 days following the meeting date, and any copying and posting charges for those minutes are the requestor's responsibility. 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, CPAs 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.

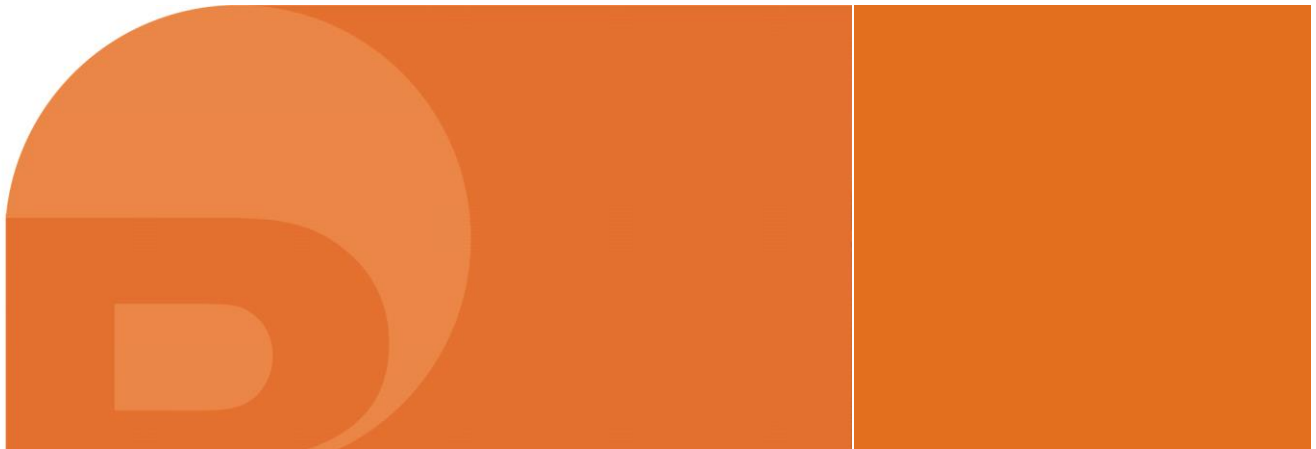
NEPENTHE ASSOCIATION

GL Code	Description	Current Monthly Approved Budget	Current Annual Approved Budget	Monthly FYTD Average	12 Month Actual {7/31/2023}	12 mth Average of Actual	Proposed Budget Monthly	Proposed Budget Annual	Monthly Unit Cost	2023-2024 Annual Variance	Annual Percentage Variance(%)	Remarks
	REVENUE											
14000	HOMEOWNER ASSESSMENT REVENUE	337,480	4,049,760	330,997	3,971,959	330,997	365,799	4,389,588	620.00	339,828	8.39	
14087	EASEMENT AGREEMENT	2,000	24,000	1,869	22,423	1,869	2,000	24,000	3.39	0	0.00	
14101	INTEREST ON PAST DUE ASSESSMENTS	150	1,800	719	8,632	719	150	1,800	0.25	0	0.00	
14110	KEY REVENUE	130	1,560	57	680	57	50	600	0.08	(960)	(61.54)	
14113	CLUBHOUSE RENTAL	499	5,988	578	6,935	578	350	4,200	0.59	(1,788)	(29.86)	
14122	INSURANCE REIMBURSEMENT	1,400	16,800	1,512	18,149	1,512	1,400	16,800	2.37	0	0.00	
14132	MISCELLANEOUS REVENUE	0	0	144	1,729	144	0	0	0.00	0	0.00	
14162	OPERATING INTEREST REVENUE	0	0	225	2,698	225	0	0	0.00	0	0.00	
14163	RESERVE INTEREST REVENUE	0	0	28,743	344,910	28,743	0	0	0.00	0	0.00	
14221	FACILITY RENTAL FEE	0	0	(50)	(600)	(50)	0	0	0.00	0	0.00	
14229	RENTAL FEES	0	0	63	750	63	0	0	0.00	0	0.00	
14357	RESERVE CONTRIBUTION	0	0	60,930	731,156	60,930	0	0	0.00	0	0.00	
14372	PAST OWNERS REVENUE	0	0	277	3,321	277	0	0	0.00	0	0.00	
	**TOTAL REVENUE	341,659	4,099,908	426,064	5,112,742	426,064	369,749	4,436,988	626.69	337,080	8.22	
	**RESERVE CONTRIBUTION											
19572	GYM/WORKOUT FACILITIES RESERVES	275	3,300	232	2,789	232	272	3,264	0.46	(036)	(1.09)	
19660	PAINTING-INTERIOR RES	184	2,208	156	1,873	156	202	2,424	0.34	216	9.78	
19714	CONCRETE REPAIR RESERVE	4,097	49,164	3,423	41,073	3,423	2,100	25,200	3.56	(23,964)	(48.74)	
19803	RESERVE INTEREST	0	0	28,768	345,211	28,768	0	0	0.00	0	0.00	
19820	ROOF RESERVE	70,521	846,252	60,051	720,611	60,051	70,032	840,384	118.70	(5,868)	(0.69)	
19822	POOL/SPA RESERVE	2,751	33,012	2,329	27,943	2,329	2,700	32,400	4.58	(612)	(1.85)	
19827	FENCING RESERVE	4,935	59,220	4,147	49,762	4,147	6,585	79,020	11.16	19,800	33.43	
19833	IRRIGATION RESERVE	10,477	125,724	8,389	100,670	8,389	15,614	187,368	26.46	61,644	49.03	
19846	SIGN RESERVE	370	4,440	315	3,781	315	581	6,972	0.98	2,532	57.03	
19878	PAVING RESERVE	11,628	139,536	9,472	113,661	9,472	10,820	129,840	18.34	(9,696)	(6.95)	
19899	RESERVE STUDY	166	1,992	131	1,573	131	152	1,824	0.26	(168)	(8.43)	
19901	PRIOR YR FUNDING	0	0	15,635	187,620	15,635	0	0	0.00	0	0.00	
L19833	OUTDOOR EQUIPMENT RSRV	5	60	4	48	4	4	48	0.01	(012)	(20.00)	
L19835	PAINTING EXTERIOR RESERVE	13,496	161,952	11,533	138,398	11,533	12,308	147,696	20.86	(14,256)	(8.80)	
L19836	STRUCTURAL REPAIRS RSRV	41,002	492,024	77,142	925,702	77,142	37,367	448,404	63.33	(43,620)	(8.87)	
N19611	UNDERGROUND UTILITY REPR RSV	1,395	16,740	1,074	12,883	1,074	2,533	30,396	4.29	13,656	81.58	
N19691	POLE LIGHT REPR RSV	618	7,416	469	5,632	469	578	6,936	0.98	(480)	(6.47)	
N19717	CLBHOUSE REMODEL INTERIOR RENOVATIONS	3,001	36,012	2,551	30,608	2,551	2,945	35,340	4.99	(672)	(1.87)	

