

DATE: November 4, 2021
TO: The Membership – Nepenthe Association
FROM: The Board of Directors
RE: 2022 Budget – Effective January 1, 2022

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 2.24% will be necessary to meet the association's financial needs in the upcoming fiscal year. **Please note that effective January 1, 2021, your new monthly assessment will be \$547 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 \$10,214,689 in actual accumulated reserve funds as of September 30, 2021. The Board anticipates that the amount will increase to \$10,300,00 by the end of the current fiscal year. According to the reserve analyst, the total replacement cost for all major components is \$37,902,233. The current reserve fund amount represents 27% 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 63.6% 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 \$119,290,000 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.

Please contact our community manager, Bettsi Ledesma at 916-929-8380 or via e-mail at Bettsi.ledesma@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, 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 in lobby bulletin board outside Manager’s office.
- 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 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
Approved Operating Budget
January 1, 2022 - December 31, 2022

Description	Current Monthly Approved Budget	Current Annual Approved Budget	Proposed Budget Monthly	Proposed Budget Annual	Monthly Unit Cost
REVENUE					
HOMEOWNER ASSESSMENT REVENUE	315,650	3,787,800	322,732	3,872,784	547.00
EASEMENT AGREEMENT	1,500	18,000	2,100	25,200	3.56
LATE FEES					
INTEREST ON PAST DUE ASSESSMENTS					
KEY REVENUE	60	720	60	720	0.10
CLUBHOUSE RENTAL	300	3,600	667	8,004	1.13
CC&R VIOLATIONS/FINES					
INSURANCE REIMBURSEMENT	1,700	20,400	1,700	20,400	2.88
MISCELLANEOUS REVENUE					
OPERATING INTEREST REVENUE					
RESERVE INTEREST REVENUE					
PAST OWNERS REVENUE					
**TOTAL REVENUE	319,210	3,830,520	327,259	3,927,108	554.68
**RESERVE CONTRIBUTION					
GENERAL RESERVES	181,720	2,180,640	187,620	2,251,440	318.00
RESERVE INTEREST					
PRIOR YR FUNDING					
**TOTAL RESERVE CONTRIBUTION	181,720	2,180,640	187,620	2,251,440	318.00

Description	Current Monthly Approved Budget	Current Annual Approved Budget	Proposed Budget Monthly	Proposed Budget Annual	Monthly Unit Cost
**TOTAL AVAILABLE OPERATING REVENUE	137,490	1,649,880	139,639	1,675,668	236.68
OPERATING EXPENSES					
**UTILITIES					
PENDING UTILITY EXPENSE					
ELECTRICITY	2,500	30,000	2,700	32,400	4.58
GAS	1,450	17,400	1,450	17,400	2.46
REFUSE COLLECTION	600	7,200	600	7,200	1.02
TELEPHONE EXPENSE	450	5,400	331	3,972	0.56
WATER	4,500	54,000	4,300	51,600	7.29
INTERNET EXPENSES	330	3,960	329	3,948	0.56
**TOTAL UTILITIES	9,830	117,960	9,710	116,520	16.46
**LAND MAINTENANCE					
CONTRACT LANDSCAPE SERVICE	42,000	504,000	42,000	504,000	71.19
BACKFLOW DEVICE TEST			525	6,300	0.89
**TOTAL LAND MAINTENANCE	42,000	504,000	42,525	510,300	72.08
**COMMON AREA					
CONTRACT POOL/SPA SERVICE	1,750	21,000	1,771	21,252	3.00
POOL EQUIPMENT REPAIR					
POOL/SPA MISC					
POOL INSPECTION	175	2,100	200	2,400	0.34
ROOF MAINTENANCE					
MATERIAL SUPPLIES	288	3,456	1,100	13,200	1.86
PEST CONTROL			25	300	0.04
JANITORIAL SERVICE	1,790	21,480	1,790	21,480	3.03

