

The Springs Community Association

Age Restrictions, if any



Age Restrictions: Section 4525(a)(2)

The association or managing agent does not have any age restrictions documents.

These documents are being provided to you at the request of (the owner) in compliance with Civil Code section 4525. If you have any questions about the information contained in these documents, please contact the owner or your own legal counsel. The Association and its agents make no representations about the purpose or effect of these documents and the information they contain.

The Springs Community Association

Annual Board Meeting Minutes





**The Springs Community Association
Annual Homeowners Meeting
Sunday, February 16, 2020
Minutes**

Board Members in Attendance: Ann Van Balen, President, Dan Ginsey, Vice-President, Roger Beaman, Treasurer, Bill Priest, Director, Tom Hockin, Director, John Turley, Director & Mary Hones, Director

Also in Attendance: Rich Yehling, Chief Financial Officer, Julie Fisher, Community Manager, Rick Cabasal, Club Manager, Vincent Wall, Controller, J. Perry, Operations Manager, Don Fallon, Chief of Community Services, Lisa Schwarz, Inspectors of Election for The Ballot Box, Christina Baine DeJardin of Delphi Law Group, LLP, Daniel Spryszynski, Assistant Community Manager, & Danielle Irving, Administrative Assistant

CALL TO ORDER: Ann Van Balen, President, called the 46th Annual Homeowners Association meeting to order at 2:05 PM in the Springs Club at 1 Duke Drive, Rancho Mirage, CA 92270.

She welcomed everyone, thanked them for attending and advised the meeting is being videotaped.

Ann introduced herself as President of the Board of Directors and advised she is also chair of the Fitness Committee. She introduced the current Board of Directors:

- Dan Ginsey, Vice-President & Chair of Landscape Committee
- Roger Beaman, Treasurer, Chair of Finance Committee & Insurance Committee
- Bill Priest - Secretary & Chair of Community Services Committee
- Tom Hockin - Director and Chair of Long Term Financial Planning Committee
- Mary Hones, Director, Chair of Community Services Committee & Chair of Committee Selection Process
- John Turley, Director, Chair of Architectural Committee, Co-Chair of Construction Oversight Committee, Chair of Contracts Committee

Ann Van Balen was recognized for her time serving as the Board President from February 2017 - February 2020 and was presented with an award.

Tom Hockin was recognized for his time serving as Director from February 2017 - February 2020 and was presented with an award.

Roger Beaman was recognized for his time serving as Treasurer from February 2017 - February 2020 and was presented with an award.

Ann introduced the Chief Financial Officer, Rich Yehling, Vincent Wall, Controller, Community Manager, Julie Fisher and Club Manager, Rick Cabasal.

Ann introduced Lisa Schwartz, Inspector of Election for The Ballot Box and asked Lisa if the Springs homeowners had reached a quorum. As a quorum was confirmed, the meeting proceeded.

Ann introduced the six candidates for the open positions for the Board in alphabetical order: Barbara Mortensen, Curtis Green, Gary Pollock, Kevin Dahlin, Stan Horwitz and William Sachs. As there were no nominations from the floor in addition to the six candidates, a motion was made, seconded and carried to close registration.

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PRESIDENT'S REPORT: Ann reviewed the agenda and stated the focus of the meeting will be on financial forecasts and reserves, how the four million Vision 2020 special assessment will be spent and how the Board is addressing security issues.

Ann thanked all committee members who served on their respective committees. She informed homeowners about volunteering as committee members, advised that regular committees are for one year terms and architectural is for three years.

Ann reported on the planning and approval of Vision 2020 as of November 1, 2019 and the process which had begun during the end of 2017. She thanked the Board for all their work on accomplishing the merger.

In March, the Board will need to approve new election rules to comply with the Davis-Stirling Act.

FINANCE COMMITTEE/TREASURER'S REPORT: Roger Beaman introduced and thanked the Finance Committee members: Tom Hockin, Ann Van Balen, Ed Gubman, Bill Sachs, John Turley, Melissa McKay, Bob Middlemas, Rich Yehling, CFO and the Association Controller, Vincent Wall.

Rich gave a financial presentation which included a slide show. He answered several questions from Members.

Ed Gubman and John Turley gave a presentation indicating how the four million dollars will be spent on the clubhouse renovation. The clubhouse remodel will begin on/around April 13-14 after Easter. Ed reviewed the new layout of the clubhouse with references to the drawing board and furniture materials available for viewing located at the entrance to the clubhouse. John discussed the installation areas for televisions which will be throughout the columns in the bar area. There was discussion on the transition from PHX Architecture to Pearson architects.

LONG TERM FINANCIAL PLANNING COMMITTEE: Tom Hockin introduced and thanked the Long Term Financial Planning Committee members: Ann Van Balen, Peter Hammond, Joan Gibson, Bill Sachs, Jill Miller & Ed Gubman.

Tom explained there are three separate reserves: Association, Social and Golf. The combined amount is over three million dollars. The major assets for which reserves are set aside include homeowner roofs, streets and various other long term needs such as gate camera access technology. A major expenditure for the past year was the complete street replacement for Columbia Drive from the Bob Hope Gate to Yale Drive at an expense of \$323,000.

SPORTS & FITNESS COMMITTEE: Ann Van Balen introduced and thanked the Sports & Fitness Committee members: Paul Littman, Steve Peck, Buzz Folsom, Michelle Yount, Brenda Turley and Brian Chapin. She also thanked Geri Ramsey, Fitness Director and all fitness center staff from WTS International.

Ann introduced Isabel Collas-Banis the new Tennis Pro and discussed the rehabilitation and repairs to the courts. A new court washer had been hired for weekly courts cleaning. She discussed court use and the preparation for the upcoming Grand Prix of Pickle ball.

Fitness FOBs have increased the fitness center use and over 450 have been sold.

ARCHITECTURAL COMMITTEE: John Turley introduced and thanked the Architectural Committee members: Jim Connoles, Neil Gilmore, Stan Horwitz, Melissa McKay and staff members Julie Fisher, J. Perry, Daniel Spryszynski and Danielle Irving. He also thanked the community for having elected him to serve on the Board.

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John reported on the amount and type of approved architectural applications for 2019 for a total of 170 approved projects. A map was available of the community showing which homes have had approved solar panel applications, with a total of 29 applications for 2019. An update and map was provided with a map showing the completed and to be completed LED light installation areas in the community.

LANDSCAPE COMMITTEE: Dan Ginsey introduced and thanked the committee members: Mike Garakian, Leslie Tillmann, and Steven Peck.

Dan reported the approved landscape applications for a total of 78 projects and requests for 2019. Photos and maps showing the locations on Mt. Holyoke Drive of the landscape redesign and the pool landscape renovations at 39.5 Princeton and 49.5 Princeton, along with the addition of yellow snap dragon flowers to the fall flower mix for common area planter beds.

COMMUNITY SERVICES COMMITTEE: Mary Hones introduced and thanked committee members: Mark Hendler, Jean Viereck, Donna Malouf, Bruce Green & Ardith Marguleas. Mary introduced and thanked Don Fallon, Chief of Community Services.

Mary welcomed G4S, the new security company and reported that the security guards are trained by ISO-certified North America Training Institute. She reviewed the amount of service calls security has undertaken for 2019. A total of 4057 incidents was an increase from 2018. The 2019 Incident Statistics report and details of Springs Security & Risk Management Assessment were available for members to review.

Don Fallon, Chief of Community Services addressed the homeowners about recent security incidents within the community. He reviewed his security report and announced that the surveillance cameras at the entry gates throughout the community will be updated. Additionally, passive security measures included the perimeter walls, thorny hedge installations along the exterior side of the perimeter, and a home security survey possibly being provided by the Riverside County Sheriff's Department to identify "soft spots" for resident homes. Fallon informed that a traffic study is being conducted in the community.

REPORT OF BALLOT INSPECTOR(S): Lisa Schwartz, Inspector of Election for The Ballot Box announced the election results. Votes for candidates for the Board of Director were as follows:

Barbara Mortensen - 207
Curtis Green - 231
Gary Pollock - 212
Kevin Dahlin - 354
Stan Horwitz - 121
William Sachs - 201

The new Board members, each elected for a three (3) year term were:

Curtis Green
Gary Pollock
Kevin Dahlin

The vote regarding IRS 70-604 ruling to approve the use of excess funds for the next fiscal year passed with votes as follows:

Yes - 441
No - 9
Abstain - 36

The vote regarding approval of the minutes from the February 10, 2019 annual meeting passed with votes as follows:

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Yes - 419
 No - 8
 Abstain - 59

OPEN FORUM: The floor was opened to the homeowners for questions as follows:

- 67 Colgate - Barbara Mortensen thanked all whom voted and endorsed her candidacy for the upcoming open board member positions. She stated if not elected she would continue to attend the board meetings. She inquired about a meeting to discuss rules and regulations as she would like to give input before the revisions are adopted. She requested that the "What's On Your Mind" meetings could be monthly. Barbara thanked the Board for their time and efforts over the past few years.

- 56 Colgate – Carol Mannos inquired why there is blue ink in the water.

Response: Dan stated that the state does not allow the lakes to use herbicides, so food coloring is used to turn the water blue and make it look pleasant. Some discussion took place regarding Nano bubble technology installation to help keep lakes clean.

- 36 Lafayette - Barbara Garakian inquired about the policy of a tenant using the Fitness Center, taking classes and how billing would be factored.

Response: Ann stated that tenants are allowed to use the Fitness Center if the homeowner delegates their social membership to them. Once delegated they can utilize all amenities like a homeowner.

- 1 Briarcliffe - Joy Miller commented the Association should function as a mini government urged Board transparency. She expressed concerns about homeowners not being involved enough with the Clubhouse renovation & complaints regarding the furniture colors, the new S logo and the clubhouse renderings. She asked if future Annual Meetings could be moved to 3:00 PM. She commented the roads in the community are a priority.

Response: Ann stated that Asphalt MD's are professional and will suggest the best options for the road work that needs to be done.

- 25 Lafayette - Michael Levy declared he served on a number of Boards and this presentation was very professional and thanked the Board. He requested earlier access to the financial statements for review prior to the next annual meeting. Michael suggested if members wanted to affect change, comments are welcomed however, join a committee or run for the Board to truly make a change.

- 2 Furman - Judy Abelson requested a dedicated card room for women as the card group has to travel often. She commented the tennis program was not invigorated by the tennis pro. She asked why Passover was held on the second night, instead of the first like previous years.

Response: Ed stated all card games will be held in the clubhouse grill room.

- 31 Duke - Kim Splane made an inquiry as to why there are three websites that a homeowner has to login into and the mailing address payments should be sent to.

Response: The dwellingLIVE website will always be a second login. The current Association and clubhouse websites will be combined. All payments should be mailed to 1 Duke Drive, Rancho Mirage, CA 92270. Rich also commented that a module will be installed on the community website so members will be able to make payments online.

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- 64 Dartmouth - Silvia Tyminski asked when the street work would be completed and when will they be able to resume domino game play in the grill room.
- 3 Rutgers - Christina Calabro commented that she has lived in the community for 18 years. The roads are in poor condition and there needs to be more transparency about the clubhouse remodel project.
- 28 Dartmouth - Mark Hendler gave kudos to the Board for its effort and the ASSOCIATION for their assistance. Mark asked if enough funds were budgeted to complete the street work in the community.

Response: Ed responded that there was one million in the reserves to complete the roofs. However, there would not be enough to complete the street work without depleting the remaining reserves. A loan would need to be secured to complete all street work at the same time. After more information has been gathered to reach a decision on how to proceed on the street work, a presentation will be scheduled the last week in March to share with members the plan of action to complete those projects.

- 28 Princeton - Herb Rothman commented that the streets need repairs and asked about financials. He stated that The Oasis customers used to get receipts with their statements.

Response: Ed clarified that receipts are still given.

- 145 Yale - Shoshanna Berger inquired if the new patios will have lights on them and when the renovations would be completed. She stated she was originally signed up with Automatic Payments (ACH) but it did not carry over and has caused them to be two months behind. Zeev Berger commented that the tennis program is active and players need to show up. Isabel is doing a good job.

Response: Rich will check on the member account. Canadian banks may be impacted by the change to the ACH.

- 147 Columbia - Bev Schow is concerned that the 20% service charge is not going to the waiting staff.

Response: Rich stated that the service charge is taken in as income and then distributed amongst the hourly wages which has benefited their staff as a whole.

- 6 Dartmouth - Brendan Rome commented that for many years' there were complaints made about the previous community manager. Now, the homeowners are enjoying working with the ASSOCIATION staff since the transition to Julie Fisher as Community Manager.
- 1 Princeton - Melissa McKay raised the question on how the operating income can be kept as low as possible. She also asked John Turley why contracts are being discussed with Rich at the clubhouse.

Response: John advised a contracts committee has been formed. All contracts are being reviewed and being sent out to bid. Vendors are being prioritized by amount paid out for their services.

- 50 Dartmouth - John Balasz stated that he walks the edge of the golf course substantially and asked if he could walk along the out of bounds lines.

Response: Dan stated the reason members are requested to stay off the course is related to a safety issue so no one is struck by a golf ball. The golf course is older and the homes surrounding it are much closer to the course than in new communities with golf courses. New courses can have up to 200 acres in comparison to The Springs which is only 100 acres.

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- 2 Barnard - Judy Holt had a concern about the streets being paved during the high heat of the summer.
- 92 Princeton - Tom Reese asked about walking trails and dog parks for the community.

Response: Ann replied that funds would need to be raised for those projects before any planning; possibly a phase 2 or 3 Vision 2020 community transition.

- 2 St. Mary's - Sylvia Duban commented that there are people walking in the community with dark clothing. That she has lived in the community for 29 years and has never had a problem asking the Association for something, Mrs. Duban reminded Members of simple manners; saying please, thank you and being courteous to staff.

Ann Van Balen asked for motion to close the annual meeting. A motion was made, seconded, and passed on a voice vote of the persons present. The annual meeting adjourned at 3:38 PM.

Respectfully submitted,

Bill Priest, Secretary
Board of Directors

Prepared by: Danielle Irving
Administrative Assistant

The Springs Community Association

Annual Budget Report or Summary



 **THE SPRINGS**
Community Association

The Springs Community Association Annual Budget Report, Annual Policy Statement & Other Disclosures

For The Fiscal Year October 1, 2020 through September 30, 2021

ANNUAL BUDGET REPORT

I. SUMMARY OF PRO FORMA OPERATING BUDGET & SUMMARY OF RESERVES

A. The 2020-2021 Operating Budget, Division Reserve Assessment, Assumptions for Budget Allocations by Division, Monthly Homeowner Assessment by Department and the resulting monthly dues were approved by the Board of Directors. Based upon the approved Budgets (summaries thereof are in Exhibits "A" and "B" within this package), effective October 1, 2020, monthly dues will be as follows:

	<u>2019/2020</u>	<u>Change</u>	<u>2020/2021</u>
Regular Homeowners Dues			
Operating	\$ 600.16	\$ -0-	\$ 600.16
Bulk Cable and Internet	\$ 62.00	\$ -0-	\$ 62.00
Reserve Contribution	\$ 205.84	\$ -0-	\$ 205.84
	\$ 868.00		\$ 868.00
Resident Social / Sports Dues			
Operating	\$ 180.00	\$ -0-	\$ 180.00
Reserve Contribution	\$ 11.00	\$ -0-	\$ 11.00
Fitness Center	\$ 33.00	\$ -0-	\$ 33.00
Tennis Center	\$ 11.00	\$ -0-	\$ 11.00
	\$ 235.00	\$ -0-	\$ 235.00
Total Dues	\$ 1,103.00	\$ -0-	\$ 1,103.00
Golf Dues			
Operating (Single)	\$ 650.00	\$ -0-	\$ 650.00
Reserve Contribution	\$ 75.00	\$ -0-	\$ 75.00
	\$ 725.00	\$ -0-	\$ 725.00
Operating (Couple)	\$ 850.00	\$ -0-	\$ 850.00
Reserve Contribution	\$ 75.00	\$ -0-	\$ 75.00
	\$ 925.00	\$ -0-	\$ 925.00
Operating (Family)	\$ 1,050.00	\$ -0-	\$ 1,050.00
Reserve Contribution	\$ 75.00	\$ -0-	\$ 75.00
	\$ 1,125.00	\$ -0-	\$ 1,125.00
Operating (Legacy)	\$ 650.00	\$ -0-	\$ 650.00
Reserve Contribution	\$ 75.00	\$ -0-	\$ 75.00
	\$ 725.00	\$ -0-	\$ 725.00
Operating (Executive)	\$ 500.00	\$ -0-	\$ 500.00
Reserve Contribution	\$ 75.00	\$ -0-	\$ 75.00
	\$ 575.00	\$ -0-	\$ 575.00
Operating (C.V. Club)	\$ 500.00	\$ -0-	\$ 500.00
Reserve Contribution	\$ 75.00	\$ -0-	\$ 75.00
	\$ 575.00	\$ -0-	\$ 575.00

The complete 2020-2021 Operating Budget is available at The Springs Community Association Office. If any homeowner requests a copy, it will be provided by first class United States mail at the Association's expense. Delivery shall be within five (5) days of receipt of request. Anyone requesting a copy of the Operating Budget will also be provided with a copy of the Reserve Schedule and Assessment and Reserve Funding Disclosure Summary (as soon as the Association has received same from SCT Reserve Consultants, Inc. who is preparing a Level II Reserve Study for all Association, Social and Golf components, completion of which is anticipated in early September, 2020).

B. Summary of Reserves. Attached hereto as **Exhibit "C"** are the Annual Assessment and Reserve Funding Disclosure Summary and Executive Summary of the Reserves.

C. 2019-2020 Audited Financial Statement. Within (120) days after the close of the fiscal year, a copy of the audited financial statement for Fiscal Year 2019-2020 will be sent to each homeowner.

II. SPECIAL ASSESSMENT STATEMENT

The Board of Directors approved a special assessment in the amount of \$650 per lot to facilitate re-payment of the loan obtained to assist in funding the streets and lake liner improvement projects, such assessments will be payable in two parts (per household), \$325 in October, 2020 and \$325 in May of 2021, and such assessments will continue for the next two fiscal years in order to retire the loan principal balance.

III. SUMMARY OF INSURANCE POLICIES

The Association maintains one or more policies of insurance, which include coverage for (1) general liability of the Association, and (2) individual liability of officers and directors of the Association for negligent acts or omissions of those persons acting in their capacity as directors and officers. Pursuant to California *Civil Code* §5300(b)(9) members are hereby notified that the Association carries the following insurance policies:

A. General Liability

1. Name of Insurer: Philadelphia Indemnity Insurance Company
2. Policy Limits: \$1,000,000 each occurrence and \$2,000,000 aggregate limit
3. Amount of Deductible: None
4. Umbrella Coverage: AIG Assurance Co., Policy Limits: \$5,000,000; Retention: \$0
5. Policy Term: May 3, 2020 to May 3, 2021

B. Automobile Liability

1. Name of Insurer: Philadelphia Indemnity Insurance Company
2. Policy Limits: \$1,000,000 combined single limit
3. Amount of Deductible: \$1,000.00
4. Policy Term: February 1, 2020 to February 1, 2021

C. Property

1. Name of Insurer: Philadelphia Indemnity Insurance Company
2. Policy Limits: \$445,274,235 / **Replacement cost excluding water damage, floor & wall coverings. Equipment Breakdown: Included / Walls In – Excluding Improvements.**
3. Amount of Deductible: \$50,000 per occurrence
4. Policy Term: May 3, 2020 to May 3, 2021

D. Earthquake

1. Name of Insurer: Vikco Insurance Services
2. Policy Limits: \$10,000,000
3. Amount of Deductible: 20%
4. Policy Term: May 3, 2020 to May 3, 2021

E. Crime and Fidelity

1. Name of Insurer: Continental Casualty Company
2. Policy Limits: \$4,000,000
3. Amount of Deductible: \$25,000
4. Policy Term: May 3, 2020 to May 3, 2021

F. Directors & Officers Liability / Employers Liability

1. Name of Insurer: RSUI Indemnity Company
2. Policy Limits: \$2,000,000
3. Amount of Deductible: \$ 0 for D&O / \$100,000 for EPL
4. Policy Term: May 3, 2020 to May 3, 2021

G. Errors & Omissions

1. Name of Insurer: Lloyd's of London
2. Policy Limits: \$3,000,000
3. Amount of Deductible: \$1,000
4. Policy Term: May 3, 2020 to May 3, 2021

Accordingly, the Association's aggregate insurance coverage meets or exceeds the level specified by *Civil Code* §5805 for a common interest development consisting of more than 100 separate interests. However, under certain limited circumstances, there may be claims covered by the general liability policy, but excluded from umbrella general liability policy coverage.

H. Statutory Disclosure. This summary of the Association's policies of insurance provides only certain information, as required by §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.

IV. DOCUMENT DISCLOSURE SUMMARY FORM

A copy of the completed "Charges for Documents Provided" disclosure, identified in Civil Code Section 4528, is attached hereto as **Exhibit "D"**.

ANNUAL POLICY STATEMENT AND OTHER DISCLOSURES
V. NOTICES

A. Member Right to Obtain Minutes of Board Meetings. The minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board of Directors, other than an Executive Session, shall be available to members within 30 days of the meeting. Upon written demand on the Association by any member for copies of the minutes, summary minutes, or proposed minutes for adoption that are marked to indicate draft status (if available) other than an Executive Session, may be obtained in the Association's administration office upon payment of the Association's costs for providing such copies.

B. Delivery of Notice(s) to Association. Any document required to be delivered to the Association pursuant to the *Davis-Stirling Common Interest Development Act* and/or any other official document shall be

addressed to: Richard Yehling, Chief Operating Officer of The Springs Community Association, 174 Yale Drive, Rancho Mirage, CA 92270.