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N19830	MISCELLANEOUS RSV	434	5,208	1,300	15,594	1,300	204	2,448	0.35	(2,760)	(53.00)	
N19974	COMMON TENNIS CRT RSV	1,312	15,744	1,117	13,407	1,117	1,339	16,068	2.27	324	2.06	
N19975	GROUNDS RSV	10,477	125,724	16,722	200,670	16,723	15,614	187,368	26.46	61,644	49.03	
N19982	TREE REM/ ANNL MAINT RSV	10,477	125,724	16,722	200,670	16,723	15,614	187,368	26.46	61,644	49.03	
	**TOTAL RESERVE CONTRIBUTION	187,621	2,251,452	261,682	3,140,179	261,684	197,564	2,370,768	334.85	119,316	5.30	
	**TOTAL AVAILABLE OPERATING REVENUE	154,038	1,848,456	164,382	1,972,563	164,380	172,185	2,066,220	291.84	217,764	11.78	
	OPERATING EXPENSES											
	**UTILITIES											
15099	PENDING UTILITY EXPENSE	0	0	(11)	(128)	(11)	0	0	0.00	0	0.00	
15101	ELECTRICITY	2,700	32,400	3,255	39,064	3,255	4,252	51,024	7.21	18,624	57.48	
15102	GAS	1,000	12,000	2,059	24,704	2,059	2,122	25,464	3.60	13,464	112.20	
15103	REFUSE COLLECTION	900	10,800	947	11,369	947	510	6,120	0.86	(4,680)	(43.33)	
15105	TELEPHONE EXPENSE	220	2,640	228	2,736	228	172	2,064	0.29	(576)	(21.82)	
15106	WATER	4,027	48,324	4,931	59,168	4,931	5,865	70,380	9.94	22,056	45.64	
15155	INTERNET EXPENSE	500	6,000	534	6,411	534	540	6,480	0.92	480	8.00	
	**TOTAL UTILITIES	9,347	112,164	11,943	143,324	11,943	13,461	161,532	22.82	49,368	44.01	
	**LAND MAINTENANCE											
15500	CONTRACT LANDSCAPE SERVICE	45,100	541,200	48,158	577,900	48,158	48,880	586,560	82.85	45,360	8.38	
15505	SPRINKLER REPAIR	0	0	240	2,880	240	0	0	0.00	0	0.00	
15511	BACKFLOW DEVICE TEST	528	6,336	580	6,954	580	744	8,928	1.26	2,592	40.91	
	**TOTAL LAND MAINTENANCE	45,628	547,536	48,978	587,734	48,978	49,624	595,488	84.11	47,952	8.76	
	**COMMON AREA											
16020	CONTRACT POOL/SPA SERVICE	2,500	30,000	3,263	39,150	3,263	3,475	41,700	5.89	11,700	39.00	
16022	POOL EQUIPMENT REPAIR	0	0	151	1,810	151	85	1,020	0.14	1,020	0.00	
16027	POOL INSPECTION	250	3,000	252	3,025	252	210	2,520	0.36	(480)	(16.00)	
18457	PLUMBING REPAIR	0	0	174	2,090	174	210	2,520	0.36	2,520	0.00	
18501	EXPENSES TO BE REIMBURSED	0	0	(30)	(354)	(30)	0	0	0.00	0	0.00	
18524	MATERIAL SUPPLIES	1,300	15,600	1,438	17,256	1,438	1,300	15,600	2.20	0	0.00	
18526	PEST CONTROL	50	600	358	4,300	358	335	4,020	0.57	3,420	570.00	
18531	JANITORIAL SERVICE	1,800	21,600	2,498	29,970	2,498	2,657	31,884	4.50	10,284	47.61	
18532	JANITORIAL SUPPLIES	150	1,800	185	2,216	185	192	2,304	0.33	504	28.00	
18534	FIRE EXTINGUISHER	0	0	20	246	21	21	252	0.04	252	0.00	
18564	SPECIAL SECURITY	0	0	(11)	(136)	(11)	0	0	0.00	0	0.00	
18579	PATROL SERVICE	500	6,000	1,026	12,317	1,026	739	8,868	1.25	2,868	47.80	
18736	GUTTER & DOWNSPOUT CLEANING	6,250	75,000	6,549	78,587	6,549	6,250	75,000	10.59	0	0.00	
18767	REPAIR & MAINTENANCE	625	7,500	2,465	29,577	2,465	3,750	45,000	6.36	37,500	500.00	