Description	Current Monthly Approved Budget	Current Annual Approved Budget	Proposed Budget Monthly	Proposed Budget Annual	Monthly Unit Cost
JANITORIAL SUPPLIES	120	1,440	175	2,100	0.30
FIRE EXTINGUISHER	12	144			
PATROL SERVICE	2,995	35,940	2,300	27,600	3.90
GUTTER & DOWNSPOUT CLEANING	6,167	74,004	5,964	71,568	10.11
REPAIR & MAINTENANCE	3,100	37,200	2,600	31,200	4.41
KITCHEN SUPPLIES	25	300	50	600	0.08
JANITORIAL EXTRA LABOR					
FITNESS CONTRACT			36	432	0.06
**TOTAL COMMON AREA	16,422	197,064	16,011	192,132	27.14
**MANAGEMENT/ON-SITE ADMIN EXP					
PAYROLL PROCESSING FEES	480	5,760	520	6,240	0.88
COMMUNITY WEBSITE	160	1,920	150	1,800	0.25
COMMUNITY EVENTS/PROGRAMS			50	600	0.08
VOLUNTEER RECOGNITION					
PENDING P-CARD EXPENSE					
CPA SERVICES	155	1,860	155	1,860	0.26
FEDERAL TAX EXPENSE	1,000	12,000			
FRANCHISE TAX BOARD	600	7,200			
TAXES & LICENSES	100	1,200	50	600	0.08
GENERAL COUNSEL SERVICE	1,000	12,000	1,000	12,000	1.69
CONTRACT MANAGEMENT	7,650	91,800	7,800	93,600	13.22
MANAGEMENT REIMBURSABLE	1,900	22,800	3,000	36,000	5.08
POSTAGE, ON-SITE	100	1,200	40	480	0.07
DUES & PUBLICATIONS	100	1,200	40	480	0.07
BANK FEES	35	420	35	420	0.06

Description	Current Monthly Approved Budget	Current Annual Approved Budget	Proposed Budget Monthly	Proposed Budget Annual	Monthly Unit Cost
ON-SITE STAFF	15,500	186,000	14,500	174,000	24.58
DELINQUENCY MONITORING	10	120	10	120	0.02
OPERATING CONTINGENCY	102	1,224	100	1,200	0.17
LEGAL-COLLECTIONS	30	360			
ACCOUNTING REIMBURSABLES	150	1,800	150	1,800	0.25
AMS COLLECTION EXPENSE					
PROPERTY TAX	50	600	50	600	0.08
PAYROLL TAXES & BENEFITS	6,000	72,000	7,000	84,000	11.86
ON-SITE OFFICE SUPPLIES	175	2,100	118	1,416	0.20
INTERNET EXPENSE					
COPIER LEASE	435	5,220	435	5,220	0.74
CLAC CONTRIBUTION	99	1,188	99	1,188	0.17
**TOTAL MANAGEMENT/ON-SITE ADMIN EXP	35,831	429,972	35,302	423,624	59.83
**INSURANCE					
INSURANCE	8,407	100,884	9,091	109,092	15.41
FLOOD INSURANCE	25,000	300,000	27,000	324,000	45.76
**TOTAL INSURANCE	33,407	400,884	36,091	433,092	61.17
**TOTAL OPERATING EXPENSES	137,490	1,649,880	139,639	1,675,668	236.68
NET INCOME/(LOSS)					0.00



RESERVE STUDY

Member Distribution Materials

Nepenthe Association

Update w/ Site Visit Review

Final

Published - November 04, 2021

Prepared for the 2022 Fiscal Year

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



Browning Reserve Group
www.BrowningRG.com

November 04, 2021

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/ Site Visit Review for the January 1, 2022 - December 31, 2022 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.

Reserve Component	Current Replacement Cost	Useful Life	Remaining Life	2021 Fully Funded Balance	2022 Fully Funded Balance	2022 Line Item Contribution based on Cash Flow Method
01000 - Paving	2,023,444	1-15	0-15	816,081	845,232	131,681
02000 - Concrete	203,636	1-5	0-4	195,162	81,560	49,484
03000 - Painting: Exterior	1,752,936	1-16	0-9	1,434,855	1,265,880	172,266
03500 - Painting: Interior	26,577	4-10	1-3	18,799	22,596	2,308
04000 - Structural Repairs	7,286,851	1-30	0-29	2,412,559	2,450,154	453,030
05000 - Roofing	22,329,596	1-30	0-28	5,703,059	6,616,889	892,451
08000 - Rehab	431,789	10-30	1-23	206,602	234,317	19,343
12000 - Pool	555,015	1-30	0-23	216,499	173,321	29,915
13000 - Spa	38,180	5-8	0-5	22,393	15,496	4,392
14000 - Recreation	35,310	5-20	1-7	27,671	33,395	3,422
17000 - Tennis Court	336,490	2-21	0-19	140,060	113,676	16,610
18000 - Landscaping	1,597,708	1-40	0-4	1,557,858	1,232,856	340,270
19000 - Fencing	751,452	1-25	0-18	574,332	458,274	60,455
20000 - Lighting	62,583	1-20	0-12	26,073	30,773	11,887
21000 - Signage	110,895	15-25	3-23	44,148	50,297	4,686
22000 - Office Equipment	1,000	4-4	1-1	750	1,025	172
23000 - Mechanical Equipment	105,565	12-15	1-3	97,123	106,864	4,924
24000 - Furnishings	15,540	10-15	1-8	10,268	11,871	974
24500 - Audio / Visual	35,330	10-10	7-7	10,599	14,485	2,815
24600 - Safety / Access	64,457	10-10	3-8	35,177	42,664	4,841
25000 - Flooring	47,410	10-20	1-13	30,616	35,867	3,233
26000 - Outdoor Equipment	750	10-10	5-5	375	461	57
27000 - Appliances	24,970	10-20	1-13	14,608	16,985	1,503
30000 - Miscellaneous	50,150	1-1	0-0	50,150	51,404	33,615
31000 - Reserve Study	6,600	1-3	0-0	6,600	2,665	1,743
32000 - Undesignated	8,000	1-1	0-0	8,000	8,200	5,362
Totals	\$37,902,233			\$13,660,419	\$13,917,205	\$2,251,440
Estimated Ending Balance				\$9,315,405	\$8,848,373	\$318.00
Percent Funded				68.2%	63.6%	/Lot/month @ 590