C. Member Addresses for Delivery of Notices. A member may submit a request to have notices sent to up to two (2) different specified addresses, pursuant to the *Davis-Stirling Common Interest Development Act* of the California Civil Code.

D. General Notices to Members. The Association will post general notices to the entire membership of the Association (including, but not limited to, *Notices of Proposed Operating Rule Changes*) on the Association's website: www.thespringsrm.com and at the following Common Area location: glass display case on the outside of the Association office located at 174 Yale Drive, Rancho Mirage, CA 92270.

E. Right to Individual Delivery. A member has the option to receive General Notices by individual delivery upon written request to the Association in accordance with the *Davis-Stirling Common Interest Development Act* of the California Civil Code.

F. Notice of Right to Receive Collection Notices at Secondary Address. Upon receipt of a written request by an Owner identifying a secondary address for purposes of collection notices, the Association shall send additional copies of any notices to the secondary address provided. The Owner's request shall be in writing and shall be mailed to the Association in a manner that shall indicate the Association has received it. The Owner may identify or change a secondary address at any time, provided that, if a secondary address is identified or changed during the collection process, the Association shall only be required to send notices to the indicated secondary address from the point the Association receives the request.

G. Overnight payments. Overnight payment of assessments may be sent/delivered to the following address: The Springs Community Association, Attention: Accounts Receivable, 1 Duke Drive, Rancho Mirage, CA 92270.

VI. MONETARY PENALTIES/FINE POLICY STATEMENT

The Association's *Enforcement Policy / Fining Schedule* is attached hereto as **Exhibit "E"**.

VII. ARCHITECTURAL REVIEW PROCESS

In accordance with Civil Code §4765, the Association hereby provides members with notice of the requirements of Association approval of physical changes to property, as set forth in Article 7, Section 7.3 of the Association's Second Restated Declaration of Covenants, Conditions and Restrictions ("CC&Rs"), as follows:

7.3 Committee Approval of Improvements. *Notwithstanding anything contained in the Governing Documents expressly or impliedly to the contrary, no building, fence, wall or other structure or Improvement or Landscape Improvement shall be constructed or maintained upon the Lots, nor shall any exterior addition, change or alteration be made in, on or to the Lots or Residences including without limitation painting, repainting and landscaping and all Improvements and Landscape Improvements, until the plans and specifications, locating plat and color scheme showing the nature, shape, dimensions, materials and location of the same shall have been submitted to and approved in writing by the Architectural Committee and Landscape Committee (if applicable).*

Attached hereto as **Exhibit "F"**, please the *Application Procedure* of the Association's *Architectural Application Packet, Rev. October 17, 2018*, which describes the procedure used to review and approve or disapprove a proposed improvement. The Architectural Committee usually meets the second Tuesday of each month. Full details of the design review process are contained within the Architectural Application Packet delivered to all owners at time of escrow closing.

VIII. RECORDS OF THE ASSOCIATION

The records of the Association, including name and address of the members, are maintained in the Association Office located at 174 Yale Drive, Rancho Mirage, California 92270.

IX. OUTSTANDING LOAN STATEMENT

The Association has one (1) outstanding loan that was made to assist in funding the streets and lake liner improvement projects and is with Bank of Southern California. The approximate amount outstanding will be \$1,379,705 on August 31, 2020 with an interest rate of 4.5%, principal and interest amortized over a three (3) year period.

X. SUMMARY OF THE PROVISIONS OF THE ALTERNATIVE DISPUTE RESOLUTION LEGISLATION, ENUMERATED UNDER CIVIL CODE §§5925, ET SEQ. ("ADR Laws") AND THE INTERNAL DISPUTE RESOLUTION PROCEDURE UNDER CIVIL CODE §§5900 ET SEQ. ("IDR Process")

Pursuant to the ADR Laws, this letter will notify you of a law which requires owners within the subdivision, as well as the Association, to participate in some form of Alternative Dispute Resolution ("ADR") prior to initiating litigation to enforce the Association's governing documents, the *Davis-Stirling Common Interest Development Act* or the Nonprofit Mutual Benefit Corporation Law (CID Dispute). Subject to exceptions specified within the ADR Laws, an Association and its owner members must offer to submit their dispute to a form of ADR, such as arbitration or mediation, before filing a civil action to enforce the governing documents.

If the form of ADR chosen is arbitration, it may be either binding or non-binding at the option of the parties. The ADR Laws also provide that the failure of either the Association or any owner to offer ADR prior to initiating litigation is a potential basis for having your lawsuit dismissed. Additionally, the ADR Laws further provide that the reasonableness of any party's refusal to participate in ADR (prior to the filing of a lawsuit) will be considered by the court in its determination of the amount of attorney's fees awarded to the prevailing party.

Finally, this statute specifically requires that the Association send a summary of this legislation, which specifically includes the following provision of *Civil Code* §5930:

Failure by any member of the Association to comply with the pre-filing requirement of §5930 of the Civil Code may result in the loss of your rights to sue the Association or another member of the Association regarding enforcement of the governing documents or the applicable law.

The Association also has an internal dispute resolution process in place, as required by *Civil Code* §§5900, et seq. Prior to any Owner or the Association pursuing litigation related to any CID Dispute, the Owner or the Association must comply with the internal dispute resolution process identified in the following pages, attached hereto and made a part hereof by this reference.

If you have a dispute with a member or with the Association regarding a CID Dispute, we strongly suggest that you review the ADR Laws contained herein and consult with an attorney to ascertain your rights and remedies.

INTERNAL DISPUTE RESOLUTION PROCESS THE SPRINGS COMMUNITY ASSOCIATION (Hereinafter "Association")

Internal Dispute Resolution Civil Code § 5900

(a) This article applies to a dispute between an association and a member involving their rights, duties, or liabilities under this act, under the Nonprofit Mutual Benefit Corporation Law (Part 3 (commencing with Section 7110) of Division 2 of Title 1 of the Corporations Code), or under the governing documents of the common interest development or association.

- (b) This article supplements, and does not replace, Article 3 (commencing with Section 5925), relating to alternative dispute resolution as a prerequisite to an enforcement action.

Civil Code § 5905

- (a) An association shall provide a fair, reasonable, and expeditious procedure for resolving a dispute within the scope of this article.
- (b) In developing a procedure pursuant to this article, an association shall make maximum, reasonable use of available local dispute resolution programs involving a neutral third party, including low-cost mediation programs such as those listed on the Internet Web sites of the Department of Consumer Affairs and the United States Department of Housing and Urban Development.
- (c) If an association does not provide a fair, reasonable, and expeditious procedure for resolving a dispute within the scope of this article, the procedure provided in Section 5915 applies and satisfies the requirement of subdivision (a).

Civil Code § 5910 A fair, reasonable, and expeditious dispute resolution procedure shall at a Minimum satisfy all of the following requirements:

- (a) The procedure may be invoked by either party to the dispute. A request invoking the procedure shall be in writing.
- (b) The procedure shall provide for prompt deadlines. The procedure shall state the maximum time for the association to act on a request invoking the procedure.
- (c) If the procedure is invoked by a member, the association shall participate in the procedure.
- (d) If the procedure is invoked by the association, the member may elect not to participate in the procedure. If the member participates but the dispute is resolved other than by agreement of the member, the member shall have a right of appeal to the board.
- (e) A resolution of a dispute pursuant to the procedure, which is not in conflict with the law or the governing documents, binds the association and is judicially enforceable. An agreement reached pursuant to the procedure, which is not in conflict with the law or the governing documents, binds the parties and is judicially enforceable.
- (f) The procedure shall provide a means by which the member and the association may explain their positions.
- (g) A member of the association shall not be charged a fee to participate in the process.

Civil Code § 5910.1 An association may not file a civil action regarding a dispute in which the member has requested dispute resolution unless the association has complied with Section 5910 by engaging in good faith in the internal dispute resolution procedures after a member invokes those procedures.

Civil Code § 5915

- (a) This section applies to 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 board shall designate a director 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.
- (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) An agreement reached under this section binds the parties and is judicially enforceable if both of the following conditions are satisfied:
- (1) The agreement is not in conflict with law or the governing documents of the common interest development or association.
- (2) The agreement is either consistent with the authority granted by the board to its designee or the agreement is ratified by the board.

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

Civil Code § 5920 The annual policy statement prepared pursuant to Section 5310 shall include a description of the internal dispute resolution process provided pursuant to this article.
Alternative Dispute Resolution.

ADR LAWS

California Civil Code §§5925, et seq. - Alternative Dispute Resolution

§5925. Definitions.

As used in this article:

(a) "Alternative dispute resolution" means mediation, arbitration, conciliation, or other nonjudicial 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 act.
- (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.

§5930. ADR Prerequisite to Enforcement Action

(a) An association or a member 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 Sections 116.220 and 116.221 of the Code of Civil Procedure.

(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. Request for Resolution.

(a) Any party to a dispute may initiate the process required by §5930 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. ADR Process.

(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. Tolling of Statute of Limitations.

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 §5935 for response to a Request for Resolution.
- (b) If the Request for Resolution is accepted, the period provided by §5940 for completion of alternative dispute resolution, including any extension of time stipulated to by the parties pursuant to §5940.

§5950. Certification of Efforts to Resolve Dispute.

(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 are 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. Stay of Litigation for Dispute Resolution.

(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. Attorney's Fees.

In an enforcement action in which attorney's fees and costs may be awarded, 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. Notice in Annual Policy Statement.

(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 §5930 of the *Civil Code* may result in the loss of the member's right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."

- (b) The summary shall be included in the annual policy statement prepared pursuant to §5310.

XI. ASSESSMENT COLLECTION AND FULL PAY POLICY STATEMENT

Attached hereto as Exhibit "G" is the Association's Summary of Policies and Procedures of Lien Rights and Other Legal Remedies for Default in Payment of Assessments.

XII. NOTICE REGARDING ASSESSMENT DISPUTE RIGHTS

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 §5700) 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. (§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 areas damaged by a member or a member's guests, if the governing documents provide for this. (§5725 of the *Civil Code*.)

The Association must comply with the requirements of Article 2 (commencing with §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. (§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. (§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. (§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. (§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 § 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 §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. (§5685 of the *Civil Code*.)

MEETINGS AND PAYMENT PLANS

An Owner of a separate interest that is not a time-share may request the Association to consider a payment plan to satisfy a delinquent assessment. The Association must inform Owners of the standards for payment plans, if any exist. (§5665 of the *Civil Code*.)

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

EXHIBIT "A"
Operating Budget Summary By Department

DIVISION	2020/2021 BUDGET (\$)
Social	
Social Dues	1,914,363
Dining Room	(477,601)
Oasis	(10,246)
Clubhouse Housekeeping	(544,290)
Clubhouse Administrative	(282,343)
General & Administrative Allocation	(766,157)
Membership Allocation	(52,956)
Social Division Loss	(219,230)
Sports Activities	
Fitness Center Dues	350,394
Tennis Center Dues	128,186
Fitness Center	(176,147)
Tennis Center	(123,503)
General & Administrative Allocation	(135,204)
Membership Allocation	(9,345)
Sports Division Excess Revenue	34,381
Golf	
Golf Dues	1,905,948
Golf Operations	(5,184)
Golf Course Maintenance	(1,534,980)
General & Administrative Allocation	(200,302)
Membership Allocation	(62,301)
Golf Division Excess Revenue	103,181

(Continued)

EXHIBIT "A", continued

Association	
Association Dues	5,883,969
Other Income	700,049
Facilities Maintenance	(1,265,702)
Landscape	(1,788,127)
Pool & Spa	(381,684)
Security	(1,132,017)
HOA Administrative	(962,054)
General & Administrative Allocation	(901,361)
Membership Allocation	(62,301)
Association Division Excess Revenue	90,772
Combined Division Excess Revenue	9,104

EXHIBIT "A-1"
Division Reserve Assessment

DIVISION	2020/2021 RESERVE ASSESSMENT (\$)
Social	
Monthly Assessment	116,798
Initiation Fees	450,000
Social – Total Reserve Assessment	566,798
Golf	
Monthly Assessment	194,859
Initiation Fees	0
Golf - Total Reserve Assessment	194,859
Association	
Monthly Assessment	2,108,055
Combined Division Reserve Assessment	2,869,712

EXHIBIT "A-2"
Key Assumptions for Budget Allocations by Division

Division	2020/2021 ASSUMPTIONS
Social/Sports	
# of Homeowners	817
# of Non-Homeowners	68
Total # of Social Members	885
Monthly Social Operations - All (part of \$235/mo.)	\$180.00
Monthly Social Reserves - All (part of \$235/mo.)	\$11.00
Monthly Fitness Center (Part of \$235/mo.)	\$33.00
Monthly Tennis Center (Part of \$235/mo.)	\$11.00
# of Annual Home Sales – Social	60
Social Reserve Income from Each Home Sale	\$7,500.00
Golf	
# of Golf Members – Single	86
# of Golf Members – Couple	88
# of Golf Members – Family	7
# of Golf Members – Legacy	21
# of Golf Members – Executive	5
# of Golf Members – C.V. Club	7
# of Golf Members – Total	214
Monthly Golf Dues Operations – Single	\$650.00
Monthly Golf Dues Operations – Couple	\$850.00
Monthly Golf Dues Operations. – Family	\$1,050.00
Monthly Golf Dues Operations. – Legacy	\$650.00
Monthly Golf Dues Operations. – Executive	\$500.00
Monthly Golf Dues Operations. – C.V. Club	\$500.00
Monthly Golf Dues Reserve. – All	\$75.00
# of Annual Home Sales – Golf	0
Golf Reserve Income from Each New Golf Membership	\$2,500.00
Association	
# of Properties	817
Monthly Base Assessment Operations	\$600.16
Monthly Base Assessment – Reserve	\$205.84
Monthly Cable Assessment	\$62.00
Total HOA Monthly Assessment	\$868.00

EXHIBIT "A-3"
Monthly Homeowner Assessment by Department

DIVISION	2020/2021 ASSESSMENT (\$)
Social and Association	
Homeowner Monthly (Includes Reserves & TV Cable)	868.00
Social (Includes Reserves & Fitness)	235.00
Social and Association Total Assessment	1,103.00
Golf	
<i>Single Golf Membership</i>	
Monthly Operating	650.00
Monthly Reserves	75.00
<i>Single Golf Membership Total Assessment</i>	<i>725.00</i>
<i>Couples Golf Membership</i>	
Monthly Operating	850.00
Monthly Reserves	75.00
<i>Couples Golf Membership Total Assessment</i>	<i>925.00</i>
<i>Family Golf Membership</i>	
Monthly Operating	1,050.00
Monthly Reserves	75.00
<i>Family Golf Membership Total Assessment</i>	<i>1,125.00</i>
<i>Legacy Golf Membership</i>	
Monthly Operating	650.00
Monthly Reserves	75.00
<i>Legacy Golf Membership Total Assessment</i>	<i>725.00</i>
<i>Executive Golf Membership</i>	
Monthly Operating	500.00
Monthly Reserves	75.00
<i>Executive Golf Membership Total Assessment</i>	<i>575.00</i>

EXHIBIT "B"
2020 – 2021 Reserve Expenditure Schedule

SCT Reserve Consultants, Inc. is preparing a Level II Reserve Study for all Association, Social and Golf components, completion of which is anticipated in early September, 2020, which will be forwarded for distribution at that time.

EXHIBIT "C"
**Assessment and Reserve Funding Disclosure Summary and
Executive Reserve Summary of the Reserve Study**

SCT Reserve Consultants, Inc. is preparing a Level II Reserve Study for all Association, Social and Golf components, completion of which is anticipated in early September, 2020, which will be forwarded for distribution at that time.

**30- Year Funding Plan Spreadsheet
SCT RESERVE CONSULTANTS, INC.**

SCT Reserve Consultants, Inc. is preparing a Level II Reserve Study for all Association, Social and Golf components, completion of which is anticipated in early September, 2020, which will be forwarded for distribution at that time.

EXHIBIT "D"
Statutory Form -- Charges for Documents Provided
As Required by Section 4525*

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.

Property Address _____

Owner of Property _____

Owner's Mailing Address _____
 (If known or different from property address.)

Provider of the Section 4525 Items:

Brent Matteson	Controller	Association
_____	_____	_____
Print Name	Position or Title	Association or Agent

Date Form Completed

Check or Complete Applicable Column or Columns Below

Document	Civil Code Section Included	Fee for Document	Not Available (N/A) or Not Applicable (N/App), or Directly Provided by Seller and confirmed in writing by Seller as a current document (SP)
Articles of Incorporation or Statement that not incorporated	§4525(a)(1)	\$10.00	
CC&Rs	§4525(a)(1)	\$20.00	
Bylaws	§4525(a)(1)	\$20.00	
Operating Rules	§4525(a)(1)	\$10.00	
Age Restrictions, if any	§4525(a)(2)	\$10.00	
Rental restrictions, if any	§4525(a)(9)	\$10.00	
Annual budget report or summary, including reserve study	§5300 and 4525(a)(3)	\$20.00	

Document	Civil Code Section Included	Fee for Document	Not Available (N/A) or Not Applicable (N/App), or Directly Provided by Seller and confirmed in writing by Seller as a current document (SP)
Financial statement review	§5305 and 4525(a)(3)	\$10.00	
Assessment enforcement policy	§5310 and 4525(a)(4)	\$10.00	
Insurance summary	§5300 and 4525(a)(3)	\$10.00	
Regular assessment	§4525(a)(4)	Included in Annual Budget	N/App
Special assessment	§4525(a)(4)	\$10.00	
Emergency assessment	§4525(a)(4)	\$10.00	
Other unpaid obligations of seller	§5675 and 4525(a)(4)	\$10.00	
Approved changes to assessments	§5300 and 4525(a)(4), (8)	Included in Annual Budget	N/App
Settlement notice regarding common area defects	§4525(a)(6), (7) and 6100	N/App	N/App
Preliminary list of defects	§4525(a)(6), 6000, and 6100	N/App	N/App
Notice(s) of violation	§5855 and 4525(a)(5)	\$10.00	
Required statement of fees	§4525	\$	N/App
Minutes of regular board meetings conducted over the previous 12 months, if requested	§4525(a)(10)	\$10.00	

Total fees for these documents: \$180.00
--

*The information provided by 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 shall be charged separately.

EXHIBIT "E"
Enforcement Policy / Fining Schedule

**THE SPRINGS COMMUNITY ASSOCIATION
 ENFORCEMENT POLICY / FINING SCHEDULE**

The Association has the right to enforce the Association's Rules and Regulations and Second Restated Declaration of Covenants, Conditions and Restrictions. Once a resident gives the Board of Directors a written complaint that a rule or covenant has been violated or the Board independently discovers a violation, the Board will investigate the allegation and may take action against the offending Owner/resident, including but not limited to, fining or specially assessing, if appropriate, suspending rights and privileges, or instituting legal action. However, nothing in this section obligates or requires the Board of Directors or authorized committee to take any action against an individual Owner/resident. The Board of Directors, in making this decision, will determine the costs and benefits of taking such action.

A. DUE PROCESS:

Prior to the imposition of any fine, individual Reimbursement Assessment or suspension of rights and privileges, the Owner shall be given notice and an opportunity to appear in person or in writing before the Board of Directors or appropriate committee pursuant to Civil Code Section 5855 or any successor statute.

B. ENFORCEMENT GUIDELINES:

GENERALLY, though not necessarily, the Association will adhere to the following schedule:

1. First Notice: Warning Letter and Request to Correct Violation (if applicable). Possible fines, Reimbursement Assessment to reimburse the Association for costs incurred in compelling compliance, suspension of rights and privileges, including, but not limited to, bulk cable services, transponder use, maintenance of permanent guest list at gate, Fitness Center after-hours Key Fob, Social Membership, Golf Membership, etc.
2. Second Notice: Possible imposition of fines, Reimbursement Assessment to reimburse the Association for costs to compel compliance, suspension of rights and privileges including, but not limited to, suspension of rights and privileges, including, but not limited to, bulk cable services, transponder use, maintenance of permanent guest list at gate, Fitness Center after-hours Key Fob, Social Membership, Golf Membership, etc. Institute Alternative Dispute Resolution and/or Internal Dispute Resolution. Filing of lawsuit.
3. Third or More Notice: Possible imposition of fines, Reimbursement Assessment to reimburse the Association for costs to compel compliance, suspension of rights and privileges including, but not limited to, bulk cable services, transponder use, maintenance of permanent guest list at gate, Fitness Center after-hours Key Fob, Social Membership, Golf Membership, etc. Institute Alternative Dispute Resolution and/or Internal Dispute Resolution. Filing of lawsuit.

The Association reserves the right to institute any of the above-referenced enforcement measures regardless of whether it is a first violation, second violation, etc.

C. FINE SCHEDULE**Minimum Lease Term Violations**

First Violation	Second Violation	Third & More Violations
\$500	\$1,000	\$1,500

Speeding Violations

First Violation	Second Violation	Third & More Violations
Warning	Vehicles:	Vehicles:
	\$50 for over 25 MPH	\$100 for over 25 MPH
	\$75 for over 35 MPH	\$150 for over 35 MPH
	Trucks:	Trucks:
	\$50 for over 15 MPH	\$100 for over 15 MPH
	\$75 for over 25 MPH	\$150 for over 25 MPH

Failure to Stop at Posted Stop Sign

First Violation	Second Violation	Third & More Violations
Warning	\$50	\$100

Failure to Yield to Emergency Vehicle

First Violation	Second Violation	Third & More Violations
\$100.00	\$100	\$100

Failure to Yield to Pedestrian

First Violation	Second Violation	Third & More Violations
Warning	\$100	\$100

Unlicensed Individual Operating Golf Cart

First Violation	Second Violation	Third & More Violations
Warning	\$100	\$100

Parking Violations

First Violation	Second Violation	Third & More Violations
\$25	\$50	\$100

Alarm System Violations

First Violation	Second Violation	Third & More Violations
\$250	\$500	\$1,000

Daily Fines of \$'25/day may be imposed in addition to or in the alternative to the fines established above. These Daily Fines may continue until the violation has been corrected.