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18905	KITCHEN SUPPLIES	140	1,680	124	1,491	124	140	1,680	0.24	0	0.00	
18957	JANITORIAL EXTRA LABOR	0	0	681	8,170	681	0	0	0.00	0	0.00	
18986	FITNESS CONTRACT	85	1,020	46	548	46	85	1,020	0.14	0	0.00	
	**TOTAL COMMON AREA	13,650	163,800	19,189	230,263	19,190	19,449	233,388	32.96	69,588	42.48	
	**MANAGEMENT/ON-SITE ADMIN EXP											
17209	PAYROLL PROCESSING FEES	750	9,000	520	6,240	520	583	6,996	0.99	(2,004)	(22.27)	
18001	COMMUNITY WEBSITE	150	1,800	166	1,994	166	175	2,100	0.30	300	16.67	
18003	COMMUNITY EVENTS/PROGRAMS	100	1,200	105	1,260	105	100	1,200	0.17	0	0.00	
19010	PENDING P-CARD EXPENSE	0	0	(675)	(8,101)	(675)	0	0	0.00	0	0.00	
19101	CPA SERVICES	158	1,896	187	2,245	187	210	2,520	0.36	624	32.91	
19104	FEDERAL TAX EXPENSE	0	0	2,344	28,122	2,344	0	0	0.00	0	0.00	
19105	FRANCHISE TAX BOARD	0	0	1,185	14,219	1,185	0	0	0.00	0	0.00	
19106	TAXES & LICENSES	50	600	144	1,722	144	25	300	0.04	(300)	(50.00)	
19108	GENERAL COUNSEL SERVICE	1,000	12,000	1,365	16,380	1,365	1,167	14,004	1.98	2,004	16.70	
19109	CONTRACT MANAGEMENT	8,190	98,280	7,800	93,600	7,800	8,190	98,280	13.88	0	0.00	
19111	MANAGEMENT REIMBURSABLE	3,000	36,000	4,033	48,393	4,033	3,334	40,008	5.65	4,008	11.13	
19112	POSTAGE, ON-SITE	20	240	18	216	18	21	252	0.04	012	5.00	
19117	DUES & PUBLICATIONS	60	720	125	1,499	125	100	1,200	0.17	480	66.67	
19119	BANK FEES	35	420	35	420	35	35	420	0.06	0	0.00	
19124	ON-SITE STAFF	20,025	240,300	15,804	189,650	15,804	16,500	198,000	27.97	(42,300)	(17.60)	
19126	DELINQUENCY MONITORING	0	0	(1,354)	(16,254)	(1,355)	0	0	0.00	0	0.00	
19132	OPERATING CONTINGENCY	100	1,200	218	2,612	218	100	1,200	0.17	0	0.00	
19143	LEGAL-COLLECTIONS	0	0	551	6,610	551	0	0	0.00	0	0.00	
19172	ACCOUNTING REIMBURSABLES	300	3,600	513	6,161	513	317	3,804	0.54	204	5.67	
19174	AMS COLLECTION EXPENSE	0	0	217	2,602	217	125	1,500	0.21	1,500	0.00	
19178	PROPERTY TAX	70	840	82	980	82	85	1,020	0.14	180	21.43	
19247	PAYROLL TAXES & BENEFITS	8,000	96,000	7,808	93,698	7,808	7,583	90,996	12.85	(5,004)	(5.21)	
19295	ON-SITE OFFICE SUPPLIES	120	1,440	225	2,697	225	125	1,500	0.21	060	4.17	
19382	COPIER LEASE	435	5,220	414	4,964	414	450	5,400	0.76	180	3.45	
19442	CLAC CONTRIBUTION	50	600	0	0	0	0	0	0.00	(600)	(100.00)	
	**TOTAL MANAGEMENT/ON-SITE ADMIN EXP	42,613	511,356	41,830	501,929	41,829	39,225	470,700	66.48	(40,656)	(7.95)	
	**INSURANCE											
19107	INSURANCE	11,333	135,996	12,474	149,690	12,474	16,851	202,212	28.56	66,216	48.69	
DC19307	FLOOD INSURANCE	31,467	377,604	32,456	389,474	32,456	33,575	402,900	56.91	25,296	6.70	
	**TOTAL INSURANCE	42,800	513,600	44,930	539,164	44,930	50,426	605,112	85.47	91,512	17.82	
	**TOTAL OPERATING EXPENSES	154,038	1,848,456	166,870	2,002,414	166,870	172,185	2,066,220	291.84	217,764	11.78	