November 4, 2021

(1) The regular assessment per ownership interest is \$318.00 per month for the fiscal year beginning January 1, 2022.

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 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 \$13,660,419, based in whole or in part on the last reserve study or update prepared by Browning Reserve Group as of November, 2021. The projected reserve fund cash balance at the end of the current fiscal year is \$9,315,405 resulting in reserves being 68.2% 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)
2022	\$13,917,205	\$8,848,373	63.6%
2023	\$14,233,369	\$8,427,488	59.2%
2024	\$14,586,420	\$9,050,091	62.0%
2025	\$15,996,191	\$10,371,655	64.8%
2026	\$18,124,807	\$11,916,141	65.7%

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 1.05% per year was the assumed long-term interest rate.

Additional Disclosures

§5565(d) The current deficiency in reserve funding as of December 31, 2022 is \$8,591 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.

$$\text{Deficiency} = \frac{\text{2022 Fully Funded Balance} - \text{2022 Reserve Ending Balance}}{\text{Ownership Interest Quantity}}$$

§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

Final

Prepared for the 2022 Fiscal Year

No Landscape Project; T= \$5M

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Beginning Balance	9,679,237	9,315,405	8,848,373	8,427,488	9,050,091	10,371,655	11,916,141	12,293,797	12,767,846	12,000,629
Inflated Expenditures @ 2.5%	2,642,509	2,813,333	2,854,616	1,903,578	1,309,731	1,200,443	2,479,825	2,494,390	3,844,791	1,394,270
Reserve Contribution	2,179,476	2,251,440	2,343,506	2,434,903	2,529,864	2,628,529	2,731,042	2,837,553	2,948,218	3,063,199
<i>Lots/month @ 590</i>	307.84	318.00	331.00	343.91	357.33	371.26	385.74	400.78	416.41	432.66
<i>Percentage Increase</i>		3.3%	4.1%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest After Tax @ 1.05%¹	99,201	94,862	90,225	91,278	101,432	116,400	126,438	130,886	129,355	134,768
Ending Balance	9,315,405	8,848,373	8,427,488	9,050,091	10,371,655	11,916,141	12,293,797	12,767,846	12,000,629	13,804,326

1) This is the first year the estimated tax payments, based on reserve earnings, are being deducted from reserves per the CPA recommendation. The funding threshold is set by the association at \$5M.

	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Beginning Balance	13,804,326	15,522,193	17,794,895	18,391,076	18,602,782	18,929,809	20,186,046	21,794,616	24,260,865	24,687,249
Inflated Expenditures @ 2.5%	1,617,957	1,208,087	3,028,557	3,551,244	3,577,957	2,801,666	2,614,586	1,934,340	4,151,553	6,543,860
Reserve Contribution	3,182,664	3,306,788	3,435,753	3,569,747	3,708,967	3,853,617	4,003,908	4,160,060	4,322,302	4,490,872
<i>Lots/month @ 590</i>	449.53	467.06	485.28	504.20	523.87	544.30	565.52	587.58	610.49	634.30
<i>Percentage Increase</i>	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest After Tax @ 1.05%	153,160	174,001	188,984	193,203	196,017	204,286	219,247	240,529	255,636	248,438
Ending Balance	15,522,193	17,794,895	18,391,076	18,602,782	18,929,809	20,186,046	21,794,616	24,260,865	24,687,249	22,882,699