All Other Violations

First Violation	Second Violation	Third & More Violations
Up to \$200	Up to \$500	Up to \$2,000

Each individual infraction of the Governing Documents will be treated as a separate violation. The Association has the right to impose escalating fines for separate, identical violations identified in the same hearing notice. For example, if two noise violations are identified in the same hearing notice, the Association has the right to impose "First Violation" and "Second Violation" fine amounts at the hearing. Depending on the severity and frequency of the violation and violator, the choice of the enforcement procedure(s) and/or the enforcement remedy utilized may vary. For continuing or especially egregious circumstances, or in the event of an architectural violation (e.g., failure to submit an application and obtain approval before commencing an improvement, failure to adhere to approved plans, failure to adhere to Rules and Regulations governing placement of objects of art, wall art, water features, patio furniture, enclosures and landscaping), fines may be up to \$2,000 per violation.

EXHIBIT "F"
Architectural Guidelines, Rev. October 17, 2018
Application Procedure

**THE ARCHITECTURAL GUIDELINES
FOR
THE SPRINGS COMMUNITY ASSOCIATION**

In the event these guidelines are inconsistent with the CC&Rs, the CC&Rs shall control. Words and phrases employed in these Architectural Guidelines which are defined in the CC&Rs shall have the meaning there given, unless the content clearly requires otherwise.

A. PURPOSE

These guidelines are provided to delineate architectural standards by which all properties within The Springs shall be maintained. The guidelines are to assist the Owner in understanding how to apply to The Architectural Committee for approval of their requests to make alterations/modifications to their properties. Such requests from members (or groups thereof) will be weighed against the interests of all. Divergence from existing standards shall be approved only with the greatest reluctance and only when the proposed alternative is deemed to be better.

B. GUIDELINES

These guidelines are established by The Architectural Committee and approved by the Board of Directors, to interpret and implement the provisions hereof by setting forth (a) the standards and procedures for AC review, including the required content of improvements plans and specifications, (b) guidelines for architectural design, placement of any work improvements or, color schemes, exterior finishes and materials, and similar features which are recommended or required for use within the properties; and (c) the criteria and procedures for requesting variances from any property use restrictions that would otherwise apply to the proposed improvement under the Governing Documents.

The guiding philosophy of The Architectural Committee is to preserve and enhance the consistent beauty of The Springs.

C. SCOPE OF ARCHITECTURAL CONTROL

To adopt Architectural Guidelines pursuant to the CC&R's, and to perform other duties delegated to it by the Board and to carry out all other duties imposed upon it by the CC&Rs, The Architectural Committee is charged with the duty to consider, act upon, and approve/ disapprove any and all proposals or plans for improvements or alterations within the boundaries of The Springs Community Association. No construction alteration, removal, relocation, repainting or demolition within the Association shall be commenced until detailed plans drawn to scale and specifications showing the nature, kind, shape, height, width, color, materials and

D. OWNER'S ARCHITECTURAL APPLICATION FEE AND DEPOSIT

As part of the application submittal process, with certain exceptions, each Owner is required to pay a non-refundable application processing fee and a refundable deposit. At most, the application fee is \$150.00 and is identified on the Architectural Application Submittal Checklist. The amount of the deposit will differ by the type of improvement that is being requested. A listing of the deposit amounts is provided below.

Should it become necessary for the Association to (1) remedy any non-compliance of the requested improvement with the approved plans, or (2) maintain, repair or replace the Common Area as a result of the Owner's project, the cost of such remedy shall be deducted from the deposit. In the case of a non-compliance, the Association's expenses, including but not limited to, attorney's fees and costs, shall be deducted from the deposit.

If the costs to remedy a non-compliance with the approved plans exceed the deposit, the Owner shall be responsible for all costs in excess of the deposit. In addition, the Owner may be required to replenish the deposit when amounts are deducted.

Any unused portion of the deposit shall be returned to the Owner within thirty (30) days of the Architectural Committee's final inspection of the completed improvement as described in the CC&Rs only if the Architectural Committee determines that the completed improvement complies with the approved plans. In the event of a non-compliance with the approved plans, the unused portion of the deposit will be returned to the Owner within thirty (30) days of Owner's correction of any non-compliance to the satisfaction of the Architectural Committee.

ARCHITECTURAL DEPOSIT FEES

Proposed Improvement	Fee
Architectural Additions	\$1000
Air Conditioners/Enclosures	\$500 - Relocation \$0-Replacements
Awnings	\$500
Barbecues	\$500 – Build In
Drainage Systems	\$500
Driveways and Walkways	\$500
Exterior Lighting / Alarms	\$0
Flag Poles/ Flag Display	\$100
Misters	\$0
Patio Structures – Trellis	\$500
Patio Furniture	\$0
Patio Umbrellas	\$0
Pools and Spas	\$1,000
Satellite Dishes / Antennas	\$0
Sculptures, Yard Art and Other Structures	\$0
Solar Panels	\$500
Walls and Fences	\$500
Window Frames/Coverings	\$0

E. Homeowners are responsible for the entire cost of all repairs and improvements on private property, and in common areas included in their request for Architectural Committee approval.

Owners are responsible for maintenance of existing improvements, including all those done by previous owners.

Structural alterations to the exterior of any Residence or to the Common Area, whether Exclusive Use Common Area or otherwise, surrounding any Residence and plumbing or electrical work within any bearing or common walls requires the prior written consent of The Architectural Committee.

Modifications or alterations to the interior courtyards, patios, and similar portions of a residence which are visible from the common area, golf course and/ or streets shall be subject to approval of The Architectural Committee.

Architectural elements requiring approval from The Architectural Committee include, but are not limited to:

- Architectural Additions
- Air conditioners/Enclosures
- Awnings
- Barbecues
- Drainage Systems
- Driveways and Walkways
- Exterior Lighting/Alarms
- Flag Poles/Flag Display
- Front Entry Doors/Entry Gates
- Misters
- Patio Structures
- Patio Furniture
- Patio Umbrellas
- Pools and Spas
- Satellite Dishes/Antennas
- Sculpture, Yard Art and Other Structures
- Solar Panels
- Walls and Fences
- Window Frames/Coverings

CONSTRUCTION WORK TIMES

- All projects approved by the Architectural Committee must begin within 45 days from the date of approval.
- Projects must be completed within one year from the date of approval. Should an extension be required the homeowner must notify the Architectural Committee 30 days in advance of the originally established completion date to request an extension.
- All projects presented to the Architectural Committee for review and a final approval must have a signed contract between the homeowner and contractor identifying the start and completion dates of the project.
- Interior remodeling plans and construction dates will now be reviewed by the Architectural Committee in order to establish construction timelines. The timelines are to follow the same guidelines as exterior architectural projects. This is to ensure interior remodeling plans are promptly begun and do not take an excessively long time to complete.

EXHIBIT "G"

Summary of Policies and Procedures of Lien Rights and Other Legal Remedies for Default in Payment of Assessments

THE SPRINGS COMMUNITY ASSOCIATION SUMMARY OF POLICIES AND PROCEDURES OF LIEN RIGHTS AND OTHER LEGAL REMEDIES FOR DEFAULT IN PAYMENT OF ASSESSMENTS

1. Regular and Special Assessments. Regular assessments are due and payable, in advance, on the first day of each month. If imposed, special assessments shall be due and payable on the due date specified by the Board. Assessments, interest, late charges, collection costs and reasonable attorney's fees, if any are imposed, are the personal obligation of the person who is the Owner of the subdivision interest at the time when the assessment or other charge fell due.

2. Late Charges. Regular and special assessments are delinquent fifteen (15) days after they become due. A late charge of ten dollars (\$10) or ten percent (10%) of the assessment, whichever is greater, may be applied if payment in full of any assessment is not received fifteen (15) days after the payment is due.

3. Interest. Interest at the annual rate of twelve percent (12%) may be charged on all sums due that are thirty (30) or more days delinquent.

4. Additional Charges, Costs and Attorneys Fees. Pursuant to Civil Code § 5650(b), the Association is entitled to recover reasonable collection costs, including reasonable attorney's fees, incurred in connection with collection of delinquent assessments. Costs may include, but are not limited to, publication, recording, posting, service and mailing.

5. Application of Payments on Delinquent Assessments. Payments received on delinquent assessment accounts will be applied first to the regular or special assessments owed, and then to the Social Initiation Assessment, Golf Initiation Assessment, collection costs, administration fees, attorney's fees, late charges, interest, reimbursement assessments, and any other amount due to the Association in connection with collection of delinquent assessments.

6. Pay or Lien Letter. Any Owner who is more than thirty (30) days delinquent in the payment of his or her assessments may be referred to the Association's management company or the Association's attorney for collection and will receive a pay-or-lien demand letter, via certified mail. The letter will be sent at least thirty (30) days prior to a Notice of Delinquent Assessment Lien ("Lien") being recorded against the delinquent Owner's property, and will notify the Owner of record in writing of the following pursuant to Civil Code § 5660(a)-(f):

(a) A general description of the collection and lien enforcement procedures of the Association and the method of calculation of the amount;

(b) An itemized statement of the amounts owed, including delinquent assessments, fees and reasonable costs of collection, reasonable attorneys fees, late charges and interest charges, if any;

(c) The Owner's right to inspect the Association's records to verify the debt;

(d) The Owner's right to request a meeting with the Board of Directors, as set forth below;

(e) That the Owner will not be liable for late charges, interest and costs of collection if it is determined that the assessment was paid on time to the association.

(f) The Owner's right to dispute the debt by submitting a written request for dispute resolution to the Association pursuant to its meet and confer program (known as Internal Dispute Resolution or IDR) pursuant to Civil Code § 5910;

(g) The Owner's right to request Alternative Dispute Resolution (ADR) with a neutral third party pursuant to Civil Code § 5935 before the association may initiate foreclosure against the Owner;

7. Owner's Dispute of Debt/Request For Meeting With Board Prior to Lien/Commencement of Small Claims Law suit. Pursuant to Civil Code §§ 5660 (a)-(f) and 5658, the Owner has the following rights:

(a) Meet and Confer. Prior to recording a lien, the Association shall offer and, if so requested by the Owner, to participate in

dispute resolution pursuant to the Association's meet and confer program (known as Internal Dispute Resolution or IDR) pursuant to Civil Code § 5910;

(b) Request to Meet With Board to Discuss Payment Plan. The Owner may submit a written request to meet with the Board to discuss a payment plan for the debt owed. The Association will provide any standards it has adopted regarding payment plans to Owners. The Board will meet with the Owner in executive session in conjunction with a regularly scheduled Board meeting, within 45 days of the postmark of the request, if such was mailed no later than 15 days after the postmark of the pay or lien letter. If there is no regularly scheduled Board meeting within that period, the Board may designate a committee of one or more members to meet with the Owner.

(c) Payment Under Protest and Commencement of Small Claims Action. In addition to pursuing dispute resolution pursuant to Civil Code §§ 5910 and 5658, the Owner may pay under protest the disputed amount and all other amounts levied, including any fees and reasonable costs of collection, reasonable attorney's fees, late charges, and interest, if any, and may thereafter commence an action in Small Claims Court provided the amount in dispute does not exceed the jurisdictional limits of that Court.

8. Lien/Notice of Delinquent Assessment. If the delinquent Owner does not bring their account current within thirty (30) days of the pay-or-lien demand Letter, and unless a dispute over such debt has been resolved or a payment plan has been entered into as set forth above, a Lien will be recorded against the Owner's property upon a majority of the Board voting to approve recording the Lien in an open meeting. The Board shall record the vote in the minutes of that meeting. Confidentiality shall be maintained by identifying the property by parcel number in those minutes. The President or other person designated by the Association, including the Association's managing agent or the Association's legal counsel, shall sign the Lien. The Lien shall include an itemized statement of the charges included in the amount of the Lien including the delinquent assessments and all other sum owed, such as late charges, costs and reasonable attorneys fees, a legal description of the property, the name of the record Owner, and the name and address of the trustee authorized to enforce the Lien by sale. A copy of the itemized statement of charges shall be recorded with the Lien.

A copy of such Lien will be mailed to every person whose name is shown as an Owner of the separate interest in the Association's records within 10 days of the date the Lien is recorded. Upon receipt of a written request by an Owner (mailed in a manner indicating the Association has received the same such as by certified mail) identifying a secondary address to which the Owner wishes collection notices to be sent, the Association shall also send additional copies of any required collection notices to such secondary address. The Lien is subject to non-judicial foreclosure, and the property may ultimately be foreclosed upon and sold without court action to satisfy the debt owed. Reasonable collection costs incurred in connection with preparing and recording the Lien may be included in the amount of the Lien.

9. Dispute of Charges After Lien. Prior to initiating foreclosure for delinquent assessments, the Association shall offer the Owner and, if so requested by the Owner, shall participate in the Association's "meet and confer" program (known as Internal Dispute Resolution or IDR) pursuant to Civil Code § 5910 or Alternative Dispute Resolution (ADR) with a neutral third party pursuant to Civil Code § 5935. The decision to pursue dispute resolution or a particular type of alternative dispute resolution shall be the choice of the Owner (binding arbitration not available if the Association pursues judicial foreclosure.)

10. Foreclosure. If the delinquent Owner does not bring their account current after the Lien has been recorded, and after the foregoing offers of dispute resolution have been presented, a majority of the Board may vote to initiate foreclosure on the Lien in an executive session meeting of the Board. The Board may only authorize foreclosure on a Lien for those regular or special assessments which are of an amount equal to or exceeding one thousand eight hundred dollars (\$1,800) exclusive of late charges, fees, costs of collection, attorney's fees and interest, or which are more than twelve (12) months delinquent. The Board shall record the vote in the minutes of the next meeting of the Board open to all members. Confidentiality shall be maintained by identifying the property by parcel number in those minutes.

The Board shall also vote to approve foreclosure on a Lien which vote shall occur at least thirty (30) days prior to any public sale of the Owner's separate interest property. The Board shall deliver notice of the decision to foreclose by personal service on the Owner or the Owner's legal representative, and by first class mail, postage pre-paid to non-occupant Owners at the most current address shown on the association's books. These limits do not apply to timeshares or assessments owed by developers.

Non-judicial foreclosure will then be commenced by the Association's law firm pursuant to the CC&Rs, and Civil Code §§ 5700(a), 5710(a), 5735, and 5710(c)(1)-(2), and 2924, et seq. as follows:

(a) "Initiate Foreclosure"-Notice of Default and Election to Sell ("NOD"). A Notice of Default and Election to Sell (NOD) will be recorded with the County Recorder's Office which puts the property into foreclosure. The Association cannot continue with the non-judicial foreclosure on the property for ninety (90) days from the date the NOD is recorded. The

delinquent Owner is responsible for all fees and costs incurred to initiate foreclosure in addition to the delinquent assessments, late charges and interest.

(b) **“Approve Foreclosure” - Notice of Sale (NOS).** If the delinquency is not cured within ninety (90) days of the NOD being recorded, and upon receipt of approval and authorization of the action by the Board pursuant to a vote, the attorney will proceed by recording, publishing and posting a NOS. The delinquent Owner is responsible for all fees and costs incurred to prepare, record, publish and post the NOS, in addition to the delinquent assessments, late charges and interest.

11. Partial Payments: Any assessment payments received from a delinquent homeowner will be applied to that homeowner's account. However, absent receipt of payment in full of all amounts due, the Association will proceed with any collection action initiated against the homeowner's separate interest or the delinquent homeowner personally pursuant to and consistent with the requirements of California statutory and case law unless the payments are remitted pursuant to a written payment plan approved by the Board.

12. Assignment of Rents. Pursuant to the CC&Rs, each Owner assigns to the Association all rents due under any lease or agreement or otherwise for the use or occupation of any or all parts of the Owner's Lot. The Association confers on each Owner the authority to collect and retain the rents and other monies derived from any such lease or agreement as they become due and payable, provided that the Association at its sole discretion, may revoke such authority at any time, upon written notice to the Owner of a default in the payment of any Assessment due to the Association. Upon revocation of such authority, the Association may, pursuant to Court Order or Court-appointed receiver, collect and retain such monies, whether past due and unpaid or current.

13. Redemption. An Owner may redeem the property foreclosed upon by the Association by paying all amounts due and owing within ninety (90) days of the date of the foreclosure sale.

14. Lawsuit. The Association may, at any time, determine to file a personal lawsuit against the delinquent Owner to recover all delinquent charges pursuant to relevant law. All costs and attorneys fee in connection with the lawsuit, in addition to the delinquent charges and other collection costs, will be sought from the delinquent Owner.

15. Release of Liens Upon Payment. Within twenty-one (21) days of payment in full of all delinquent assessments and charges, or if it is determined that a Lien previously recorded was recorded in error, the attorney will prepare a Release of Lien which will be recorded by the County Recorder's Office, and will provide Owner with a copy of such release or notice that the delinquent assessment has been satisfied.

16. Right To Receipt. When an Owner makes a payment, the Owner may request a receipt and the Association shall provide same which shall indicate the date of payment and person who received such payment.

17. Overnight Payments. Payments may be made by overnight mail to the following address:

If Account is being handled by Management:	If Account is being handled by Attorney:
The Springs Community Association Attn: Accounts Receivable 1 Duke Drive Rancho Mirage, CA 92270 (760) 324-8292	The Springs Community Association c/o Guralnick & Gilliland, LLP Attn: Collections Department 40-004 Cook Street, Suite 3 Palm Desert, CA 92211

The Springs Community Association

Approved Changes to Assessments



Approved changes to assessments: Section 5300 and 4525 (a)(4),(8)

Approved changes to assessments may be found in Demand Statement.

These documents are being provided to you at the request of (the owner) in compliance with Civil Code section 4525. If you have any questions about the information contained in these documents, please contact the owner or your own legal counsel. The Association and its agents make no representations about the purpose or effect of these documents and the information they contain.

The Springs Community Association

Articles of Incorporation



 **THE SPRINGS**
Community Association

ARTICLES OF INCORPORATION

*Amblin
File THE 1925
comm. board.*

STATE OF CALIFORNIA



FILED
RIVERSIDE COUNTY

JUN 19 1974

OFFICE OF THE
SECRETARY OF STATE

By DONALD D. SULLIVAN, Clerk
D. Johnson S. Johnson
Deputy

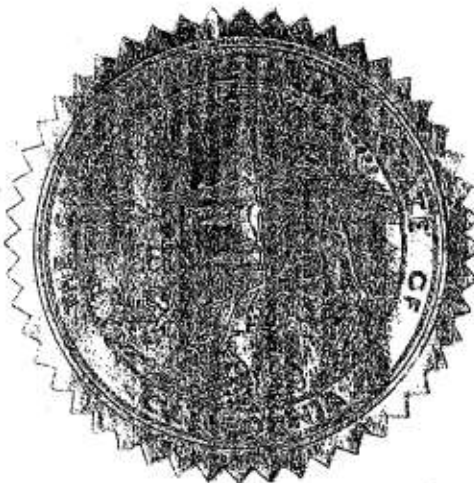
#13766

I, **EDMUND G. BROWN JR.**, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the RECORD on file in this office, of which it purports to be a copy, and that same is full, true and correct.

IN WITNESS WHEREOF, I execute
this certificate and affix the Great
Seal of the State of California this

JUN 13 1974



Edmund G. Brown Jr.
Secretary of State

716186

ARTICLES OF INCORPORATION
OF
THE SPRINGS COMMUNITY ASSOCIATION

**ENDORSED
FILED**

In the office of the Secretary of State
of the State of California

JUN 12 1974

EDMUND G. BROWN, Secretary of State
By JAMES E. HARRIS
Deputy

I

The name of this corporation is: THE SPRINGS COMMUNITY ASSOCIATION (hereinafter, the "Association").

II

This corporation is organized pursuant to the General Nonprofit Corporation Law of the State of California.

III

A. The specific and primary purpose for which the Association is organized and operated is: to provide for the management, operation, maintenance, protection, preservation and development of THE SPRINGS, the residential and recreational community in which the members of the Association reside, and to promote the health, safety and welfare of its members.

B. The general purposes for which the Association is formed are: to have and to exercise any and all powers, rights and privileges which a corporation organized under the General Nonprofit Corporation Law of the State of California may now or hereafter exercise which are incidental to but necessary for carrying out the primary and specific purposes of the Association.

C. The foregoing statement of purposes shall be construed as a statement of both purposes and powers, and the purposes and powers stated in each clause, except where otherwise expressed, shall not be limited or restricted by reference to or inference from the terms or provisions of any other clause, but shall be regarded as independent purposes and powers.

IV

The Association is organized and operated exclusively for the purpose of managing, operating, maintaining, protecting, preserving and developing THE SPRINGS, and the improvements thereon, for the benefit of its members, for their pleasure, recreation and other nonprofit purposes. The property of the Association is irrevocably dedicated to social welfare purposes and no part of the net earnings or assets of the Association, on dissolution or otherwise, shall inure to the benefit of any member or director or other private person. In the event of dissolution or winding up of the Association, its assets, other than real property, remaining after payment or provision for payment of all debts and liabilities of the Association, shall vest in and be distributed to a nonprofit unincorporated association, which is organized and operated exclusively for social welfare purposes and which has established its tax exempt status under Section 501(c)(4) of the Internal Revenue Code, which unincorporated association shall succeed to all of the rights and obligations of the Association. Immediately prior to dissolution, real property

held by the Association shall be conveyed to Transamerica Title Insurance Company or to its successors, or to any other independent corporate trustee, to hold such property in trust for the benefit and subject to the purposes of such unincorporated association and its members. If this Association holds any assets in trust, such assets shall be disposed of in such manner as may be directed by decree of the superior court of the county in which the Association has its principal office, upon petition therefor by the Attorney General or by any person concerned in the dissolution, in a proceeding to which the Attorney General is a party.

V.