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	NET INCOME/(LOSS)	0	0	(2,488)	(29,851)	(2,490)	0	0	0.00	0	0.00	



RESERVE STUDY

Member Distribution Materials

Nepenthe Association

Update w/o Site Visit Review

2023 Update- 4

Published - October 19, 2023

Prepared for the 2024 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 {c} 5

Professionally managed by
First Service Residential (Sacramento)
(916) 608-3068



Browning Reserve Group, LLC
www.BrowningRG.com

October 19, 2023

This is a summary of the Reserve Study that has been performed for Nepenthe Association, (the "Association") which is a Planned Development with a total of 590 Lots. 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, LLC prepared this Update w/o Site Visit Review for the January 1, 2024 - December 31, 2024 fiscal year. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was 2.00% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 2.50% per year.

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.

Reserve Component	Current Replacement Cost	Useful Life	Remaining Life	2023 Fully Funded Balance	2024 Fully Funded Balance	2024 Line Item Contribution based on Cash Flow Method
01000 - Paving	2,416,164	1-15	0-13	993,488	1,190,789	129,844
02000 - Concrete	265,535	1-5	0-3	119,105	112,170	25,203
03000 - Painting: Exterior	1,999,372	1-12	0-9	1,004,243	1,106,154	147,694
03500 - Painting: Interior	33,388	4-10	2-4	19,601	24,177	2,423
04000 - Structural Repairs	10,424,089	1-30	0-27	5,004,856	4,774,245	448,401
05000 - Roofing	26,090,944	1-30	0-26	8,438,445	9,548,862	840,380
08000 - Rehab	476,645	10-30	2-21	240,434	271,336	17,437
12000 - Pool	643,195	1-30	0-21	240,562	232,971	27,921
13000 - Spa	48,186	5-8	0-4	32,185	28,108	4,613
14000 - Recreation	38,926	5-20	3-5	21,980	28,076	3,262
17000 - Tennis Court	330,077	7-30	1-29	111,906	137,052	16,071
18000 - Landscaping	2,981,861	1-12	0-10	1,531,773	1,637,079	562,008
19000 - Fencing	2,116,465	1-25	1-16	1,330,084	1,455,260	79,017
20000 - Lighting	90,917	1-20	0-10	52,424	42,849	6,930
21000 - Signage	202,578	15-25	1-21	126,724	140,375	6,970
22000 - Office Equipment	1,102	4-4	1-1	827	1,130	158
23000 - Mechanical Equipment	145,477	12-15	1-2	135,493	148,932	5,610
24000 - Furnishings	17,195	10-15	3-6	11,284	13,057	897
24500 - Audio / Visual	38,948	10-10	5-5	19,474	23,953	2,458
24600 - Safety / Access	71,057	10-10	1-6	52,991	61,599	4,228
25000 - Flooring	52,265	10-20	4-11	30,010	35,705	3,019
26000 - Outdoor Equipment	827	10-10	3-3	579	678	50
27000 - Appliances	30,213	10-20	4-11	18,039	20,966	1,527
30000 - Miscellaneous	55,466	1-1	0-1	54,466	56,853	30,398
31000 - Reserve Study	8,000	1-3	0-1	5,600	8,200	1,819
32000 - Undesignated	8,500	1-1	1-1	4,250	8,713	2,430
Totals	\$48,587,390			\$19,600,821	\$21,109,287	\$2,370,766
Estimated Ending Balance				\$11,543,101	\$10,246,456	\$334.85
Percent Funded				58.9%	48.5%	/Lot/month @ 590