	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Beginning Balance	22,882,699	21,584,917	22,382,500	23,233,107	19,796,301	15,718,891	10,590,682	5,026,287	5,356,596	6,653,292
Inflated Expenditures @ 2.5%	6,196,034	4,280,031	4,424,688	8,895,039	9,700,506	10,915,295	11,515,975	5,822,868	5,102,837	5,226,271
Reserve Contribution	4,666,016	4,847,991	5,037,063	5,233,508	5,437,615	5,649,682	5,870,020	6,098,951	6,336,810	6,583,946
<i>Lots/month @ 590</i>	659.04	684.74	711.45	739.20	768.02	797.98	829.10	861.43	895.03	929.94
<i>Percentage Increase</i>	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest After Tax @ 1.05%	232,236	229,623	238,231	224,725	185,481	137,404	81,561	54,225	62,723	76,987
Ending Balance	21,584,917	22,382,500	23,233,107	19,796,301	15,718,891	10,590,682	5,026,287	5,356,596	6,653,292	8,087,955

NEPENTHE ASSOCIATION

DELINQUENT ASSESSMENT COLLECTION POLICY

Effective: JANUARY 2022

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 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, and/or services paid for by the association.
- When an Assessment becomes more than sixty (60) 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 (see fee schedule pg. 3), as well as all costs to complete the transmittal of the letters.
- 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

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processing fees, recording service, and costs (see fee schedule pg. 3). 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 (see fee schedule pg. 3). 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.
- The mailing address for overnight payment of assessments is:

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

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- Fee Schedule

Service	Fee(s)
Intent to Lien Letter with Title Check	\$250.00
Notice of Delinquent Assessment Lien	\$275.00
Intent to Foreclose Letter	\$75.00
Release of Lien	\$165.00
Foreclosure Package	\$350.00
Title Report	\$65.00
Notary Service	\$15.00
Recording Service	\$50.00
State SB2 Recording Fee	\$75.00
Additional Letter Fee	\$25.00

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 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

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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).

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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,

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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.

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- (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:
 - (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.

Dispute Resolution Procedures: Alternative Dispute Resolution and Internal Dispute Resolution

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 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.



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.

Nepenthe Association

2021-2022 Insurance Summary & Disclosure

Property Insurance:

Insurance Company: Farmers Insurance Exchange
Policy Number: 605044453
Policy Limits: \$ 109,290,000 ***
Deductible: \$ 10,000
Policy Period: 10/01/2021-10/01/2022

General Liability Insurance:

Insurance Company: Farmers Insurance Exchange
Policy Number: 605044453
Policy Limits: \$1,000,000 Per Occurrence/ \$2,000,000 Aggregate
Policy Period: 10/01/2021-10/01/2022

Directors & Officers Liability:

Insurance Company: Farmers Insurance Exchange
Policy Number: 605044453
Policy Limits: \$ 2,000,000
Retention: \$ 1,000
Policy Period: 10/01/2021-10/01/2022

Fidelity Bond:

Insurance Company: Farmers Insurance Exchange
Policy Number: 605044453
Policy Limits: \$ 1,000,000
Retention: \$ 10,000
Policy Period: 10/01/2021-10/01/2022

Commercial Auto Liability:

Insurance Company: Farmers Insurance Exchange
Policy Number: 605044453
Policy Limits: \$1,000,000
Policy Period: 10/01/2021-10/01/2022

Umbrella Liability Insurance:

Insurance Company: Truck Insurance Exchange
Policy Number: 605044513
Policy Limits: \$ 10,000,000 **
Retention: \$ 10,000
Policy Period: 10/01/2021-10/01/2022

** *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 Civil Code 5300(b)(9) 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.

CA License #0E35211
Russo Insurance and Financial Services
951 Reserve Drive, Suite 160
Roseville, CA 95678
916-636-0115



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 2021

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 2021.

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 1/1/2022

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)	\$42.00	
CC&Rs	Section 4525(a)(1)	\$48.00	
Bylaws	Section 4525 (a)(1)	\$42.00	
Operating Rules	Section 4525 (a)(1)	\$30.00	
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)	\$42.00	
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)	\$42.00	
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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Billing Disclosure Form - *Provided as required by Section 4525**

Effective 1/1/2022

Minutes of regular meetings of the board of directors conducted over the previous 12 months, if requested	Section 4525(a)(10)	\$85.00
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TOTAL FEES for these documents: \$331.00 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.