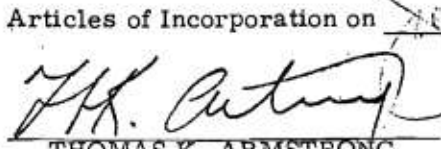
The county in the State of California where the principal office for the transaction of the affairs of the Association is to be located is Riverside County.

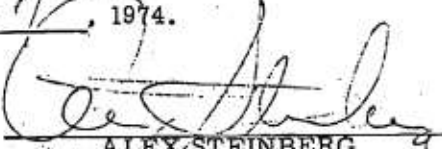
VI

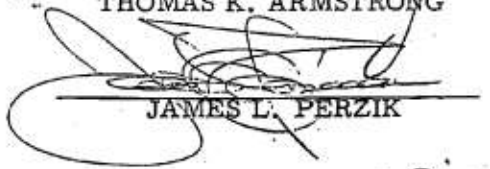
The powers of the Association shall be exercised, its properties controlled and its affairs conducted by a board of directors. The number of directors shall be five; provided, however, that the number of directors may be changed by a by-law duly adopted by the members of the Association. The names and addresses of the persons who are appointed to act as the first directors are:

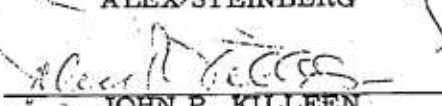
<u>Name</u>	<u>Address</u>
THOMAS K. ARMSTRONG	1717 Via Arriba Palos Verdes Estates, California 90274
JAMES L. PERZIK	14900 Rhinestone Drive Sherman Oaks, California 91403
ALEX STEINBERG	220 Manhattan Avenue Manhattan Beach, California 90266
JOHN P. KILLEEN	13900 Panay Way Marina del Rey, California 90291
C. RICHARD DODSON	2617 Pine Avenue Manhattan Beach, California 90266

IN WITNESS WHEREOF, for the purpose of forming this corporation under the laws of the State of California, the undersigned have executed these Articles of Incorporation on June 7, 1974.


THOMAS K. ARMSTRONG


ALEX STEINBERG


JAMES L. PERZIK

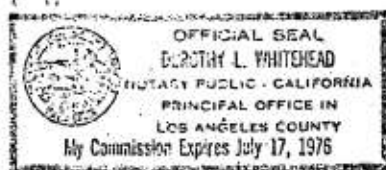

JOHN P. KILLEEN


C. RICHARD DODSON

STATE OF CALIFORNIA)
) SS.
COUNTY OF)

On June 7, 1974, before me a Notary Public in and
for said County and State, personally appeared THOMAS K. ARMSTRONG,
JAMES L. PERZIK, ALEX STEINBERG, JOHN P. KILLEEN and C. RICHARD
DODSON known to me to be the persons whose names are subscribed in the
foregoing Articles of Incorporation, and acknowledged to me that they exe-
cuted the same.

Witness my hand and official seal.



Dorothy L. Whitehead
Notary Public in and for said
County and State

THE SPRINGS COMMUNITY ASSOCIATION
A California Nonprofit Mutual Benefit Corporation

**FIRST AMENDMENT TO FIRST AMENDED AND RESTATED BYLAWS OF THE
SPRINGS COMMUNITY ASSOCIATION**

Article 4, Section 4(d):

(d) Cumulative Voting. No cumulative voting will be allowed. The nominees receiving the largest number of votes, up to the number of vacancies to be filled, shall be elected as Directors.

Article 4, Section 6(b):

(b) Written Ballots Generally. Any matter or issue requiring the vote of the Members may be submitted to the Members for approval by written ballot without the necessity of calling a meeting of the Members, as long as the requirements for action by written ballot set forth in this section are satisfied. The determination to seek Member approval for Association action in this fashion shall be made by a majority vote of the Board or by Members possessing 5% of the total voting power of the membership signing a written request that a proposal be presented to the Members for a vote by written ballot and delivering this request to the President, Vice President or Secretary. If the request for a vote by written ballot is received from the Members, the Association's obligations to initiate the balloting process shall be governed by these Bylaws. Once the determination is made to seek Member approval by written ballot, the Board shall establish a record date for purposes of determining those Members eligible to cast written ballots and distribute a written ballot to every Member entitled to vote on the matter. This distribution shall be made consistent with the time requirements specified below.

Article 4, Section 7:

If a quorum is present, the affirmative vote of the majority of the voting power of Members represented at the meeting, entitled to vote and voting on any matter, shall be the act of the Members, unless the vote of a greater number is required by the California Nonprofit Mutual Benefit Corporation Law or by the Governing Documents. In the case of Director elections, the candidates receiving the highest number of votes, up to the number of Directors to be elected, shall be elected to the vacant Director positions.

Article 7, Section 6(d):

(d) Authority of Members to Remove Directors. Except as otherwise provided in subparagraph (c), a Director may be removed from office prior to expiration of his term only by the affirmative vote of a majority of the voting power of the Members represented and voting at a duly held meeting at which a quorum is present (which affirmative votes also constitute a majority of the required quorum) or by written ballot conducted in accordance with these Bylaws. Any membership action to recall or remove a Director shall be conducted in accordance with the following procedures:

Article 7, Section 6(e) shall be eliminated in its entirety.

Article 7, Section 6(g):

(g) Filling Vacancies. Vacancies on the Board of Directors shall be filled by a majority vote of the remaining Directors though less than a quorum, or by a sole remaining Director unless the vacancy is created through removal of a Director, in which case the vacancy shall be filled by a vote of the Members conducted at a duly noticed meeting at which a quorum is present pursuant to the requirements of regular election of Directors pursuant to these Bylaws. The result of the election will be determined in the same manner as a regular election of Directors pursuant to these Bylaws. The Members may elect a Director or Directors at any time to fill any vacancy or vacancies not filled by the Directors.

The undersigned, as Secretary of the Board of Directors of THE SPRINGS COMMUNITY ASSOCIATION, hereby certifies under penalty of perjury of the laws of the State of California that the above First Amendment to the First Amended and Restated Bylaws was approved by at least a majority of a quorum of the members of the Association, evidence of which is on file in the office of the Association.

DATE: NOV. 16, 2005 THE SPRINGS COMMUNITY ASSOCIATION,
A California Nonprofit Mutual Benefit Corporation
BY: [Signature]
Secretary of The Springs Community Association

The Springs Community Association

Assessment Enforcement Policy



THE SPRINGS COMMUNITY ASSOCIATION

SUMMARY OF POLICIES AND PROCEDURES OF LIEN RIGHTS AND OTHER LEGAL REMEDIES FOR DEFAULT IN PAYMENT OF ASSESSMENTS

1. **Regular and Special Assessments.** Regular assessments are due and payable, in advance, on the first day of each month. If imposed, special assessments shall be due and payable on the due date specified by the Board. Assessments, interest, late charges, collection costs and reasonable attorney's fees, if any are imposed, are the personal obligation of the person who is the Owner of the subdivision interest at the time when the assessment or other charge fell due.
2. **Late Charges.** Regular and special assessments are delinquent fifteen (15) days after they become due. A late charge of ten dollars (\$10) or ten percent (10%) of the assessment, whichever is greater, may be applied if payment in full of any assessment is not received fifteen (15) days after the payment is due.
3. **Interest.** Interest at the annual rate of twelve percent (12%) may be charged on all sums due that are thirty (30) or more days delinquent.
4. **Additional Charges, Costs and Attorneys Fees.** Pursuant to *Civil Code* § 5650(b), the Association is entitled to recover reasonable collection costs, including reasonable attorney's fees, incurred in connection with collection of delinquent assessments. Costs may include, but are not limited to, publication, recording, posting, service and mailing.
5. **Application of Payments on Delinquent Assessments.** Payments received on delinquent assessment accounts will be applied first to the regular or special assessments owed, and then applied to collection costs, administration fees, attorney's fees, late charges, interest, reimbursement assessments, and any other amount due to the Association in connection with collection of delinquent assessments.
6. **Pay or Lien Letter.** Any Owner who is more than thirty (30) days delinquent in the payment of his or her assessments may be referred to the Association's management company or the Association's attorney for collection and will receive a pay-or-lien demand letter, via certified mail. The letter will be sent at least thirty (30) days prior to a Notice of Delinquent Assessment Lien ("Lien") being recorded against the delinquent Owner's property, and will notify the Owner of record in writing of the following pursuant to *Civil Code* § 5660(a)-(f):
 - (a) A general description of the collection and lien enforcement procedures of the Association and the method of calculation of the amount;
 - (b) An itemized statement of the amounts owed, including delinquent assessments, fees and reasonable costs of collection, reasonable attorneys fees, late charges and interest charges, if any;
 - (c) The Owner's right to inspect the Association's records to verify the debt;

- (d) The Owner's right to request a meeting with the Board of Directors, as set forth below;
- (e) That the Owner will not be liable for late charges, interest and costs of collection if it is determined that the assessment was paid on time to the association.
- (f) The Owner's right to dispute the debt by submitting a written request for dispute resolution to the Association pursuant to its meet and confer program (known as Internal Dispute Resolution or IDR) pursuant to *Civil Code* § 5910;
- (g) The Owner's right to request Alternative Dispute Resolution (ADR) with a neutral third party pursuant to *Civil Code* § 5935 before the association may initiate foreclosure against the Owner;

7. Owner's Dispute of Debt/Request For Meeting With Board Prior to Lien/Commencement of Small Claims Lawsuit. Pursuant to *Civil Code* §§ 5660 (a)-(f) and 5658, the Owner has the following rights:

- (a) Meet and Confer. Prior to recording a lien, the Association shall offer and, if so requested by the Owner, to participate in dispute resolution pursuant to the Association's meet and confer program (known as Internal Dispute Resolution or IDR) pursuant to *Civil Code* § 5910;
- (b) Request to Meet With Board to Discuss Payment Plan. The Owner may submit a written request to meet with the Board to discuss a payment plan for the debt owed. The Association will provide any standards it has adopted regarding payment plans to Owners. The Board will meet with the Owner in executive session in conjunction with a regularly scheduled Board meeting, within 45 days of the postmark of the request, if such was mailed no later than 15 days after the postmark of the pay or lien letter. If there is no regularly scheduled Board meeting within that period, the Board may designate a committee of one or more members to meet with the Owner.
- (c) Payment Under Protest and Commencement of Small Claims Action. In addition to pursuing dispute resolution pursuant to *Civil Code* §§ 5910 and 5658, the Owner may pay under protest the disputed amount and all other amounts levied, including any fees and reasonable costs of collection, reasonable attorney's fees, late charges, and interest, if any, and may thereafter commence an action in Small Claims Court provided the amount in dispute does not exceed the jurisdictional limits of that Court.

8. Lien/Notice of Delinquent Assessment. If the delinquent Owner does not bring their account current within thirty (30) days of the pay-or-lien demand Letter, and unless a dispute over such debt has been resolved or a payment plan has been entered into as set forth above, a Lien will be recorded against the Owner's property upon a majority of the Board voting to approve recording the Lien in an open meeting. The Board shall record the vote in the minutes of that meeting. Confidentiality shall be maintained by identifying the property by parcel number in those minutes. The President or other person designated by the Association, including the Association's managing

agent or the Association's legal counsel, shall sign the Lien. The Lien shall include an itemized statement of the charges included in the amount of the Lien including the delinquent assessments and all other sum owed, such as late charges, costs and reasonable attorneys fees, a legal description of the property, the name of the record Owner, and the name and address of the trustee authorized to enforce the Lien by sale. A copy of the itemized statement of charges shall be recorded with the Lien.

A copy of such Lien will be mailed to the every person whose name is shown as an Owner of the separate interest in the Association's records within 10 days of the date the Lien is recorded. Upon receipt of a written request by an Owner (mailed in a manner indicating the Association has received the same such as by certified mail) identifying a secondary address to which the Owner wishes collection notices to be sent, the Association shall also send additional copies of any required collection notices to such secondary address. The Lien is subject to non-judicial foreclosure, and the property may ultimately be foreclosed upon and sold without court action to satisfy the debt owed. Reasonable collection costs incurred in connection with preparing and recording the Lien may be included in the amount of the Lien.

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10. Foreclosure. If the delinquent Owner does not bring their account current after the Lien has been recorded, and after the foregoing offers of dispute resolution have been presented, a majority of the Board may vote to initiate foreclosure on the Lien in an executive session meeting of the Board. The Board may only authorize foreclosure on a Lien for those regular or special assessments which are of an amount equal to or exceeding one thousand eight hundred dollars (\$1,800) exclusive of late charges, fees, costs of collection, attorney's fees and interest, or which are more than twelve (12) months delinquent. The Board shall record the vote in the minutes of the next meeting of the Board open to all members. Confidentiality shall be maintained by identifying the property by parcel number in those minutes.

The Board shall also vote to approve foreclosure on a Lien which vote shall occur at least thirty (30) days prior to any public sale of the Owner's separate interest property. The Board shall deliver notice of the decision to foreclose by personal service on the Owner or the Owner's legal representative, and by first class mail, postage pre-paid to non-occupant Owners at the most current address shown on the association's books. These limits do not apply to timeshares or assessments owed by developers.

Non-judicial foreclosure will then be commenced by the Association's law firm pursuant to the CC&Rs, and *Civil Code* §§ 5700(a), 5710(a), 5735, and 5710(c)(1)-(2), and 2924, *et seq.* as follows:

- (a) "Initiate Foreclosure"-Notice of Default and Election to Sell ("NOD"). A Notice of Default and Election to Sell (NOD) will be recorded with the County Recorder's Office which puts

the property into foreclosure. The Association cannot continue with the non-judicial foreclosure on the property for ninety (90) days from the date the NOD is recorded. The delinquent Owner is responsible for all fees and costs incurred to initiate foreclosure in addition to the delinquent assessments, late charges and interest.

- (b) "Approve Foreclosure"- Notice of Sale (NOS). If the delinquency is not cured within ninety (90) days of the NOD being recorded, and upon receipt of approval and authorization of the action by the Board pursuant to a vote, the attorney will proceed by recording, publishing and posting a NOS. The delinquent Owner is responsible for all fees and costs incurred to prepare, record, publish and post the NOS, in addition to the delinquent assessments, late charges and interest.

11. Partial Payments: Any assessment payments received from a delinquent homeowner will be applied to that homeowner's account. However, absent receipt of payment in full of all amounts due, the Association will proceed with any collection action initiated against the homeowner's separate interest or the delinquent homeowner personally pursuant to and consistent with the requirements of California statutory and case law unless the payments are remitted pursuant to a written payment plan approved by the Board.

12. Assignment of Rents. Pursuant to the CC&Rs, each Owner assigns to the Association all rents due under any lease or agreement or otherwise for the use or occupation of any or all parts of the Owner's Lot. The Association confers on each Owner the authority to collect and retain the rents and other monies derived from any such lease or agreement as they become due and payable, provided that the Association at its sole discretion, may revoke such authority at any time, upon written notice to the Owner of a default in the payment of any Assessment due to the Association. Upon revocation of such authority, the Association may, pursuant to Court Order or Court-appointed receiver, collect and retain such monies, whether past due and unpaid or current.

13. Redemption. An Owner may redeem the property foreclosed upon by the Association by paying all amounts due and owing within ninety (90) days of the date of the foreclosure sale.

14. Lawsuit. The Association may, at any time, determine to file a personal lawsuit against the delinquent Owner to recover all delinquent charges pursuant to relevant law. All costs and attorneys fee in connection with the lawsuit, in addition to the delinquent charges and other collection costs, will be sought from the delinquent Owner.

15. Release of Liens Upon Payment. Within twenty-one (21) days of payment in full of all delinquent assessments and charges, or if it is determined that a Lien previously recorded was recorded in error, the attorney will prepare a Release of Lien which will be recorded by the County Recorder's Office, and will provide Owner with a copy of such release or notice that the delinquent assessment has been satisfied.

16. Right To Receipt. When an Owner makes a payment, the Owner may request a receipt and the Association shall provide same which shall indicate the date of payment and person who received such payment.

17. **Overnight Payments.** Payments may be made by overnight mail to the following address:

<u>If Account is being handled by Management:</u>	<u>If Account is being handled by Attorney:</u>
The Springs Community Association Attn: Accounts Receivable 174 Yale Drive Rancho Mirage, CA 92270 (760) 328-2131	The Springs Community Association c/o Delphi Law Group, LLP 1901 Camino Vida Roble, Suite 100 Carlsbad, CA 92008 (844) 433-5744

The Springs Community Association

Assessment & Reserve Funding Disclosure Summary





SCT RESERVE CONSULTANTS, INC.

P.O. BOX 890129

TEMECULA, CA 92589-0129

PHONE (951) 296-3520 FAX (951) 296-5038 E-MAIL mike.g@sctreserve.com

November 6, 2020

Job 2005-119-15 L2

The Springs Community Association
c/o The Springs Community Association & Club
174 Yale Drive
Rancho Mirage, CA 92270-7076
Attn: Mr. Richard Yehling

Subject: Year 2021 Level II Reserve Study

Dear Mr. Yehling,

SCT Reserve Consultants, Inc. is pleased to submit this **2021 Level II Reserve Study**.

There are two summary sections (starting at pages 4 and 5) that are required to be included in the Association's year-end mailing to the membership. They are the "**Reserve Summary**" and the "**Assessment and Reserve Funding Disclosure Summary**". They are to be mailed 30 to 90 days prior to the Association's year-end. These pages will satisfy the current California Civil Code requirements for homeowner disclosure.

The 'Year 2021 Reserve Budget' table of this report is AICPA approved; this may be included in the mailing but is generally not required. Check with legal counsel for greater clarification.

We appreciate the opportunity to provide our professional services. Should you have any need for clarification please contact me at (951) 296-3520.

Sincerely,



Michael C. Graves, R.S. #00039

SCT Reserve Consultants, Inc. are affiliated with





YEAR 2021
LEVEL II
RESERVE STUDY
(SITE VISIT UPDATE REPORT)
FOR
THE SPRINGS
COMMUNITY ASSOCIATION
VERSION 9

C/O THE SPRINGS COMMUNITY ASSOCIATION & CLUB
174 YALE DRIVE
RANCHO MIRAGE, CA 92270-7076
ATTN: MR. RICHARD YEHLING

SCT RESERVE CONSULTANTS, INC.
P.O. Box 890129
TEMECULA, CALIFORNIA 92589-0129
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Reserve Summary

(As required by California Civil Code Section 5565)

THE SPRINGS COMMUNITY ASSOCIATION

SCT Reserve Consultants, Inc. is pleased to provide this Level II Reserve Study (Site Visit Update Report). In order to comply with the California Civil Code, specifically the Davis-Stirling Common Interest Development Act, Section 5565, we are providing the following information to the Homeowners within THE SPRINGS COMMUNITY ASSOCIATION.

The following study has been prepared with several assumed factors taken into account: a 2.00% inflation rate; a 0.50% return on investment (interest earned); taxes on interest earned is paid for through the operating fund; an estimated remaining life of each reserve component; and an estimated current replacement cost of each reserve component.

As of September 30, 2020, the estimated ending reserve fund balance is \$2,761,367 and the estimated current replacement cost is \$31,547,346 for the portfolio of reserve components. The projected future replacement cost of the portfolio is \$42,114,315, calculated at an annually compounded inflation rate of 2.00%. The Association's level of funding which is based upon the estimated ending reserve fund balance divided by the reserve components' fully funded amount is 19.52%. This is referred to as Percent Funded. The Association would be 100.00% funded if there were \$14,148,373.00 in the reserve fund.

The current deficiency (or surplus if the number is in parenthesis) in reserve funding expressed on a per unit basis is \$13,937.58. This is calculated by subtracting the ending balance (\$2,761,367) from the 100% funded figure (\$14,148,373.00), then divided by the number of ownership interests (817). There is currently no requirement to be fully funded.

Our original analysis of the cash flow for this association indicated future inadequate funding if there were no annual increases to the Reserves. It is our understanding the Board of Directors will allocate a total of \$168,171 per month starting in 2021 (\$205.84 per unit per month for each of the 817 ownership interests) towards the reserve fund. To offset the future cash shortfall we recommend and have included an increase of 1.57% starting in 2022 for 29 years. The increase is scheduled to take effect in the year 2022. This report includes \$4,244,832 for IRRIGATION PROJECT OFFSET in 2024 for 1 year. The Board of Directors may change the amount; however, it will impact the level of funding on reserves. These numbers, by themselves, are not a clear indicator of financial strength and could indicate underfunding, overfunding, or adequate funding.

The following table represents additionally required information pursuant to the Davis-Stirling Common Interest Development Act, Section 5565.

Fiscal Year: October 1, 2020 through September 30, 2021

Category	Estimated Remaining Useful Lives	Estimated Current Replacement Cost	Fund Balance on Sep 30, 2020	Estimated Reserve Allocation	Estimated Special Assessment Allocation	Estimated Interest
2700 Roofs, Flat	0 to 39	\$11,203,351	\$670,856	\$490,273.28	\$0.00	\$1,794.73
2705 Roofs, Asphalt	0 to 39	\$4,536,510	\$428,876	\$313,430.13	\$0.00	\$1,147.36
2710 Streets	0 to 27	\$2,790,510	\$202,182	\$147,758.40	\$0.00	\$540.89
2715 Roofs, Tile	0 to 29	\$859,590	\$109,593	\$80,092.83	\$0.00	\$293.19
2725 Pools & Spas	0 to 10	\$1,254,780	\$256,222	\$187,251.25	\$0.00	\$685.46
2730 Lakes/Common Area Improvements	0 to 28	\$4,460,840	\$457,905	\$334,645.30	\$0.00	\$1,225.03
2733 Irrigation Replacement	3 to 3	\$4,000,000	\$339,673	\$248,239.24	\$0.00	\$908.72
2735 Gate Access Equipment	0 to 25	\$783,531	\$58,873	\$43,025.63	\$0.00	\$157.50
2735 Gate Access Equipment Upgrades	0 to 3	\$93,107	\$22,489	\$16,435.54	\$0.00	\$60.17
2745 HOA Office Furniture & Computers	1 to 28	\$123,534	\$7,121	\$5,203.90	\$0.00	\$19.05
2750 Mailboxes	0 to 10	\$26,250	\$8,798	\$6,429.89	\$0.00	\$23.54
2755 Vehicles/Cart Maintenance	0 to 4	\$421,630	\$79,845	\$58,352.01	\$0.00	\$213.61
2760 Common Area/Buildings	0 to 18	\$504,000	\$90,104	\$65,849.86	\$0.00	\$241.05
2838 Fitness & Activity Center	1 to 23	\$489,713	\$28,828	\$21,068.12	\$0.00	\$77.12
Totals:		\$31,547,346	\$2,761,367	\$2,018,055	\$0	\$7,387

The complete reserve study is available by request from the Association.