October 19, 2023

(1) The regular assessment per ownership interest is _____ per month for the fiscal year beginning January 1, 2024.

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	\$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 ____ 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 No

This disclosure has been prepared by Browning Reserve Group, LLC 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.

(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

(5) 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.

(6) 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 \$19,600,821, based in whole or in part on the last reserve study or update prepared by Browning Reserve Group, LLC as of October, 2023. The projected reserve fund cash balance at the end of the current fiscal year is \$11,543,101 resulting in reserves being 58.9% 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 Flow 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)
2024	\$21,109,287	\$10,246,456	48.5%
2025	\$21,218,018	\$8,577,026	40.4%
2026	\$21,318,710	\$7,940,107	37.2%
2027	\$22,118,344	\$8,062,071	36.4%
2028	\$23,779,799	\$9,179,402	38.6%

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 1.40% per year was the assumed long-term interest rate.

Additional Disclosures

§5565(d) The current deficiency in reserve funding as of December 31, 2024 is \$18,412 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.

$$\text{Deficiency} = \frac{2024 \text{ Fully Funded Balance} - 2024 \text{ Reserve Ending Balance}}{\text{Ownership Interest Quantity}}$$

§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, unless noted below:

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

2023 Update- 4

Prepared for the 2024 Fiscal Year

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Beginning Balance	11,113,960	11,543,101	10,246,456	8,577,026	7,940,107	8,062,071	9,179,402	9,233,227	10,362,015	11,559,686
Inflated Expenditures @ 2.5%	1,979,796	3,818,877	4,296,696	3,380,463	2,757,323	1,917,277	3,143,406	2,239,334	2,357,915	2,333,044
Reserve Contribution	2,251,440	2,370,766	2,496,417	2,628,727	2,768,050	2,914,757	3,069,239	3,231,909	3,403,200	3,583,570
<i>Lots/month @ 590</i>	318.00	334.85	352.60	371.29	390.97	411.69	433.51	456.48	480.68	506.15
<i>Percentage Increase</i>		5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest After Tax @ 1.40%¹	157,497	151,467	130,848	114,816	111,237	119,851	127,992	136,213	152,385	170,589
Ending Balance	11,543,101	10,246,456	8,577,026	7,940,107	8,062,071	9,179,402	9,233,227	10,362,015	11,559,686	12,980,801

1) The estimated tax payments, based on reserve earnings, are being deducted from reserves per the CPA recommendation. IR in study is set to 2%, with a 30% deduction for taxes, leaving a net rate at 1.4%. This is an increase in 2023 of .2%. The funding threshold as set by the association at \$5M.

	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
Beginning Balance	12,980,801	14,612,893	15,901,667	16,822,080	15,816,439	15,824,688	17,370,342	19,349,143	18,946,916	20,166,683
Inflated Expenditures @ 2.5%	2,333,220	2,896,837	3,491,151	5,638,368	4,851,056	3,570,338	3,420,609	6,085,236	4,756,015	6,095,796
Reserve Contribution	3,773,499	3,973,494	4,184,089	4,405,846	4,639,356	4,885,242	5,144,160	5,416,800	5,703,890	6,006,196
<i>Lots/month @ 590</i>	532.98	561.23	590.97	622.29	655.28	690.01	726.58	765.08	805.63	848.33
<i>Percentage Increase</i>	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest After Tax @ 1.40%	191,813	212,117	227,474	226,881	219,948	230,750	255,250	266,209	271,892	281,706
Ending Balance	14,612,893	15,901,667	16,822,080	15,816,439	15,824,688	17,370,342	19,349,143	18,946,916	20,166,683	20,358,790