Assessment and Reserve Funding Disclosure Summary For the Fiscal Year Ending September 30, 2021

(As illustrated by California Civil Code Section 5570(a))

(1) The regular assessment per ownership interest is **\$1,103.00** per month, of which approximately **\$205.84** is allocated to reserves, monthly.

*Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on the following page of the attached summary: **NOT APPLICABLE***

(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: **SEE ANSWER BELOW TO QUESTION #4 WHICH SUGGESTS THERE WILL BE INCREASES IN REGULAR ASSESSMENTS FOR RESERVE FUNDING.**

Date assessment will be due:	Amount per ownership interest per month or year:	Purpose of the assessment:

*Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on the following page of the attached summary: **NOT APPLICABLE***

(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 **X** No **X**

Yes, if the Association follows the recommended future reserve contribution increases as outlined in the reserve study and disclosed in the table of question (4) with consideration to the note below*.

No, if the Association does not follow the recommended future reserve contribution increases as outlined in the reserve study and disclosed in the table of question (4) with consideration to the note below*.

**Note: The information contained within the reserve study includes estimates of replacement value and life expectancies of the components and includes assumptions regarding future events based on information provided by and supplied to the Association's Board of Directors and/or management. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the data 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 thirty (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 thirty (30) years. Furthermore, the occurrence of vandalism, severe weather conditions, earthquakes, floods or other acts of God 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.*

(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(s) will be due:	Amount per ownership interest per month:
1.57% starting in 2022 for 29 years	(Current amount) X (the increases)

(5) All major components are included in the reserve study and are included in its calculations.

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5550, the estimated amount required in the reserve fund at the end of the current fiscal year is **\$15,161,757.10**, as of **September 30, 2021**, based in whole or in part on the last reserve study or update prepared by **SCT RESERVE CONSULTANTS, INC.** The projected reserve fund cash balance at the end of the current fiscal year is **\$2,391,312.27**, resulting in reserves being **15.77%** percent funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required amount is **\$2,395,498**. (See explanation below).

Explanation: *Cash Flow Methodology - a method of developing a reserve funding plan where contributions to the reserve fund are designed 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.*



Assessment and Reserve Funding Disclosure Summary For the Fiscal Year Ending September 30, 2021

(As illustrated by California Civil Code Section 5570(a))

(continued)

7) See below: **30-Year Reserve Funding Plan Table**...Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5550 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is \$(see **"100% Funded" column 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 \$(see **"Cash Flow Balance with Funding Plan" column below**), leaving the reserve at (see **"Percent Funded" column below**) percent funding. If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years will be \$(see **"Cash Flow Balance with Funding Plan" column below**), leaving the reserve at (see **"Percent Funded" column below**) percent funding. 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, the assumed long-term before-tax interest rate earned on reserve funds was **0.50%** per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was **2.00%** per year.

30-Year Reserve Funding Plan Table

Fiscal Year: October 01, 2020 - September 30, 2021							
Year	End of Year			Revenue			Expenditures
	100% Funded	Cash Flow (Balance with Funding Plan)	Percent Funded (EOY)	Contribution, Interest, Spec Assess	Contribution Unit/Month	Contribution % Change	Components, Taxes, Deferred Exp
2020	\$14,148,373	\$2,761,367	19.52%				
2021	\$15,161,757	\$2,391,312	15.77%	\$2,025,443	\$205.84		\$2,395,498
2022	\$15,264,867	\$2,086,048	13.67%	\$2,055,518	\$209.07	1.57%	\$2,360,782
2023	\$15,317,039	\$2,125,547	13.88%	\$2,087,750	\$212.35	1.57%	\$2,048,251
2024	\$10,981,653	\$2,013,854	18.34%	\$6,364,668	\$215.69	1.57%	\$6,476,362
2025	\$11,101,051	\$2,480,602	22.35%	\$2,155,167	\$219.07	1.57%	\$1,688,419
2026	\$11,368,778	\$3,193,445	28.09%	\$2,192,314	\$222.51	1.57%	\$1,479,471
2027	\$11,718,261	\$4,000,841	34.14%	\$2,230,493	\$226.01	1.57%	\$1,423,098
2028	\$12,141,944	\$4,893,349	40.30%	\$2,269,635	\$229.56	1.57%	\$1,377,127
2029	\$12,356,879	\$5,556,034	44.96%	\$2,308,241	\$233.16	1.57%	\$1,645,556
2030	\$13,087,739	\$6,826,455	52.16%	\$2,350,257	\$236.82	1.57%	\$1,079,836
2031	\$13,213,114	\$7,360,579	55.71%	\$2,389,443	\$240.54	1.57%	\$1,855,319
2032	\$13,319,080	\$7,883,352	59.19%	\$2,428,992	\$244.31	1.57%	\$1,906,220
2033	\$13,683,601	\$8,709,070	63.65%	\$2,470,567	\$248.15	1.57%	\$1,644,849
2034	\$14,293,301	\$9,818,942	68.70%	\$2,514,152	\$252.05	1.57%	\$1,404,280
2035	\$15,057,316	\$11,146,838	74.03%	\$2,559,437	\$256.00	1.57%	\$1,231,541
2036	\$15,661,333	\$12,277,571	78.39%	\$2,604,432	\$260.02	1.57%	\$1,473,699
2037	\$15,823,839	\$12,915,288	81.62%	\$2,647,647	\$264.11	1.57%	\$2,009,930
2038	\$16,739,281	\$14,498,514	86.61%	\$2,695,905	\$268.25	1.57%	\$1,112,680
2039	\$17,629,705	\$16,040,034	90.98%	\$2,744,798	\$272.46	1.57%	\$1,203,278
2040	\$18,227,832	\$17,165,286	94.17%	\$2,792,339	\$276.74	1.57%	\$1,667,087
2041	\$19,075,872	\$18,717,007	98.12%	\$2,842,489	\$281.09	1.57%	\$1,290,768
2042	\$19,762,431	\$20,134,419	101.88%	\$2,892,753	\$285.50	1.57%	\$1,475,341
2043	\$20,846,363	\$22,025,882	105.66%	\$2,945,932	\$289.98	1.57%	\$1,054,470
2044	\$21,251,418	\$22,924,507	107.87%	\$2,995,153	\$294.53	1.57%	\$2,096,529
2045	\$20,454,853	\$22,101,643	108.05%	\$3,036,640	\$299.16	1.57%	\$3,859,503
2046	\$20,165,224	\$21,900,176	108.60%	\$3,081,447	\$303.85	1.57%	\$3,282,915
2047	\$20,099,055	\$22,015,812	109.54%	\$3,128,621	\$308.63	1.57%	\$3,012,985
2048	\$17,605,645	\$17,718,091	100.64%	\$3,155,501	\$313.47	1.57%	\$7,453,222
2049	\$17,619,201	\$17,664,349	100.26%	\$3,202,489	\$318.39	1.57%	\$3,256,232
2050	\$17,964,092	\$18,032,019	100.38%	\$3,253,131	\$323.39	1.57%	\$2,885,460
30-Year Sum:				\$82,421,357			\$67,150,704



Summary

In accordance with our proposal, 2005-119, SCT Reserve Consultants, Inc. is pleased to provide this ***Level II Reserve Study Site Visit Update Report for THE SPRINGS COMMUNITY ASSOCIATION***. Our study was performed in accordance with the Davis-Stirling Common Interest Development Act, specifically §5550, of the California Civil Code. This report included a site inspection on July 6, 2020. This *planned* common interest development (CID) is located at 174 Yale Drive, Rancho Mirage, California. We are using an inception date for the components of October 1, 1974. ***This study is for October 1, 2020 through September 30, 2021, the Association's fiscal year.***

In general, reserve funds are funds set aside from collected association fees paid by owners of a common interest development. These funds earn interest and are disbursed when deemed necessary by the Board of Directors. The purpose of a reserve study is to determine how much money should exist in a reserve fund at a given point in time or to project required future contributions and expenditure amounts so that sufficient reserve funds are available when needed. Our reserve study is generated using proprietary SCT software and a combination of local industry standards and national average replacement costs.

The SCT software utilizes the weighted average life (WAL) of the reserve components. The future cost method for the WAL is calculated by using the current replacement cost of each component, as of the analysis date, and the number of years until each reserve component is scheduled to be replaced. This determines the monthly reserve contributions needed and calculates the future reserve balances.

A 30-year "Cash Flow and Percent Funded Projection" analysis and "Graph" are produced to verify and define the relationship of the Cash Flow (annual beginning balance) with respect to the 100% funded amount. Ideally, the Cash Flow line of the graph should run parallel to and below the "Percent Funded" line of the graph, see funding goals.

The following study has been prepared with several assumed factors taken into account: 2.00% inflation rate; a 0.50% return on investment (interest earned); taxes on interest earned is paid for through the operating fund; an estimated remaining life of each reserve component; and an estimated current replacement cost of each reserve component.

Typically, any component that has a life cycle (full life) of less than two years should be budgeted and paid for through normal operating or property maintenance funds and is not included as part of this study.

The current deficiency (or surplus if the number is in parenthesis) in reserve funding expressed on a per unit basis is \$13,937.58. This is calculated by subtracting the ending balance (\$2,761,367) from the 100% funded figure (\$14,148,373.00), then divided by the number of ownership interests (817). There is currently no requirement to be fully funded.



Summary

(continued)

As of October 1, 2020, the estimated reserve fund balance is \$2,761,367 and the estimated current replacement cost is \$31,547,346 of the portfolio of reserve components. The projected future replacement cost of the portfolio is \$42,114,315, calculated at an annually compounded inflation rate of 2.00%. The Davis-Stirling Common Interest Development Act requires the disclosure of the *current reserve fund balance divided by the current replacement cost* (this is not *Percent Funded*). Currently, this factor for THE SPRINGS COMMUNITY ASSOCIATION is 8.75%.

The Association's level of funding for the fiscal year (October 1, 2020 through September 30, 2021) which is based upon the final estimated reserve fund balance divided by the reserve components' fully funded amount is **15.77%, and is referred to as *Percent Funded***. The Association would be 100.00% funded if there were \$15,161,757.10 in the reserve fund.

Our original analysis of the cash flow for this association indicated future inadequate funding (see the graph, the "square box and/or pink line"). This line represents the cash flow if there were no annual increases to the Reserves. *It is our understanding the Board of Directors will allocate a total of \$168,171 per month starting in 2021 (\$205.84 per unit per month for each of the 817 ownership interests) towards the reserve fund. To offset the future cash shortfall we recommend and have included an increase of 1.57% starting in 2022 for 29 years. The increase is scheduled to take effect in the year 2022. This report includes \$4,244,832 for IRRIGATION PROJECT OFFSET starting in 2024 for 1 year.* The Board of Directors may raise or lower this amount, however, it will impact the level of funding on reserves. These numbers, by themselves, are not a clear indicator of financial strength and could indicate underfunding, overfunding, or adequate funding.

Sincerely,



Michael C. Graves, R.S. #00039
SCT Reserve Consultants, Inc.



Year 2021 Reserve Budget
(AICPA Approved)

Categories	100% Funded Sep 30, 2021	Percent Funded Sep 30, 2021	Beginning Balance Oct 01, 2020	Annual Reserve Allocation	Monthly Reserve Allocation	Special Assessment Allocation	Annual Interest Allocation	Expenditure	Ending Balance Sep 30, 2021
2700 Roofs, Flat	\$3,594,313	15.77%	\$670,855.96	\$490,273.28	\$40,856.11	\$0.00	\$1,794.73	\$596,029.00	\$586,894.96
2705 Roofs, Asphalt	\$1,994,443	15.77%	\$428,876.05	\$313,430.13	\$26,119.18	\$0.00	\$1,147.36	\$428,890.06	\$314,563.48
2710 Streets	\$243,132	15.77%	\$202,182.34	\$147,758.40	\$12,313.20	\$0.00	\$540.89	\$312,134.80	\$38,346.84
2715 Roofs, Tile	\$510,991	15.77%	\$109,593.47	\$80,092.83	\$6,674.40	\$0.00	\$293.19	\$109,386.00	\$80,593.49
2725 Pools & Spas	\$843,763	15.77%	\$256,221.63	\$187,251.25	\$15,604.27	\$0.00	\$685.46	\$311,080.00	\$133,078.35
2730 Lakes/Common Area Improvements	\$2,632,994	15.77%	\$457,905.42	\$334,645.30	\$27,887.11	\$0.00	\$1,225.03	\$378,500.00	\$415,275.74
2733 Irrigation Replacement	\$3,733,333	15.77%	\$339,673.36	\$248,239.24	\$20,686.60	\$0.00	\$908.72	\$0.00	\$588,821.32
2735 Gate Access Equipment	\$455,563	15.77%	\$58,873.29	\$43,025.63	\$3,585.47	\$0.00	\$157.50	\$30,205.00	\$71,851.42
2735 Gate Access Equipment Upgrades	\$48,367	15.77%	\$22,489.25	\$16,435.54	\$1,369.63	\$0.00	\$60.17	\$31,356.56	\$7,628.39
2745 HOA Office Furniture & Computers	\$78,263	15.77%	\$7,120.65	\$5,203.90	\$433.66	\$0.00	\$19.05	\$0.00	\$12,343.60
2750 Mailboxes	\$5,717	15.77%	\$8,798.21	\$6,429.89	\$535.82	\$0.00	\$23.54	\$14,350.00	\$901.63
2755 Vehicles/Car Maintenance	\$277,989	15.77%	\$79,844.84	\$58,352.01	\$4,862.67	\$0.00	\$213.61	\$94,566.10	\$43,844.35
2760 Common Area/Buildings	\$426,042	15.77%	\$90,104.38	\$65,849.86	\$5,487.49	\$0.00	\$241.05	\$89,000.00	\$67,195.29
2838 Fitness & Activity Center	\$316,849	15.77%	\$28,828.16	\$21,068.12	\$1,755.68	\$0.00	\$77.12	\$0.00	\$49,973.40
Totals:	\$15,161,757	15.77%	\$2,761,367.00	\$2,018,055.36	\$168,171.28	\$0.00	\$7,387.43	\$2,395,497.52	\$2,391,312.27



Component Identification Report

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (2% inflation)	Straight Line Allocation (Annual)	100% Funded Oct 01, 2020
2700 Roofs, Flat									
Built-Up/Gravel to Polyurethane Foam	33	Per Unit	0	0	\$11,400.00	\$376,200	\$0	\$0	\$376,200
Built-Up/Gravel to Polyurethane Foam	33	Per Unit	0	1	\$11,400.00	\$376,200	\$383,724	\$376,200	\$0
Built-Up/Gravel to Polyurethane Foam	33	Per Unit	0	2	\$11,400.00	\$376,200	\$391,398	\$188,100	\$0
Built-Up/Gravel to Polyurethane Foam	33	Per Unit	0	3	\$11,400.00	\$376,200	\$399,226	\$125,400	\$0
Built-Up/Gravel to Polyurethane Foam	33	Per Unit	0	4	\$11,400.00	\$376,200	\$407,211	\$94,050	\$0
Built-Up/Gravel to Polyurethane Foam	33	Per Unit	0	5	\$11,400.00	\$376,200	\$415,355	\$75,240	\$0
Elastomeric coating on foam	46	Per Unit	14	0	\$2,914.00	\$134,044	\$134,044	\$9,575	\$134,044
Elastomeric coating on foam	46	Per Unit	14	1	\$2,914.00	\$134,044	\$136,725	\$9,575	\$124,469
Elastomeric coating on foam	47	Per Unit	14	2	\$2,914.00	\$136,958	\$142,491	\$9,783	\$117,393
Elastomeric coating on foam	164	Per Unit	14	10	\$2,914.00	\$477,886	\$582,553	\$34,135	\$136,542
Elastomeric coating on foam	119	Per Unit	14	11	\$2,914.00	\$346,766	\$431,160	\$24,769	\$74,307
Elastomeric coating on foam	78	Per Unit	14	12	\$2,914.00	\$227,292	\$288,261	\$16,235	\$32,470
Elastomeric coating on foam	72	Per Unit	14	13	\$2,914.00	\$209,808	\$271,409	\$14,986	\$14,986
Polyurethane foam	47	Per Unit	40	23	\$11,400.00	\$535,800	\$844,903	\$13,395	\$227,715
Polyurethane foam	47	Per Unit	40	24	\$11,400.00	\$535,800	\$861,801	\$13,395	\$214,320
Polyurethane foam	47	Per Unit	40	25	\$11,400.00	\$535,800	\$879,037	\$13,395	\$200,925
Polyurethane foam	47	Per Unit	40	26	\$11,400.00	\$535,800	\$896,617	\$13,395	\$187,530
Polyurethane foam	47	Per Unit	40	27	\$11,400.00	\$535,800	\$914,550	\$13,395	\$174,135
Polyurethane foam	47	Per Unit	40	28	\$11,400.00	\$535,800	\$932,841	\$13,395	\$160,740
Polyurethane foam	47	Per Unit	40	29	\$11,400.00	\$535,800	\$951,498	\$13,395	\$147,345
Polyurethane foam	11	Per Unit	40	29	\$11,400.00	\$125,400	\$222,691	\$3,135	\$34,485
Polyurethane foam	22	Per Unit	40	30	\$11,400.00	\$250,800	\$454,289	\$6,270	\$62,700



Component Identification Report
(continued)

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (2% Inflation)	Straight Line Allocation (Annual)	100% Funded Oct 01, 2020
Polyurethane foam	12	Per Unit	40	31	\$11,400.00	\$136,800	\$252,750	\$3,420	\$30,780
Polyurethane foam	23	Per Unit	40	32	\$11,400.00	\$262,200	\$494,127	\$6,555	\$52,440
Polyurethane foam	35	Per Unit	40	33	\$11,400.00	\$399,000	\$766,970	\$9,975	\$69,825
Polyurethane foam	108	Per Unit	40	36	\$11,400.00	\$1,231,200	\$2,511,509	\$30,780	\$123,120
Polyurethane foam	37	Per Unit	40	37	\$11,400.00	\$421,800	\$877,633	\$10,545	\$31,635
Polyurethane foam	24	Per Unit	40	38	\$11,400.00	\$273,600	\$580,661	\$6,840	\$13,680
Polyurethane foam	18	Per Unit	40	39	\$11,400.00	\$205,200	\$444,206	\$5,130	\$5,130
Recondition, maintenance	817	Per Unit	1	0	\$105.00	\$85,785	\$85,785	\$85,785	\$85,785
Subtotal:						\$11,203,351	\$17,100,766	\$1,250,031	\$2,940,311
2705 Roofs, Asphalt									
Asphalt shingles	30	Each	40	39	\$23,271.67	\$698,150	\$1,511,317	\$17,454	\$17,454
Cerwood to Asphalt (1-time expense)	18	Per Unit	0	0	\$23,271.67	\$418,890	\$0	\$0	\$418,890
Cerwood to Asphalt (1-time expense)	18	Per Unit	0	1	\$23,271.67	\$418,890	\$427,268	\$418,890	\$0
Cerwood to Asphalt (1-time expense)	18	Per Unit	0	2	\$23,271.67	\$418,890	\$435,813	\$209,445	\$0
Cerwood to Asphalt (1-time expense)	18	Per Unit	0	3	\$23,271.67	\$418,890	\$444,529	\$139,630	\$0
Cerwood, maintenance (complete 2024)	1	Lump Sum	1	0	\$10,000.00	\$10,000	\$10,000	\$10,000	\$10,000
Underlayment for Asphalt	26	Per Unit	30	4	\$3,900.00	\$101,400	\$109,759	\$3,380	\$87,880
Underlayment for Asphalt	26	Per Unit	30	5	\$3,900.00	\$101,400	\$111,954	\$3,380	\$84,500
Underlayment for Asphalt	26	Per Unit	30	6	\$3,900.00	\$101,400	\$114,193	\$3,380	\$81,120
Underlayment for Asphalt	26	Per Unit	30	7	\$3,900.00	\$101,400	\$116,477	\$3,380	\$77,740
Underlayment for Asphalt	50	Per Unit	30	8	\$3,900.00	\$195,000	\$228,474	\$6,500	\$143,000
Underlayment for Asphalt	50	Per Unit	30	10	\$3,900.00	\$195,000	\$237,704	\$6,500	\$130,000
Underlayment for Asphalt	50	Per Unit	30	12	\$3,900.00	\$195,000	\$247,307	\$6,500	\$117,000
Underlayment for Asphalt	50	Per Unit	30	14	\$3,900.00	\$195,000	\$257,298	\$6,500	\$104,000



Component Identification Report
(continued)

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (2% Inflation)	Straight Line Allocation (Annual)	100% Funded Oct 01, 2020
Underlayment for Asphalt	50	Per Unit	30	16	\$3,900.00	\$195,000	\$267,693	\$6,500	\$91,000
Underlayment for Asphalt	50	Per Unit	30	18	\$3,900.00	\$195,000	\$278,508	\$6,500	\$78,000
Underlayment for Asphalt	50	Per Unit	30	20	\$3,900.00	\$195,000	\$289,760	\$6,500	\$65,000
Underlayment for Asphalt	25	Per Unit	30	22	\$3,900.00	\$97,500	\$150,733	\$3,250	\$26,000
Underlayment for Asphalt	43	Per Unit	30	27	\$3,900.00	\$167,700	\$286,245	\$5,590	\$16,770
Underlayment for Asphalt	30	Per Unit	30	28	\$3,900.00	\$117,000	\$203,700	\$3,900	\$7,800
Subtotal:						\$4,536,510	\$5,728,732	\$867,179	\$1,556,154
2710 Streets									
Asphalt, repair/overlay/R&R	88,985	Square Feet	28	0	\$1.68	\$149,495	\$149,495	\$5,339	\$149,495
Asphalt, repair/overlay/R&R	136,783	Square Feet	28	26	\$1.68	\$229,795	\$384,544	\$8,207	\$16,414
Asphalt, repair/overlay/R&R	1,046,232	Square Feet	28	27	\$1.68	\$1,757,670	\$3,000,143	\$62,774	\$62,774
Asphalt, seal/stripe/repair	1,272,000	Square Feet	4	0	\$0.12	\$152,640	\$152,640	\$38,160	\$152,640
Bot dots, golf course crossings R&R	1	Lump Sum	4	0	\$10,000.00	\$10,000	\$10,000	\$2,500	\$10,000
Concrete collars, manhole/valve	280	Each	28	27	\$1,000.00	\$280,000	\$477,928	\$10,000	\$10,000
Concrete curbs	2,967	Square Feet	28	27	\$40.00	\$118,680	\$202,573	\$4,239	\$4,239
Pavers, sand/seal, Bob Hope Drive	30,000	Square Feet	20	16	\$1.25	\$37,500	\$51,479	\$1,875	\$7,500
Pavers, sand/seal, HOA Office Entry	1	Each	20	8	\$1,300.00	\$1,300	\$1,523	\$65	\$780
Pavers, sand/seal, Morningside Entry	1	Lump Sum	30	27	\$50,000.00	\$50,000	\$85,344	\$1,667	\$5,000
Signs, traffic	98	Each	15	9	\$35.00	\$3,430	\$4,099	\$229	\$1,372
Subtotal:						\$2,790,510	\$4,519,768	\$135,055	\$420,214
2715 Roofs, Tile									
Tile, maintenance	1	Lump Sum	1	0	\$10,000.00	\$10,000	\$10,000	\$10,000	\$10,000



Component Identification Report
(continued)

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (2% Inflation)	Straight Line Allocation (Annual)	100% Funded Oct 01, 2020
Tile/underlayment	31	Per Unit	30	0	\$3,206.00	\$99,386	\$99,386	\$3,313	\$99,386
Tile/underlayment	31	Per Unit	30	1	\$3,206.00	\$99,386	\$101,374	\$3,313	\$96,073
Tile/underlayment	31	Per Unit	30	2	\$3,206.00	\$99,386	\$103,401	\$3,313	\$92,760
Tile/underlayment	31	Per Unit	30	3	\$3,206.00	\$99,386	\$105,469	\$3,313	\$89,447
Tile/underlayment	32	Per Unit	30	4	\$3,206.00	\$102,592	\$111,049	\$3,420	\$88,913
Tile/underlayment	32	Per Unit	30	5	\$3,206.00	\$102,592	\$113,270	\$3,420	\$85,493
Tile/underlayment	47	Per Unit	30	27	\$3,206.00	\$150,682	\$257,197	\$5,023	\$15,068
Tile/underlayment	16	Per Unit	30	28	\$3,206.00	\$51,296	\$89,308	\$1,710	\$3,420
Tile/underlayment	14	Per Unit	30	29	\$3,206.00	\$44,884	\$79,707	\$1,496	\$1,496
Subtotal:						\$659,590	\$1,070,161	\$38,321	\$582,056
2725 Pools & Spas									
Acid wash, pools/spas @ 3 years	15	Each	1	0	\$1,050.00	\$15,750	\$15,750	\$15,750	\$15,750
Decks, recoat/texture @ 12 years	4	Each	1	0	\$10,500.00	\$42,000	\$42,000	\$42,000	\$42,000
Decks, rule signs	46	Each	12	5	\$650.00	\$29,900	\$33,012	\$2,492	\$17,442
Equipment pits	1	Each	0	0	\$3,000.00	\$3,000	\$0	\$0	\$3,000
Equipment pits	1	Each	0	1	\$3,000.00	\$3,000	\$3,060	\$3,000	\$0
Equipment pits	1	Each	0	2	\$3,000.00	\$3,000	\$3,121	\$1,500	\$0
Equipment pits	1	Each	0	3	\$3,000.00	\$3,000	\$3,184	\$1,000	\$0
Equipment pits	1	Each	0	4	\$3,000.00	\$3,000	\$3,247	\$750	\$0
Equipment pits	1	Each	0	5	\$3,000.00	\$3,000	\$3,312	\$600	\$0
Equipment pits	1	Each	0	6	\$3,000.00	\$3,000	\$3,378	\$500	\$0
Equipment, filters @ 10 years	9	Each	1	0	\$870.00	\$7,830	\$7,830	\$7,830	\$7,830
Equipment, heaters @ 8 years	11	Each	1	0	\$2,400.00	\$26,400	\$26,400	\$26,400	\$26,400
Equipment, pumps/motors @ 8 years	17	Each	1	0	\$1,300.00	\$22,100	\$22,100	\$22,100	\$22,100



Component Identification Report
(continued)

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (2% Inflation)	Straight Line Allocation (Annual)	100% Funded Oct 01, 2020
Equipment, salt systems	4	Each	1	0	\$950.00	\$3,800	\$3,800	\$3,800	\$3,800
Equipment, skimmers	12	Each	1	0	\$1,350.00	\$16,200	\$16,200	\$16,200	\$16,200
Fences, modifications to code	8	Each	0	0	\$8,000.00	\$64,000	\$0	\$0	\$64,000
Furniture, R&R	1	Lump Sum	1	0	\$7,000.00	\$7,000	\$7,000	\$7,000	\$7,000
Pool & spa lights LED	138	Each	10	6	\$600.00	\$82,800	\$93,246	\$8,280	\$33,120
Pool 44.5 R&R, Mt. Holyoke Dr.	1	Lump Sum	0	1	\$203,000.00	\$203,000	\$207,060	\$203,000	\$0
Pools, resurfac/tile	6	Each	12	0	\$10,500.00	\$63,000	\$63,000	\$5,250	\$63,000
Pools, resurfac/tile	6	Each	12	1	\$10,500.00	\$63,000	\$64,260	\$5,250	\$57,750
Pools, resurfac/tile	6	Each	12	2	\$10,500.00	\$63,000	\$65,545	\$5,250	\$52,500
Pools, resurfac/tile	6	Each	12	3	\$10,500.00	\$63,000	\$66,856	\$5,250	\$47,250
Pools, resurfac/tile	3	Each	12	4	\$10,500.00	\$31,500	\$34,097	\$2,625	\$21,000
Pools, resurfac/tile	4	Each	12	6	\$10,500.00	\$42,000	\$47,299	\$3,500	\$21,000
Pools, resurfac/tile	8	Each	12	7	\$10,500.00	\$84,000	\$96,490	\$7,000	\$35,000
Pools, resurfac/tile	1	Each	12	8	\$10,500.00	\$10,500	\$12,302	\$875	\$3,500
Pools, resurfac/tile	4	Each	12	9	\$10,500.00	\$42,000	\$50,194	\$3,500	\$10,500
Pools, resurfac/tile	2	Each	12	10	\$10,500.00	\$21,000	\$25,599	\$1,750	\$3,500
Spas, resurfac/tile	8	Each	8	0	\$5,000.00	\$40,000	\$40,000	\$5,000	\$40,000
Spas, resurfac/tile	8	Each	8	1	\$5,000.00	\$40,000	\$40,800	\$5,000	\$35,000
Spas, resurfac/tile	9	Each	8	2	\$5,000.00	\$45,000	\$46,818	\$5,625	\$33,750
Spas, resurfac/tile	9	Each	8	3	\$5,000.00	\$45,000	\$47,754	\$5,625	\$28,125
Spas, resurfac/tile	9	Each	8	6	\$5,000.00	\$45,000	\$50,677	\$5,625	\$11,250
Spas, resurfac/tile	3	Each	8	7	\$5,000.00	\$15,000	\$17,230	\$1,875	\$1,875
Subtotal:						\$1,254,780	\$1,262,621	\$431,202	\$723,642
2730 Lakes/Common Area Improvements									
Electric meter cabinets	2	Each	25	10	\$5,000.00	\$10,000	\$12,190	\$400	\$6,000



Component Identification Report
(continued)

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (2% Inflation)	Straight Line Allocation (Annual)	100% Funded Oct 01, 2020
Electric meter cabinets	9	Each	25	10	\$5,000.00	\$45,000	\$54,855	\$1,800	\$27,000
Electric meter cabinets	9	Each	25	10	\$5,000.00	\$45,000	\$54,855	\$1,800	\$27,000
Electric, meter cabinets	4	Each	30	9	\$4,600.00	\$18,400	\$21,990	\$613	\$12,880
Electric, meter cabinets	5	Each	30	17	\$4,600.00	\$23,000	\$32,206	\$767	\$9,967
Electric, meter cabinets	1	Each	30	28	\$4,600.00	\$4,600	\$8,009	\$153	\$307
Fixtures, well lights	12	Lump Sum	10	4	\$375.00	\$4,500	\$4,871	\$450	\$2,700
Flags, USA	30	Each	3	2	\$58.00	\$1,740	\$1,810	\$580	\$580
Fountains, filters	2	Each	10	1	\$1,200.00	\$2,400	\$2,448	\$240	\$2,160
Fountains, filters	3	Each	10	2	\$1,200.00	\$3,600	\$3,745	\$360	\$2,880
Fountains, pumpsets	4	Each	7	1	\$900.00	\$3,600	\$3,672	\$514	\$3,086
Fountains, pumpsets	4	Each	7	2	\$900.00	\$3,600	\$3,745	\$514	\$2,571
Fountains, pumpsets	4	Each	7	3	\$900.00	\$3,600	\$3,820	\$514	\$2,057
Fountains, resurface/renovate, large	1	Each	12	0	\$23,000.00	\$23,000	\$23,000	\$1,917	\$23,000
Fountains, resurface/renovate, large	1	Each	12	4	\$23,000.00	\$23,000	\$24,896	\$1,917	\$15,333
Fountains, resurface/renovate, small	2	Each	12	4	\$7,800.00	\$15,600	\$16,886	\$1,300	\$10,400
Fountains, resurface/renovate, small	1	Each	12	10	\$7,800.00	\$7,800	\$9,508	\$650	\$1,300
Irrigation, antennas	2	Each	12	0	\$9,500.00	\$19,000	\$19,000	\$1,583	\$19,000
Irrigation, computer/interfaces	1	Lump Sum	6	0	\$8,000.00	\$8,000	\$8,000	\$1,333	\$8,000
Irrigation, controllers/antennas	48	Each	12	6	\$1,400.00	\$67,200	\$75,678	\$5,600	\$33,600
Irrigation, miscellaneous repairs	1	Lump Sum	1	0	\$20,000.00	\$20,000	\$20,000	\$20,000	\$20,000
Lake #02, liner	1	Each	25	0	\$200,000.00	\$200,000	\$200,000	\$8,000	\$200,000
Lake #06, liner	1	Each	25	24	\$200,000.00	\$200,000	\$321,687	\$8,000	\$8,000
Lake #06, pumpset/panel	1	Lump Sum	12	0	\$15,000.00	\$15,000	\$15,000	\$1,250	\$15,000



Component Identification Report
(continued)

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (2% Inflation)	Straight Line Allocation (Annual)	100% Funded Oct 01, 2020
Lake #08, liner	1	Each	25	3	\$150,000.00	\$150,000	\$159,181	\$6,000	\$132,000
Lake #08, pumpset/panel	1	Lump Sum	12	11	\$15,000.00	\$15,000	\$18,651	\$1,250	\$1,250
Lake #09, liner	1	Each	25	4	\$200,000.00	\$200,000	\$216,486	\$8,000	\$168,000
Lake #10, liner	1	Each	25	6	\$150,000.00	\$150,000	\$168,924	\$6,000	\$114,000
Lake #10, pumpset/panel	1	Lump Sum	12	9	\$15,000.00	\$15,000	\$17,926	\$1,250	\$3,750
Lake #12, liner	1	Each	25	6	\$150,000.00	\$150,000	\$168,924	\$6,000	\$114,000
Lake #12, pumpset/panel	1	Lump Sum	12	0	\$15,000.00	\$15,000	\$15,000	\$1,250	\$15,000
Lake #13 green, liner	1	Each	25	7	\$150,000.00	\$150,000	\$172,303	\$6,000	\$108,000
Lake #13 tee, liner	1	Each	25	7	\$150,000.00	\$150,000	\$172,303	\$6,000	\$108,000
Lake #13 tee, pumpset/panel	1	Lump Sum	12	11	\$15,000.00	\$15,000	\$18,651	\$1,250	\$1,250
Lake #16, pumpset/panel	1	Lump Sum	12	0	\$15,000.00	\$15,000	\$15,000	\$1,250	\$15,000
Lake #17 green, liner	1	Each	25	19	\$210,000.00	\$210,000	\$305,930	\$8,400	\$50,400
Lake #17 tee, liner	1	Each	25	24	\$300,000.00	\$300,000	\$482,531	\$12,000	\$12,000
Lake, Lehigh, aerator	2	Each	6	1	\$2,100.00	\$4,200	\$4,284	\$700	\$3,500
Lake, Lehigh, aerator, pumps	2	Each	6	1	\$2,100.00	\$4,200	\$4,284	\$700	\$3,500
Lake, Lehigh, liner	58,000	Square Feet	30	8	\$2.50	\$145,000	\$169,891	\$4,833	\$106,333
Lake, Lehigh, pump 7.5hp	1	Each	24	8	\$9,500.00	\$9,500	\$11,131	\$396	\$6,333
Lake, Reed liner	190,000	Square Feet	30	8	\$1.25	\$237,500	\$278,269	\$7,917	\$174,167
Lake, Reed, aerator	1	Each	6	1	\$2,100.00	\$2,100	\$2,142	\$350	\$1,750
Lake, Reed, pump 5hp	1	Each	24	1	\$6,500.00	\$6,500	\$6,630	\$271	\$6,229
Lake, Reed, pump, circulation 4hp	1	Each	24	2	\$8,500.00	\$8,500	\$8,843	\$354	\$7,792
Lake, Reed, pump, fountain 4hp	1	Each	8	1	\$6,200.00	\$6,200	\$6,324	\$775	\$5,425
Lake, Reed, VFD	1	Each	6	2	\$1,300.00	\$1,300	\$1,353	\$217	\$967
Landscape, renovation	1	Lump Sum	1	0	\$35,000.00	\$35,000	\$35,000	\$35,000	\$35,000
Landscape, renovation	1	Lump Sum	10	1	\$200,000.00	\$200,000	\$204,000	\$20,000	\$180,000



Component Identification Report
(continued)

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (2% Inflation)	Straight Line Allocation (Annual)	100% Funded Oct 01, 2020
(major)									
Land scape, trees/plants	1	Lump Sum	1	0	\$20,000.00	\$20,000	\$20,000	\$20,000	\$20,000
LED bulbs/fixtures	1	Lump Sum	1	0	\$6,000.00	\$6,000	\$6,000	\$6,000	\$6,000
Monuments, lettering	1	Each	20	13	\$2,700.00	\$2,700	\$3,493	\$135	\$945
Monuments, lettering	1	Each	20	15	\$2,700.00	\$2,700	\$3,634	\$135	\$675
Monuments, lettering	4	Each	20	16	\$2,700.00	\$10,800	\$14,826	\$540	\$2,160
Monuments, structures	2	Each	30	17	\$3,500.00	\$7,000	\$9,802	\$233	\$3,033
Pump station	1	Each	25	2	\$300,000.00	\$300,000	\$312,120	\$12,000	\$276,000
Pump station	1	Each	25	15	\$300,000.00	\$300,000	\$403,761	\$12,000	\$120,000
Pump station, evap cooler	1	Each	16	0	\$2,500.00	\$2,500	\$2,500	\$156	\$2,500
Pump station, lake valves	1	Each	20	3	\$20,000.00	\$20,000	\$21,224	\$1,000	\$17,000
Pump station, roof, state	1	Lump Sum	30	18	\$10,000.00	\$10,000	\$14,282	\$333	\$4,000
Steel, signs/lights	1	Lump Sum	7	2	\$7,500.00	\$7,500	\$7,803	\$1,071	\$5,357
Well, deep, R&R	1	Each	30	19	\$300,000.00	\$300,000	\$437,043	\$10,000	\$110,000
Well, Hole 17 green, panel	2	Each	20	15	\$15,000.00	\$30,000	\$40,376	\$1,500	\$7,500
Well, Hole 17 green, pump	1	Each	20	7	\$200,000.00	\$200,000	\$229,737	\$10,000	\$130,000
Well, Hole 17 tee, panel	1	Each	20	19	\$15,000.00	\$15,000	\$21,852	\$750	\$750
Well, Hole 17 tee, pump	1	Each	20	5	\$200,000.00	\$200,000	\$220,816	\$10,000	\$150,000
Well, patio, maintenance	1	Each	30	9	\$64,000.00	\$64,000	\$76,486	\$2,133	\$44,800
Subtotal:						\$4,460,840	\$5,451,587	\$284,404	\$2,727,087
2733 Irrigation Replacement									
Irrigation system R&R	1	Lump Sum	30	3	\$4,000,000.00	\$4,000,000	\$4,244,832	\$133,333	\$3,600,000
Subtotal:						\$4,000,000	\$4,244,832	\$133,333	\$3,600,000
2735 Gate Access Equipment									
Access, Command Center, computers	3	Each	5	1	\$1,100.00	\$3,300	\$3,366	\$660	\$2,640



Component Identification Report
(continued)

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (2% inflation)	Straight Line Allocation (Annual)	100% Funded Oct 01, 2020
Access, Command Center, computers	3	Each	5	2	\$1,100.00	\$3,300	\$3,433	\$660	\$1,980
Access, emergency, Knox box system	1	Lump Sum	10	3	\$4,500.00	\$4,500	\$4,775	\$450	\$3,150
Access, emergency, strobes, all Gates	1	Lump Sum	10	3	\$2,300.00	\$2,300	\$2,441	\$230	\$1,610
Alarm batteries	1	Lump Sum	3	0	\$4,000.00	\$4,000	\$4,000	\$1,333	\$4,000
Alarm contact magnets/test smoke	1	Lump Sum	5	0	\$1,300.00	\$1,300	\$1,300	\$260	\$1,300
Alarm keypads (5%), Homes	41	Each	1	0	\$155.00	\$6,355	\$6,355	\$6,355	\$6,355
Alarm panels (AES), Homes	252	Each	20	10	\$420.00	\$105,840	\$129,018	\$5,292	\$52,920
Alarm panels (AES), Homes	253	Each	20	11	\$420.00	\$106,260	\$132,121	\$5,313	\$47,817
Alarm panels (AES), Homes	100	Each	20	12	\$420.00	\$42,000	\$53,266	\$2,100	\$16,800
Alarm panels (AES), Homes	212	Each	20	13	\$420.00	\$89,040	\$115,183	\$4,452	\$31,164
Alarm smoke detectors (allowance)	48	Each	3	1	\$57.00	\$2,736	\$2,791	\$912	\$1,824
Barrier arms (all gates)	4	Each	1	0	\$600.00	\$2,400	\$2,400	\$2,400	\$2,400
Bob Hope Drive, barrier arms	2	Each	12	1	\$3,000.00	\$6,000	\$6,120	\$500	\$5,500
Bob Hope Drive, gate hinges, exit lane	4	Each	10	6	\$1,150.00	\$4,600	\$5,180	\$460	\$1,840
Bob Hope Drive, gate operators	2	Each	10	3	\$4,200.00	\$8,400	\$8,914	\$840	\$5,880
Bob Hope Drive, gate operators	2	Each	10	6	\$4,200.00	\$8,400	\$9,460	\$840	\$3,360
Bob Hope Drive, gatehouse door	1	Each	30	25	\$1,700.00	\$1,700	\$2,789	\$57	\$283
Bob Hope Drive, gates,	1	Each	30	12	\$850.00	\$850	\$1,078	\$28	\$510

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Component Identification Report
(continued)

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (2% Inflation)	Straight Line Allocation (Annual)	100% Funded Oct 01, 2020
pedestrian									
Bob Hope Drive, gates, vehicle	4	Each	30	12	\$5,000.00	\$20,000	\$25,365	\$667	\$12,000
Bob Hope Drive, loop systems w/pavers	4	Each	16	12	\$5,000.00	\$20,000	\$25,365	\$1,250	\$5,000
Country Club Dr. east, barrier arm	1	Each	12	1	\$3,000.00	\$3,000	\$3,060	\$250	\$2,750
Country Club Dr. east, gate operators	1	Each	10	1	\$4,200.00	\$4,200	\$4,284	\$420	\$3,780
Country Club Dr. east, gate operators	1	Each	10	5	\$4,200.00	\$4,200	\$4,637	\$420	\$2,100
Country Club Dr. east, gates, pedestrian	2	Each	30	12	\$850.00	\$1,700	\$2,156	\$57	\$1,020
Country Club Dr. east, gates, vehicle	3	Each	30	8	\$5,000.00	\$15,000	\$17,575	\$500	\$11,000
Country Club Dr. east, loop systems	2	Each	16	4	\$5,000.00	\$10,000	\$10,824	\$625	\$7,500
Country Club Dr. east, spike strips/sign	1	Lump Sum	16	5	\$5,500.00	\$5,500	\$6,072	\$344	\$3,781
Country Club Dr. west, barrier arm	1	Each	12	1	\$3,000.00	\$3,000	\$3,060	\$250	\$2,750
Country Club Dr. west, gate operator	1	Each	10	1	\$4,200.00	\$4,200	\$4,284	\$420	\$3,780
Country Club Dr. west, gate operator	1	Each	10	5	\$4,200.00	\$4,200	\$4,637	\$420	\$2,100
Country Club Dr. west, gates, vehicle	2	Each	30	12	\$5,000.00	\$10,000	\$12,682	\$333	\$6,000
Country Club Dr. west, loop systems	2	Each	16	4	\$5,000.00	\$10,000	\$10,824	\$625	\$7,500
Country Club Dr. west, magnetic locks	2	Each	10	1	\$1,000.00	\$2,000	\$2,040	\$200	\$1,800
Country Club Dr. west, spike strips/sign	1	Lump Sum	16	5	\$5,500.00	\$5,500	\$6,072	\$344	\$3,781