	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052
Beginning Balance	20,358,790	21,271,709	17,407,723	15,976,090	13,176,717	8,406,409	5,841,616	5,032,982	5,586,237	10,174,599
Inflated Expenditures @ 2.5%	5,700,993	10,792,583	8,676,385	10,386,386	12,696,073	10,851,683	9,506,031	8,599,321	5,081,130	3,489,863
Reserve Contribution	6,324,524	6,659,724	7,012,689	7,384,362	7,775,733	8,187,847	8,621,803	9,078,759	9,559,933	10,066,609
<i>Lots/month @ 590</i>	893.29	940.64	990.49	1,042.99	1,098.27	1,156.48	1,217.77	1,282.31	1,350.27	1,421.84
<i>Percentage Increase</i>	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest After Tax @ 1.40%	289,388	268,874	232,062	202,651	150,032	99,043	75,593	73,818	109,559	188,482
Ending Balance	21,271,709	17,407,723	15,976,090	13,176,717	8,406,409	5,841,616	5,032,982	5,586,237	10,174,599	16,939,826

NEPENTHE ASSOCIATION

DELINQUENT ASSESSMENT COLLECTION POLICY

Effective: JANUARY 2024

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.
- 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, and/or services paid for by the association.
- When an Assessment becomes more than sixty (60) days past due, the Association will send a validation notice to the billing address on record with the association. The owner will be charged a fee for the notice, as well as all costs to complete the transmittal of the notice. If an owner writes to dispute the amount owed or to request "original creditor" information within the validation period set forth in the notice, then the Association will cease collection of the debt, or any disputed portion of the debt, until the Association responds appropriately as required by law (see applicable consumer protection laws).
- When an Assessment becomes more than ninety-five (95) days past due, the Association will send an intent to lien/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 a fee for the notice, as well as all costs to complete the transmittal of the letters

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- If the owner fails to pay the amounts set forth in the intent to lien/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 owner's property. The owner will be charged a fee for the lien, as well as any processing fees, recording service, 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. The owner will be charged a fee for the release, as well as any processing fees, recording service, and costs. All county recording fees are charged as applicable and as counties may charge from time to time.
- 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.
- 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.

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- The mailing address for overnight payment of assessments is:

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

NOTICE ASSESSMENTS AND FORECLOSURE

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

ASSESSMENTS AND FORECLOSURE

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

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common area damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

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

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

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

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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

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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

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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 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:

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- (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.



Nepenthe Association

Enforcement Policy and Schedule of Fines

[Adopted September 2, 2020]

1. It is the goal of Nepenthe Association to make its Owners and residents aware of the Association's CC&Rs, Bylaws, Articles of Incorporation, rules and policies ("Governing Documents") that govern use of the property in Nepenthe and to provide for an orderly and fair manner for enforcement of the Governing Documents. The Governing Documents may be enforced in accordance with their provisions and the laws of the State of California. This Enforcement Policy and Schedule of Fines lists certain categories of violations of the Governing Documents, provides for the Board's response to such violations, and sets forth the Association's fine schedule.

Owners' guests, tenants, family members, and invitees are subject to the same obligations imposed on Owners to comply with the Governing Documents, and Owners are subject to disciplinary action when their guests, tenants, family members, and invitees fail to comply with the Governing Documents.

2. Enforcement Policy

A. It is the policy of the Association to receive notice of alleged violations from management, Board members, committee members, and Owners. Reports of violations must be in writing, including email.

Upon receipt of notice of an alleged violation, the Board and/or a committee will investigate the alleged violation within a reasonable time thereafter. If the Board and/or a committee determines that a violation has likely occurred, the Association will take the following actions before the Board imposes any disciplinary action for alleged violations, including monetary penalties (fines) or suspension of membership rights against any Owner for failure to comply with the Governing Documents.

(i) Mail a letter to the Owner setting forth the alleged violation and requesting corrective action to be taken within a reasonable period of time. This letter shall be referred to as a "courtesy notification letter" or "notice of violation."

(ii) If no corrective action has been taken within that period of time, the Board, in its discretion, may send another courtesy notification letter / notice of violation, a Notice of Board Hearing (to determine whether to impose discipline), a Request for Resolution (request that the Owner participates in mediation), or a combined Notice of Board Hearing / Request for Resolution. The Board may send a Notice of Board Hearing, Request for Resolution, or a combined Notice of Board Hearing / Request for Resolution without first sending a courtesy notification letter / notice of violation.