Component Identification Report
(continued)

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (2% Inflation)	Straight Line Allocation (Annual)	100% Funded Oct 01, 2020
Frank Sinatra Drive, barrier arm	1	Each	12	0	\$3,000.00	\$3,000	\$3,000	\$250	\$3,000
Frank Sinatra Drive, gate operators	2	Each	12	0	\$4,200.00	\$8,400	\$8,400	\$700	\$8,400
Frank Sinatra Drive, gate operators	2	Each	12	4	\$4,200.00	\$8,400	\$9,092	\$700	\$5,600
Frank Sinatra Drive, gate operators	2	Each	12	9	\$4,200.00	\$8,400	\$10,039	\$700	\$2,100
Frank Sinatra Drive, gates, vehicle	6	Each	30	8	\$5,000.00	\$30,000	\$35,150	\$1,000	\$22,000
Frank Sinatra Drive, loop systems	3	Each	16	4	\$5,000.00	\$15,000	\$16,236	\$938	\$11,250
Morningside Drive, barrier arms	2	Each	12	1	\$3,000.00	\$6,000	\$6,120	\$500	\$5,500
Morningside Drive, gate operators	3	Each	10	1	\$4,200.00	\$12,600	\$12,852	\$1,260	\$11,340
Morningside Drive, gates, vehicle	3	Each	30	8	\$5,000.00	\$15,000	\$17,575	\$500	\$11,000
Morningside Drive, loop systems	2	Each	16	13	\$5,000.00	\$10,000	\$12,936	\$625	\$1,875
Morningside Drive, roof, gravel	10	Square	20	4	\$450.00	\$4,500	\$4,871	\$225	\$3,600
Panels, controller/interface	1	Lump Sum	10	4	\$2,300.00	\$2,300	\$2,490	\$230	\$1,380
Printer	1	Each	5	1	\$1,150.00	\$1,150	\$1,173	\$230	\$920
Re-wiring/miscellaneous service calls	1	Lump Sum	1	0	\$3,600.00	\$3,600	\$3,600	\$3,600	\$3,600
Scanner, license plates/wireless barcode	1	Each	5	0	\$1,150.00	\$1,150	\$1,150	\$230	\$1,150
Scanner, license plates/wireless barcode	1	Each	5	1	\$1,150.00	\$1,150	\$1,173	\$230	\$920
Scanner, license plates/wireless barcode	1	Each	5	2	\$1,150.00	\$1,150	\$1,196	\$230	\$690
Surveillance system	1	Lump Sum	6	5	\$55,000.00	\$55,000	\$60,724	\$9,167	\$9,167



Component Identification Report
(continued)

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (2% Inflation)	Straight Line Allocation (Annual)	100% Funded Oct 01, 2020
Tags, headlamps	800	Each	10	4	\$15.50	\$12,400	\$13,422	\$1,240	\$7,440
Transmitters	30	Each	10	3	\$85.00	\$2,550	\$2,706	\$255	\$1,785
Transponder system	1	Lump Sum	8	3	\$56,000.00	\$56,000	\$59,428	\$7,000	\$35,000
Subtotal:						\$763,531	\$920,260	\$70,077	\$415,692
2735 Gate Access Equipment Upgrades									
Country Club Dr. east entry gate remodel	1	Lump Sum	0	0	\$12,650.54	\$12,651	\$0	\$0	\$12,651
Country Club Dr. east exit gate remodel	1	Lump Sum	0	0	\$15,655.02	\$15,655	\$0	\$0	\$15,655
Frank Sinatra Drive, exit master leaf	1	Lump Sum	0	0	\$2,250.52	\$2,251	\$0	\$0	\$2,251
Frank Sinatra Drive, exit operator remodel	1	Lump Sum	0	0	\$800.48	\$800	\$0	\$0	\$800
Transponder, antennas	150	Each	10	3	\$360.00	\$54,000	\$57,305	\$5,400	\$37,800
Transponder, headlamps	500	Each	6	3	\$15.50	\$7,750	\$8,224	\$1,292	\$3,875
Subtotal:						\$93,107	\$65,529	\$6,692	\$73,032
2745 HOA Office Furniture & Computers									
Computers, iPads	1	Lump Sum	5	1	\$10,500.00	\$10,500	\$10,710	\$2,100	\$8,400
Computers, laser printer	1	Each	5	1	\$1,200.00	\$1,200	\$1,224	\$240	\$960
Computers, server	1	Each	6	5	\$9,000.00	\$9,000	\$9,937	\$1,500	\$1,500
Computers, server/backup PC, Manitou	1	Lump Sum	5	4	\$4,221.00	\$4,221	\$4,569	\$844	\$844
Computers, software & installation	1	Lump Sum	5	1	\$14,000.00	\$14,000	\$14,280	\$2,800	\$11,200
Computers, software/server upgrades	1	Lump Sum	5	4	\$9,863.00	\$9,863	\$10,676	\$1,973	\$1,973
Computers, workstations	3	Each	5	1	\$1,000.00	\$3,000	\$3,060	\$600	\$2,400
Computers, workstations	3	Each	5	2	\$1,000.00	\$3,000	\$3,121	\$600	\$1,800



Component Identification Report
(continued)

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (2% Inflation)	Straight Line Allocation (Annual)	100% Funded Oct 01, 2020
Electronics, video camera, Board Meeting	1	Each	5	1	\$850.00	\$850	\$867	\$170	\$680
Kitchen, appliances	1	Lump Sum	10	5	\$1,300.00	\$1,300	\$1,435	\$130	\$650
Renovate HOA Office	1	Lump Sum	15	10	\$30,000.00	\$30,000	\$36,570	\$2,000	\$10,000
Roof, cewood/underlayment	29	Square	30	11	\$500.00	\$14,500	\$18,029	\$483	\$9,183
Roof, polyurethane foam	18	Square	40	28	\$450.00	\$8,100	\$14,102	\$202	\$2,430
Telephone system (HOA/F&A/Maintenance)	1	Lump Sum	10	2	\$14,000.00	\$14,000	\$14,566	\$1,400	\$11,200
Subtotal:						\$123,534	\$143,146	\$15,042	\$63,220
2750 Mailboxes									
Mailboxes, refurbish	287	Each	15	0	\$50.00	\$14,350	\$14,350	\$957	\$14,350
Mailboxes, refurbish	238	Each	15	10	\$50.00	\$11,900	\$14,506	\$793	\$3,967
Subtotal:						\$26,250	\$28,856	\$1,750	\$18,317
2755 Vehicles/Cart Maintenance									
* Equipment, leased	1	Each	7	0	\$58,766.08	\$58,766	\$58,766	\$8,395	\$58,766
* Equipment, leased	1	Each	7	1	\$58,766.08	\$58,766	\$59,941	\$8,395	\$50,371
* Equipment, leased	1	Each	7	2	\$58,766.08	\$58,766	\$61,140	\$8,395	\$41,976
* Equipment, leased	1	Each	7	3	\$58,766.08	\$58,766	\$62,363	\$8,395	\$33,581
* Equipment, leased	1	Each	7	4	\$58,766.08	\$58,766	\$63,610	\$8,395	\$25,185
Batteries, carts	1	Lump Sum	1	0	\$1,800.00	\$1,800	\$1,800	\$1,800	\$1,800
Cart, GM	1	Each	10	2	\$6,000.00	\$6,000	\$6,242	\$600	\$4,800
Carts, Carryall	1	Each	10	0	\$9,000.00	\$9,000	\$9,000	\$900	\$9,000
Carts, Carryall	4	Each	10	3	\$9,000.00	\$36,000	\$38,203	\$3,600	\$25,200
Carts, T-Mag	3	Each	5	0	\$8,333.34	\$25,000	\$25,000	\$5,000	\$25,000
Gasoline pump	1	Each	6	1	\$7,000.00	\$7,000	\$7,140	\$1,167	\$5,833
Truck, Chevy Silverado	1	Each	10	3	\$35,000.00	\$35,000	\$37,142	\$3,500	\$24,500
Truck, Vantage, Truck All	1	Each	8	1	\$8,000.00	\$8,000	\$8,160	\$1,000	\$7,000

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Component Identification Report
(continued)

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (2% inflation)	Straight Line Allocation (Annual)	100% Funded Oct 01, 2020
(used)									
Subtotal:						\$421,630	\$438,507	\$59,542	\$313,012
2760 Common Area/Buildings									
Address signage	1	Lump Sum	20	3	\$35,000.00	\$35,000	\$37,142	\$1,750	\$29,750
Gatehouse, renovation	1	Each	40	1	\$75,000.00	\$75,000	\$76,500	\$1,875	\$73,125
Gatehouse, renovation	1	Each	40	3	\$75,000.00	\$75,000	\$79,591	\$1,875	\$69,375
Gatehouse, renovation	1	Each	40	8	\$75,000.00	\$75,000	\$87,874	\$1,875	\$60,000
HVAC systems, maintenance/repair/replace	1	Lump Sum	1	0	\$14,000.00	\$14,000	\$14,000	\$14,000	\$14,000
Maintenance Building, R&R	1	Each	50	9	\$150,000.00	\$150,000	\$179,264	\$3,000	\$123,000
Monument lettering	1	Lump Sum	20	18	\$5,000.00	\$5,000	\$7,141	\$250	\$500
Paint, sprayer	1	Each	3	0	\$5,000.00	\$5,000	\$5,000	\$1,667	\$5,000
Paint, Truck All	1	Each	5	0	\$10,000.00	\$10,000	\$10,000	\$2,000	\$10,000
Paint, Van	1	Each	10	0	\$20,000.00	\$20,000	\$20,000	\$2,000	\$20,000
Walls, repair/replace	1	Lump Sum	1	0	\$20,000.00	\$20,000	\$20,000	\$20,000	\$20,000
Walls, repair/replace	1	Lump Sum	1	0	\$20,000.00	\$20,000	\$20,000	\$20,000	\$20,000
Subtotal:						\$504,000	\$556,512	\$70,292	\$444,750
2838 Fitness & Activity Center									
Computer, printers	1	Each	5	1	\$800.00	\$800	\$816	\$160	\$640
Computers	3	Each	5	1	\$1,100.00	\$3,300	\$3,366	\$660	\$2,640
Computers, scanner	1	Each	5	1	\$1,000.00	\$1,000	\$1,020	\$200	\$800
Electronics, audio/visual	1	Lump Sum	10	1	\$7,000.00	\$7,000	\$7,140	\$700	\$6,300
Electronics, monitors	4	Each	6	1	\$1,000.00	\$4,000	\$4,080	\$667	\$3,333
Fitness, cardio, bicycles, spin	8	Each	5	2	\$1,500.00	\$12,000	\$12,485	\$2,400	\$7,200
Fitness, cardio, bicycles, upright	2	Each	5	1	\$3,800.00	\$7,600	\$7,752	\$1,520	\$6,080



Component Identification Report
(continued)

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (2% Inflation)	Straight Line Allocation (Annual)	100% Funded Oct 01, 2020
Fitness, cardio, ellipticals	4	Each	5	1	\$10,000.00	\$40,000	\$40,800	\$8,000	\$32,000
Fitness, cardio, recumbent, cross train	1	Each	5	1	\$4,300.00	\$4,300	\$4,386	\$860	\$3,440
Fitness, cardio, recumbent, plus	2	Each	5	1	\$4,000.00	\$8,000	\$8,160	\$1,600	\$6,400
Fitness, cardio, treadmills	5	Each	5	1	\$8,300.00	\$41,500	\$42,330	\$8,300	\$33,200
Fitness, plates machines	2	Each	10	4	\$2,600.00	\$5,200	\$5,629	\$520	\$3,120
Fitness, strength, abductors	2	Each	10	6	\$4,000.00	\$8,000	\$9,009	\$800	\$3,200
Fitness, strength, arm curl	1	Each	10	6	\$4,000.00	\$4,000	\$4,505	\$400	\$1,600
Fitness, strength, arm extension	1	Each	10	6	\$4,000.00	\$4,000	\$4,505	\$400	\$1,600
Fitness, strength, cable crossover	1	Each	10	5	\$7,000.00	\$7,000	\$7,729	\$700	\$3,500
Fitness, strength, chest press	1	Each	10	6	\$5,000.00	\$5,000	\$5,631	\$500	\$2,000
Fitness, strength, lateral	1	Each	10	6	\$4,900.00	\$4,900	\$5,518	\$490	\$1,960
Fitness, strength, leg curl	1	Each	10	6	\$4,000.00	\$4,000	\$4,505	\$400	\$1,600
Fitness, strength, leg extension	1	Each	10	6	\$3,800.00	\$3,800	\$4,279	\$380	\$1,520
Fitness, strength, leg press	1	Each	10	6	\$6,600.00	\$6,600	\$7,433	\$660	\$2,640
Fitness, strength, pectoral	1	Each	10	6	\$5,100.00	\$5,100	\$5,743	\$510	\$2,040
Fitness, strength, rotary torso	1	Each	10	6	\$5,000.00	\$5,000	\$5,631	\$500	\$2,000
Fitness, strength, shoulder press	1	Each	10	6	\$4,200.00	\$4,200	\$4,730	\$420	\$1,680
Flat, tile/underlayment	80	Square	30	11	\$500.00	\$40,000	\$49,735	\$1,333	\$25,333
Flooring, rubber tile	2,448	Square Feet	12	9	\$21.00	\$51,408	\$61,437	\$4,284	\$12,852
Flooring, tile	1,125	Square Feet	30	16	\$30.00	\$33,750	\$46,332	\$1,125	\$15,750
Kitchen, appliances	1	Lump Sum	15	3	\$6,500.00	\$6,500	\$6,898	\$433	\$5,200
Laundry, dryers, stack	1	Lump Sum	7	1	\$4,000.00	\$4,000	\$4,080	\$571	\$3,429

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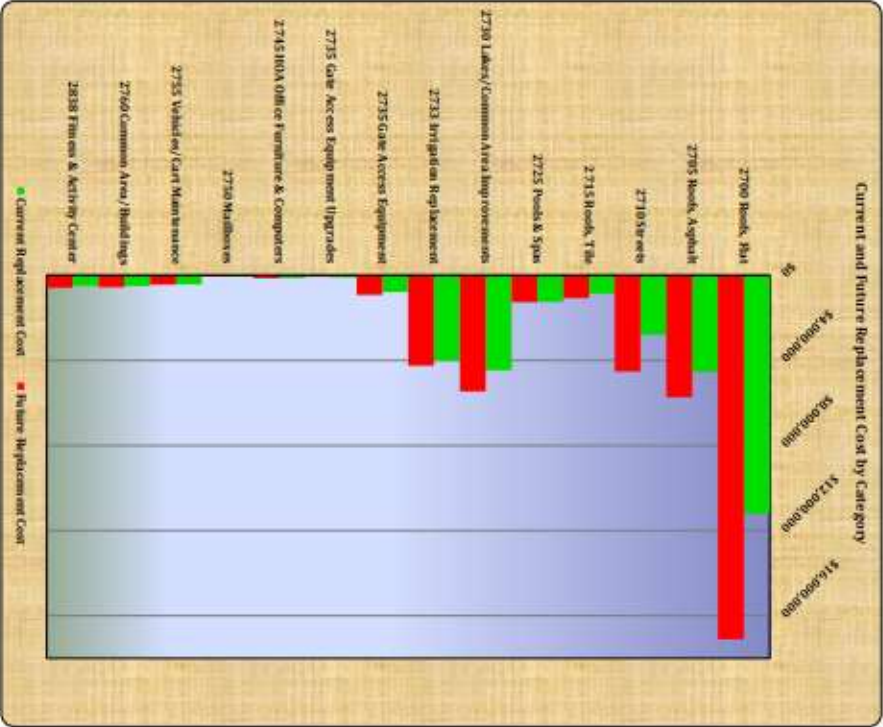


Component Identification Report
(continued)

Identified Major Components	Quantity	Measurement Basis	Estimated Full Life In Years	Estimated Remaining Life In Years	Basis Cost	Estimated Current Replacement Cost	Estimated Future Replacement Cost (2% Inflation)	Straight Line Allocation (Annual)	100% Funded Oct 01, 2020
Laundry, washers	2	Each	7	1	\$1,300.00	\$2,600	\$2,652	\$371	\$2,229
Restrooms, showers & saunas	2	Each	25	13	\$65,000.00	\$130,000	\$168,169	\$5,200	\$62,400
Roof, flat, elastomeric coating	43	Square	14	2	\$135.00	\$5,805	\$6,040	\$415	\$4,976
Roof, flat, polyurethane foam	43	Square	40	23	\$450.00	\$19,350	\$30,513	\$484	\$8,224
Subtotal:						\$489,713	\$563,038	\$45,963	\$270,886
Totals:						\$31,547,346	\$42,114,315	\$3,408,883	\$14,148,373



Component Replacement Cost Chart
(by category)