(iii) The Notice of Board Hearing (or combined Notice of Board Hearing / Request for Resolution) will set forth the date, time, and place for the hearing, a brief description of the action or inaction constituting the alleged violation of the Governing Documents, a reference to the Governing Document provision alleged to have been violated, and a statement that the Owner has a right to attend and may address the Board or committee at the hearing. The Association must send the Notice of Board Hearing by U.S. Mail at least ten (10) days before the hearing.

(iv) If the Owner fails to appear at the hearing, the Board must nevertheless consider evidence presented to it in connection with its investigation, and it must determine whether or not a violation has occurred.

(v) Within fifteen (15) days after the hearing, the Association must send written notice to the Owner of its decision.

B. The following items are considered to be disciplinary actions requiring a hearing before imposition.

(i) Fines. (See the Fine Schedule below.)

(ii) Suspension of the rights to use recreational common facilities.

(iii) Special Individual Assessments for the costs and expenses, including reasonable attorney's fees, incurred by the Association in enforcing violations of the Governing Documents. (CC&Rs, Article VIII, Section 8.4 and Article XVI, Sections 16.6 and 16.9.)

(iv) Steps toward legal action.

C. The following items are not considered disciplinary actions and therefore do not require a prior hearing.

(i) Courtesy notification letters / notice of violation.

(ii) Institution of legal proceedings.

(iii) Emergency entry of a lot to remedy a health or safety hazard.

(iv) Initiation of alternative dispute resolution (request for resolution) proceedings.

(v) Towing vehicles improperly parked on the common areas at the Owner's expense.

D. Violations that require maintenance or repairs.

These are violations that may result in the Association performing maintenance or repairs. If such a violation occurs, the Association may send a notice of violation to the Owner requesting that the Owner correct the violation within a reasonable amount of time or immediately if the violation creates an imminent health or safety hazard. If the Owner fails to correct the violation in a timely manner, then the Association may do as follows.

(i) Perform the maintenance or repairs.

(ii) Charge the Owner for the maintenance or repair costs.

(iii) Deliver to the Owner a "Notice of Board Hearing" or a combined "Request for Resolution / Notice of Board Hearing."

(iv) After a Board hearing, impose fines and/or other discipline.

3. Schedule of Fines

A. To ensure compliance with the required Architectural Review and Approval procedures set forth in the Association's CC&Rs, Article IV, the Association's Architectural Review Committee Guidelines and Home Improvement Application, and any other rules that may be adopted by the Association related thereto (collectively, "Architectural Rules"), the Board may impose the following fines, in addition to any other disciplinary actions.

(i) An Owner making an improvement to their lot without fully complying with the Architectural Rules and

obtaining approval for the improvement from the Association's Architectural Review Committee confirmed by the Association's Board (CC&Rs, Section 4.1(a)) may be assessed a fine of up to \$500 per violation.

(ii) An Owner making an improvement to their lot without fully complying with the Architectural Rules and obtaining approval for the improvement from the Association's Architectural Review Committee confirmed by the Association's Board, and who fails to obtain subsequent approval of the improvement from the Association's Architectural Review Committee confirmed by the Association's Board, may be required to remove or modify the noncomplying improvement, pay attorney's fees and costs incurred by the Association to attempt to compel the Owner's compliance, and may be assessed a fine of up to \$100/day until the noncomplying improvement is removed or modified as required by the Board.

B. For violations other than of Architectural Rules set forth in Section 3(A) above, the Board may impose the following fines.

(i) For first violations: up to \$500.

(ii) For second violations (same offense or same nature): up to \$750.

(iii) For third or subsequent violations (same offense or same nature): up to \$1,000.

(iv) For Continuous Violations: A per day, week, or month amount set by the Board based on the merits of each violation.

The CC&Rs, Section 16.6(c), Definition of "Violation", provide:

A violation of the Governing Documents shall be defined as a single act or omission occurring on a single day. If the detrimental effect of a violation continues for additional days, discipline imposed by the Board may include one component for the violation and, according to the Board's discretion, a per day, week, or month component for so long as the detrimental effect continues. Similar violations on different days shall justify cumulative imposition of disciplinary measures. The Association shall take reasonable and prompt action to repair or avoid the continuing damaging effects of a violation or nuisance occurring within the Common Area at the cost of the responsible Owner.

C. Failure to pay a fine may result in the matter being referred to a collection company and/or attorney. The Association may also pursue a lawsuit. If the Association obtains a court judgment against an Owner, the judgment accrues interest at the legal rate (currently 10% annually). Any judgment obtained against an Owner may be recorded at the County Recorder's office. A recorded judgment creates a lien against the Owner's lot which may result in a foreclosure action, or the lien may remain against the lot, accruing interest, until it is satisfied from the proceeds of a sale of the lot or refinancing of the loans secured by the lot.



The Architectural Process (See also the CC&Rs, Article IV)

If you wish to make any exterior changes to your unit that are visible to the community, impact the siding on your home or interior changes that impact the roof, you must receive approval from the Architectural Review Committee (ARC) and the Board of Directors.

Procedure:

If you are going to follow the criteria exactly:

1. Review the criteria for the improvement you are requesting.
2. Complete the application form(s) and attach all required information.
3. Submit the application form and required documents to the Nepenthe Office.

If you want to do something outside the current criteria or if your improvement is not addressed in the criteria:

1. Review the criteria for the improvement you are requesting.
2. Consider meeting with a member of the ARC if you would like assistance in understanding what it is the Committee will consider for non-standard changes.
2. Submit detailed information with the application form
3. Attend an ARC meeting to present your plans.

Approval:

1. For certain basic changes (such as a replacement garage door according to criteria), the office may be able to approve your application.
2. ARC will review your project and make a recommendation to the Board of Directors.
3. Final approval is provided by the Board of Directors. *The Board of Directors has allowed certain improvements to begin based on the ARC approval prior to the formal Board consent. The Nepenthe Office is aware of these exceptions.*
4. You may not begin work until you receive approval in writing from the Nepenthe office.

Denial:

Should the ARC deny your application, you may request a direct review of your application by the Board of Directors. Contact the Nepenthe office to request a Board review.

If the homeowner disregards the ARC directions without Board approval, the Board may levy a Special Individual Assessment against the owner and require the work to be corrected.

After Completion:

After you have completed the approved work, you must notify the Nepenthe office. In certain cases, you must have a completion inspection. These cases are identified on the application form.

Time Frame:

Article IV of the Nepenthe CC&Rs describes in detail the procedures and timeframes for architectural improvements or modifications requested by the owner. In general, once a complete application has been filed with the ARC, the ARC should make a recommendation of approval or denial that should be included on the next Board meeting agenda.

When an approval has been granted, the owner has one year in which to start the improvement or mediation. The work should be completed within one year from when work commenced.

Annual Insurance Disclosure 2023-24

In accordance with the requirements set forth under California Civil Code 5300 (b)(9), associations must provide the following insurance summary annually. This disclosure will list the insurance your association carries through our agency.

Nepenthe Association

Effective: October 01, 2023 to 2024

- ***Building/Property Insurance Coverage***
 Insurer: Farmers Insurance Group of Companies
 Policy Limits: \$129,874,400. / Deductible: \$25,000.
 Interior Coverage: Walls-Out/Bare Walls
- ***General Liability Insurance Coverage***
 Insurer: Farmers Insurance Group of Companies
 Policy Limits: \$1,000,000. Occurrence / Aggregate: \$2,000,000.
- ***Crime/Employee Dishonesty/Fidelity Bond Coverage***
 Insurer: Farmers Insurance Group of Companies
 Policy Limits: \$11,400,000. / Deductible: \$10,000.
- ***Flood Insurance Coverage***
 Insurer: Fire Insurance Exchange
 Policy Limits Residential: \$250,000. Per bldg. / Deductible: \$10,000.
 Policy Limits Clubhouses: Varies / Deductible: \$10,000.
- ***Directors and Officers Coverage: \$2,000,000. / Deductible: \$1,000.***
- ***Excess Liability/Umbrella Coverage: \$10,000,000. / SIR: \$10,000.***
- ***Workers Compensation Coverage: N/A***
- ***Earthquake/DIC Insurance Coverage: N/A***



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, 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.

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 November 8, 2022.

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

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 November 8, 2022.

For current information, please visit the U.S. Department of Veterans Affairs website at: <https://lgy.va.gov/lgyhub/condo-report>



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

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

Effective 1/1/2024

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 not incorporation	Section 4525(a)(1)	\$48.00	
CC&Rs	Section 4525(a)(1)	\$55.00	
Bylaws	Section 4525 (a)(1)	\$48.00	
Operating Rules	Section 4525 (a)(1)	\$34.00	
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)	\$48.00	
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)	\$48.00	
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)



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Effective 1/1/2024

Minutes of regular meetings of the board of directors conducted over the previous 12 months, if requested	Section 4525(a)(10)	\$97.00
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TOTAL FEES for these documents: \$378.00 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.