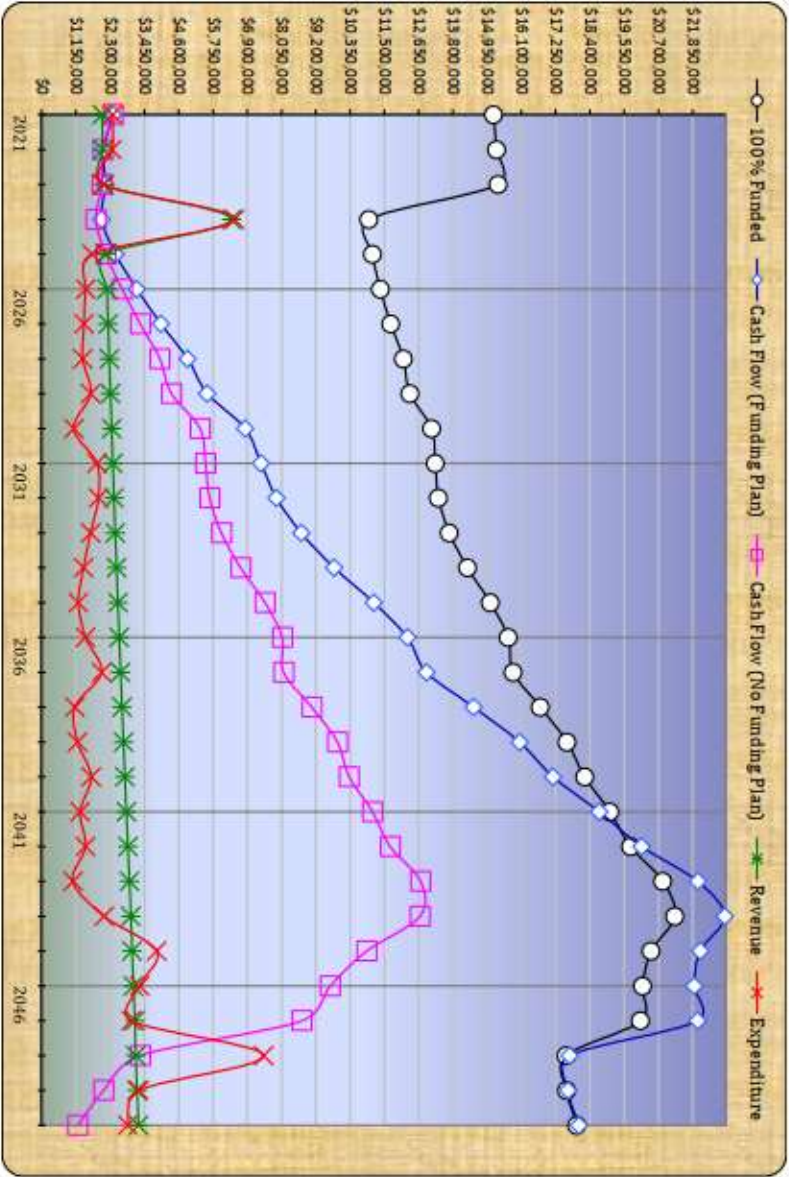


Cash Flow and Percent Funded Projections

Fiscal Year: October 01, 2020 - September 30, 2021												
End of Year				Revenue				Expenditures				
Year	100% Funded	Cash Flow (Balance with Funding Plan)	Percent Funded (EOY)	Cash Flow (Balance without Funding Plan)	Contribution Annual	Contribution Unit/Month	Contribution % Change	Special Assessment, Bank & Litigation	Interest	Components	Deferred & Non-Recurring	Taxes
2020	\$14,148,373	\$2,761,367	19.52%									
2021	\$15,161,757	\$2,391,312	15.77%	\$2,391,312	\$2,018,055	\$205.84		\$0	\$7,367	\$2,395,498	\$0	\$0
2022	\$15,204,867	\$2,086,048	13.67%	\$2,054,285	\$2,049,739	\$209.07	1.57%	\$0	\$5,779	\$2,360,782	\$0	\$0
2023	\$15,317,039	\$2,125,547	13.88%	\$2,029,601	\$2,081,920	\$212.35	1.57%	\$0	\$5,831	\$2,048,251	\$0	\$0
2024	\$10,981,653	\$2,013,854	18.34%	\$1,820,634	\$2,114,606	\$215.69	1.57%	\$4,244,832	\$5,230	\$6,476,362	\$0	\$0
2025	\$11,101,051	\$2,480,602	22.35%	\$2,156,339	\$2,147,805	\$219.07	1.57%	\$0	\$7,362	\$1,688,419	\$0	\$0
2026	\$11,398,778	\$3,193,445	28.09%	\$2,703,678	\$2,181,526	\$222.51	1.57%	\$0	\$10,789	\$1,479,471	\$0	\$0
2027	\$11,718,261	\$4,000,841	34.14%	\$3,310,403	\$2,215,776	\$226.01	1.57%	\$0	\$14,717	\$1,423,098	\$0	\$0
2028	\$12,141,944	\$4,893,349	40.30%	\$3,996,361	\$2,250,563	\$229.56	1.57%	\$0	\$19,072	\$1,377,127	\$0	\$0
2029	\$12,356,879	\$5,556,034	44.96%	\$4,355,888	\$2,285,897	\$233.16	1.57%	\$0	\$22,344	\$1,645,556	\$0	\$0
2030	\$13,087,739	\$6,826,455	52.16%	\$5,315,804	\$2,321,786	\$236.82	1.57%	\$0	\$28,471	\$1,079,836	\$0	\$0
2031	\$13,213,114	\$7,360,579	55.71%	\$5,501,323	\$2,368,238	\$240.54	1.57%	\$0	\$31,205	\$1,855,319	\$0	\$0
2032	\$13,319,080	\$7,883,352	59.19%	\$5,636,627	\$2,395,262	\$244.31	1.57%	\$0	\$33,730	\$1,906,220	\$0	\$0
2033	\$13,683,601	\$8,709,070	63.65%	\$6,035,235	\$2,432,868	\$248.15	1.57%	\$0	\$37,690	\$1,644,849	\$0	\$0
2034	\$14,293,301	\$9,818,942	68.70%	\$6,677,665	\$2,471,094	\$252.05	1.57%	\$0	\$43,088	\$1,404,280	\$0	\$0
2035	\$15,057,316	\$11,146,838	74.03%	\$7,496,682	\$2,509,859	\$256.00	1.57%	\$0	\$49,577	\$1,231,541	\$0	\$0
2036	\$15,661,333	\$12,277,571	78.39%	\$8,076,583	\$2,549,284	\$260.02	1.57%	\$0	\$55,168	\$1,473,699	\$0	\$0
2037	\$15,823,839	\$12,915,288	81.62%	\$8,120,584	\$2,589,288	\$264.11	1.57%	\$0	\$58,359	\$2,009,930	\$0	\$0
2038	\$16,739,281	\$14,498,514	86.61%	\$9,066,365	\$2,629,940	\$268.25	1.57%	\$0	\$65,966	\$1,112,680	\$0	\$0
2039	\$17,629,705	\$16,040,034	90.99%	\$9,925,952	\$2,671,230	\$272.46	1.57%	\$0	\$73,568	\$1,203,278	\$0	\$0
2040	\$18,227,832	\$17,165,286	94.17%	\$10,323,610	\$2,713,166	\$276.74	1.57%	\$0	\$79,171	\$1,067,087	\$0	\$0
2041	\$18,075,872	\$18,717,007	98.12%	\$11,101,488	\$2,755,765	\$281.09	1.57%	\$0	\$86,724	\$1,290,768	\$0	\$0
2042	\$19,762,431	\$20,134,419	101.88%	\$11,697,805	\$2,799,030	\$285.50	1.57%	\$0	\$93,723	\$1,475,341	\$0	\$0
2043	\$20,846,363	\$22,025,882	105.66%	\$12,720,002	\$2,842,975	\$289.98	1.57%	\$0	\$102,957	\$1,054,470	\$0	\$0
2044	\$21,251,418	\$22,924,507	107.87%	\$12,700,259	\$2,887,610	\$294.53	1.57%	\$0	\$107,544	\$2,086,529	\$0	\$0
2045	\$20,454,853	\$22,101,643	108.05%	\$10,908,677	\$2,932,945	\$299.16	1.57%	\$0	\$103,605	\$3,859,503	\$0	\$0
2046	\$20,165,224	\$21,900,176	108.60%	\$9,688,675	\$2,978,992	\$303.85	1.57%	\$0	\$102,455	\$3,282,915	\$0	\$0
2047	\$20,099,055	\$22,015,812	109.54%	\$8,732,281	\$3,025,763	\$308.63	1.57%	\$0	\$102,859	\$3,012,985	\$0	\$0
2048	\$17,605,645	\$17,718,091	100.64%	\$3,310,137	\$3,073,267	\$313.47	1.57%	\$0	\$82,234	\$7,453,222	\$0	\$0
2049	\$17,619,201	\$17,684,349	100.26%	\$2,077,965	\$3,121,517	\$318.39	1.57%	\$0	\$80,972	\$3,256,232	\$0	\$0
2050	\$17,984,092	\$18,032,019	100.38%	\$1,212,676	\$3,170,525	\$323.39	1.57%	\$0	\$82,606	\$2,885,460	\$0	\$0
Totals:					\$76,576,242			\$4,244,832	\$1,600,283	\$67,150,704	\$0	\$0



Cash Flow and Percent Funded Chart
(September 30, 2021)



10-Year Expenditure and Cash Flow Projection

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Beginning Balance	\$2,761,367	\$2,391,312	\$2,086,048	\$2,125,547	\$2,013,854	\$2,480,602	\$3,193,445	\$4,000,841	\$4,893,349	\$5,556,034
Contribution (+)	\$2,018,055	\$2,049,739	\$2,081,920	\$2,114,606	\$2,147,805	\$2,181,526	\$2,215,776	\$2,250,563	\$2,285,897	\$2,321,786
Average/Month/Unit	\$205.84	\$209.07	\$212.35	\$215.69	\$219.07	\$222.51	\$226.01	\$229.56	\$233.16	\$236.82
Percent Change		1.57%	1.57%	1.57%	1.57%	1.57%	1.57%	1.57%	1.57%	1.57%
Special Assessments (+)	\$0	\$0	\$0	\$4,244,832	\$0	\$0	\$0	\$0	\$0	\$0
Interest Earned (+)	\$7,387	\$5,779	\$5,831	\$5,230	\$7,362	\$10,789	\$14,717	\$19,072	\$22,344	\$28,471
Tax on Interest (-)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Interest	\$7,387	\$5,779	\$5,831	\$5,230	\$7,362	\$10,789	\$14,717	\$19,072	\$22,344	\$28,471
2700 Roofs, Flat										
Built-Up/Gravel to Polyurethane Foam	\$376,200	\$393,724	\$391,398	\$399,226	\$407,211	\$415,355				
Elastomeric coating on foam	\$134,044	\$136,725	\$142,491	\$145,341						
Polyurethane foam										
Recondition, maintenance	\$85,785	\$87,501	\$89,281	\$91,036	\$92,856	\$94,714	\$96,608	\$98,540	\$100,511	\$102,521
2705 Roofs, Asphalt										
Asphalt shingles										
Cemwood to Asphalt (1-time expense)	\$418,890	\$427,266	\$435,813	\$444,529						
Cemwood, maintenance (complete 2024)	\$10,000	\$10,200	\$10,404	\$10,612	\$10,824	\$11,041	\$11,262	\$11,487	\$11,717	\$11,951
Underlayment for Asphalt					\$109,759	\$111,954	\$114,193	\$116,477	\$118,812	\$121,197
2710 Streets										
Asphalt, repair/overlay/R&R	\$149,495									
Asphalt, seal/stripe/repair	\$152,640				\$165,222				\$178,842	
Bot dots, golf course crossings R&R	\$10,000				\$10,824				\$11,717	
Concrete collars, manhole/valve										
Concrete curbs										
Pavers, sand/seal, Bob Hope Drive										
Pavers, sand/seal, HOA Office Entry									\$1,523	
Pavers, sand/seal, Morningside Entry										
Signs, traffic										\$4,099
2715 Roofs, Tile										
Tile, maintenance	\$10,000	\$10,200	\$10,404	\$10,612	\$10,824	\$11,041	\$11,262	\$11,487	\$11,717	\$11,951
Tile/underlayment	\$99,386	\$101,374	\$103,401	\$105,469	\$111,049	\$113,270				
2725 Pools & Spas										



10-Year Expenditure and Cash Flow Projection
(continued)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Acid wash, pool/spas @ 3 years	\$15,750	\$16,065	\$16,386	\$16,714	\$17,048	\$17,389	\$17,737	\$18,092	\$18,454	\$18,823
Decks, recoat/texture @ 12 years	\$42,000	\$42,840	\$43,697	\$44,571	\$45,462	\$46,371	\$47,299	\$48,245	\$49,210	\$50,194
Decks, rule signs						\$33,012				
Equipment pit	\$3,000	\$3,060	\$3,121	\$3,184	\$3,247	\$3,312	\$3,378			
Equipment, filters @ 10 years	\$7,830	\$7,987	\$8,146	\$8,309	\$8,475	\$8,645	\$8,818	\$8,994	\$9,174	\$9,358
Equipment, heaters @ 8 years	\$26,400	\$26,928	\$27,467	\$28,016	\$28,576	\$29,148	\$29,731	\$30,325	\$30,932	\$31,550
Equipment, pumps/motors @ 8 years	\$22,100	\$22,542	\$22,993	\$23,453	\$23,922	\$24,400	\$24,888	\$25,386	\$25,894	\$26,412
Equipment, salt systems	\$3,800	\$3,876	\$3,954	\$4,033	\$4,113	\$4,196	\$4,279	\$4,365	\$4,452	\$4,541
Equipment, skimmers	\$16,200	\$16,524	\$16,854	\$17,192	\$17,535	\$17,886	\$18,244	\$18,609	\$18,981	\$19,361
Fences, modifications to code	\$64,000									
Furniture, R&R	\$7,000	\$7,140	\$7,283	\$7,428	\$7,577	\$7,729	\$7,883	\$8,041	\$8,202	\$8,366
Pool & spa lights LED							\$93,246			
Pool #4, 5 R&R, Mt. Holyoke Dr.		\$207,060								
Pool, resurface/tile	\$63,000	\$64,260	\$65,545	\$66,856	\$68,097		\$47,299	\$96,490	\$12,302	\$50,194
Spas, resurface/tile	\$40,000	\$40,800	\$41,618	\$42,754			\$50,677	\$17,230	\$46,866	\$47,804
2730 Lakes/Common Area Improvements										
Electric meter cabinets										\$21,990
Electric, meter cabinets										
Fixtures, well lights					\$4,871					
Flags, USA			\$1,810			\$1,921			\$2,039	
Fountains, filters		\$2,448	\$3,745						\$4,218	\$4,302
Fountains, pumpsets		\$3,672	\$3,745	\$3,820						
Fountains, resurface/renovate, large	\$23,000				\$24,896					
Fountains, resurface/renovate, small					\$16,886					
Irrigation, antennas	\$19,000									
Irrigation, computer/interfaces	\$8,000						\$9,009			
Irrigation, controller/antennas							\$75,678			
Irrigation, miscellaneous repairs	\$20,000	\$20,400	\$20,808	\$21,224	\$21,649	\$22,082	\$22,523	\$22,974	\$23,433	\$23,902
Lake #02, liner	\$200,000									
Lake #06, liner										
Lake #06, pumpset/panel	\$15,000									
Lake #08, liner				\$159,181						
Lake #08, pumpset/panel										

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10-Year Expenditure and Cash Flow Projection
(continued)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Lake #09, liner					\$216,486					
Lake #10, liner							\$168,924			
Lake #10, pumpset/panel							\$168,924			\$17,926
Lake #12, liner										
Lake #12, pumpset/panel	\$16,000									
Lake #13 green, liner								\$172,303		
Lake #13 tee, liner								\$172,303		
Lake #13 tee, pumpset/panel										
Lake #16, pumpset/panel	\$16,000									
Lake #17 green, liner										
Lake #17 tee, liner										
Lake, Lehigh, aerator		\$4,284						\$4,824		
Lake, Lehigh, aerator, pumps		\$4,284						\$4,824		
Lake, Lehigh, liner									\$169,891	
Lake, Lehigh, pump 7.5hp									\$11,131	
Lake, Reed liner									\$278,269	
Lake, Reed, aerator		\$2,142						\$2,412		
Lake, Reed, pump 5hp		\$6,630								
Lake, Reed, pump, circulation 4hp			\$8,843							
Lake, Reed, pump, fountain 4hp		\$6,324								\$7,410
Lake, Reed, VFD			\$1,353							
Landscape, renovation	\$35,000	\$26,700	\$36,414	\$37,142	\$37,885	\$38,643	\$39,416	\$40,204	\$41,008	\$41,828
Landscape, renovation (major)		\$204,000								
Landscape, trees/plants	\$20,000	\$20,400	\$20,808	\$21,224	\$21,649	\$22,082	\$22,523	\$22,974	\$23,433	\$23,902
LED bulbs/fixtures	\$6,000	\$6,120	\$6,242	\$6,367	\$6,495	\$6,624	\$6,757	\$6,892	\$7,030	\$7,171
Monuments, lettering										
Monuments, structures										
Pump station			\$312,120							
Pump station, evaporator	\$2,500									
Pump station, lake valves				\$21,224						
Pump station, roof, slate										
Street, sign/sights			\$7,803							\$8,963
Well, deep, R&R										



10-Year Expenditure and Cash Flow Projection
(continued)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Well, Hole 17 green, panel										
Well, Hole 17 green, pump								\$229,737		
Well, Hole 17 tee, panel										
Well, Hole 17 tee, pump						\$220,816				
Well, patio, maintenance										\$76,486
2733 Irrigation Replacement										
Irrigation system R&R				\$4,244,832						
2735 Gate Access Equipment										
Access, Command Center, computers		\$3,366	\$3,433							
Access, emergency, Knox box system				\$4,775			\$3,716	\$3,791		
Access, emergency, strobes, all Gates				\$2,441						
Alarm batteries	\$4,000			\$4,245			\$4,505			\$4,780
Alarm contact magnets/test smoke	\$1,300					\$1,435				
Alarm keypad (5%), Homes	\$6,355	\$6,482	\$6,612	\$6,744	\$6,879	\$7,016	\$7,157	\$7,300	\$7,446	\$7,595
Alarm panels (AES), Homes										
Alarm smoke detectors (allowance)		\$2,791			\$2,962			\$3,143		
Barrier arms (all gates)	\$2,400	\$2,448	\$2,497	\$2,547	\$2,598	\$2,650	\$2,703	\$2,757	\$2,812	\$2,868
Bob Hope Drive, barrier arms		\$6,120								
Bob Hope Drive, gate hinges, exit lane							\$5,180			
Bob Hope Drive, gate operators				\$8,914			\$9,460			
Bob Hope Drive, gatehouse door										
Bob Hope Drive, gates, pedestrian										
Bob Hope Drive, gates, vehicle										
Bob Hope Drive, loop systems w/pavers										
Country Club Dr. east, barrier arm		\$3,060								
Country Club Dr. east, gate operators		\$4,284				\$4,637				
Country Club Dr. east, gates, pedestrian										
Country Club Dr. east, gates, vehicle									\$17,575	
Country Club Dr. east, loop systems					\$10,824					
Country Club Dr. east, spike strips/sign						\$6,072				
Country Club Dr. west, barrier arm		\$3,060								
Country Club Dr. west, gate operator		\$4,284				\$4,637				
Country Club Dr. west, gates, vehicle										



10-Year Expenditure and Cash Flow Projection
(continued)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
County Club Dr. west, loop systems					\$10,824					
County Club Dr. west, magnetic locks		\$2,040								
County Club Dr. west, spike strip/sign						\$6,072				
Frank Sinatra Drive, barrier arm	\$3,000									
Frank Sinatra Drive, gate operators	\$8,400				\$9,092					\$10,039
Frank Sinatra Drive, gates, vehicle									\$35,150	
Frank Sinatra Drive, loop systems					\$16,236					
Morningside Drive, barrier arms		\$6,120								
Morningside Drive, gate operators		\$12,852								
Morningside Drive, gates, vehicle									\$17,575	
Morningside Drive, loop systems										
Morningside Drive, roof, gravel										
Parade, controller/interface					\$4,871					
Printer		\$1,173			\$2,490					
Re-wiring/miscellaneous service calls	\$3,600	\$3,672	\$3,745	\$3,820	\$3,897	\$3,975	\$1,295	\$4,135	\$4,218	\$4,302
Scanner, license plates/wireless barcode	\$1,150	\$1,173	\$1,196			\$1,270	\$1,295	\$1,321		
Surveillance system						\$60,724				
Tags, headlamps				\$2,706	\$13,422					
Transmitters				\$59,428						
Transponder system										
2735 Gate Access Equipment Upgrades										
County Club Dr. east entry gate remodel	\$12,651									
County Club Dr. east exit gate remodel	\$15,655									
Frank Sinatra Drive, exit master leaf	\$2,251									
Frank Sinatra Drive, exit operator remodel	\$800									
Transponder, antennas				\$57,305						
Transponder, headlamps				\$8,224						\$9,262
2745 HOA Office Furniture & Computers										
Computers, iPads		\$10,710					\$11,825			
Computers, laser printer		\$1,224					\$1,351			
Computers, server						\$9,937				

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10-Year Expenditure and Cash Flow Projection
(continued)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Computers, server/backup PC, Maribu					\$4,569					\$5,044
Computers, software & installation		\$14,280					\$15,766			
Computers, software/server upgrades					\$10,676					\$11,787
Computers, workstations		\$3,060	\$3,121				\$3,378	\$3,446		
Electronics, video camera, Board Meeting		\$867					\$957			
Kitchen, appliances						\$1,435				
Renovate HOA Office										
Roof, cement/underlayment										
Roof, polyurethane foam										
Telephone system (HOA/F&AMaintenance)			\$14,566							
2750 Mailboxes										
Mailboxes, refurbish	\$14,350									
2755 Vehicles/Car Maintenance										
* Equipment, leased	\$58,766	\$59,941	\$61,140	\$62,363	\$63,610			\$67,504	\$68,854	\$70,231
Batteries, cars	\$1,800	\$1,836	\$1,873	\$1,910	\$1,948	\$1,987	\$2,027	\$2,068	\$2,109	\$2,151
Car, GM			\$6,242							
Cars, Carryall	\$9,000			\$38,203						
Cars, T-Mag	\$25,000					\$27,602				
Gasoline pump		\$7,140						\$8,041		
Truck, Chevy Silverado				\$37,142						
Truck, Vanlage, Truck All (used)		\$8,160								\$9,561
2760 Common Area Buildings										
Address signage				\$37,142						
Gatehouse, renovation		\$76,500		\$79,591					\$87,874	
HVAC systems, maintenance/repair/replace	\$14,000	\$14,280	\$14,566	\$14,857	\$15,154	\$15,457	\$15,766	\$16,082	\$16,403	\$16,731
Maintenance Building, R&R										\$179,264
Monument lettering										
Paint, sprayer	\$5,000			\$5,306			\$5,631			\$5,975
Paint, Truck All	\$10,000					\$11,041				
Paint, Van	\$20,000									
Walls, repair/replace	\$40,000	\$40,800	\$41,616	\$42,448	\$43,297	\$44,163	\$45,047	\$45,947	\$46,866	\$47,804



10-Year Expenditure and Cash Flow Projection
(continued)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
2838 Fitness & Activity Center										
Computer, printers		\$816					\$901			
Computers		\$3,366					\$3,716			
Computers, scanner		\$1,020					\$1,126			
Electronics, audiovisual		\$7,140						\$4,595		
Electronics, monitors		\$4,080						\$13,784		
Fitness, cardio, bicycles, spin			\$12,485							
Fitness, cardio, bicycles, upright		\$7,752					\$8,559			
Fitness, cardio, ellipticals		\$40,800					\$45,047			
Fitness, cardio, recumbent, cross train		\$4,386					\$4,843			
Fitness, cardio, recumbent, plus		\$8,160					\$9,009			
Fitness, cardio, treadmills		\$42,330					\$46,736			
Fitness, plates machines					\$5,629					
Fitness, strength, abductors							\$9,009			
Fitness, strength, arm curl							\$4,505			
Fitness, strength, arm extension							\$4,505			
Fitness, strength, cable crossover						\$7,729				
Fitness, strength, chest press							\$5,631			
Fitness, strength, lateral							\$5,518			
Fitness, strength, leg curl							\$4,505			
Fitness, strength, leg extension							\$4,279			
Fitness, strength, leg press							\$7,433			
Fitness, strength, pectoral							\$5,743			
Fitness, strength, rotary torso							\$5,631			
Fitness, strength, shoulder press							\$4,730			
Flat, tile/underlayment										
Flooring, rubber tile										\$61,437
Flooring, tile										
Kitchen, appliances				\$6,898						
Laundry, dryers, stack		\$4,080							\$4,687	
Laundry, washers		\$2,652							\$3,046	
Restrooms, showers & saunas										
Roof, flat, elastomeric coating			\$6,040							



10-Year Expenditure and Cash Flow Projection
(continued)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Roof, flat, polyurethane foam										
Component Exp (-)	\$2,395,498	\$2,380,782	\$2,048,251	\$6,476,362	\$1,088,419	\$1,478,471	\$1,423,098	\$1,377,127	\$1,045,560	\$1,078,836
Non-recurring Exp (-)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$2,391,312	\$2,086,048	\$2,125,547	\$2,013,854	\$2,480,602	\$3,193,445	\$4,000,841	\$4,893,349	\$5,556,034	\$6,826,455





Professional Credentials

Michael C. Graves R.S.

Reserve Funding Specialist

Designations

- ◆ Reserve Specialist (RS), 2000,
Community Association Institute

Distinctions

- ◆ Educated Business Partner (EBP), 2013,
Community Association Institute

Degrees

- ◆ B.A., Economics, 1983,
San Diego State University
- ◆ A.S., Business Administration, 1980,
Citrus College

Associations

- ◆ California Association of Community Managers (CACM):

*Past Instructor for Facilities Management
Course VIII, "The Guide to Reserve Study
Components & Funding",*

Past Ambassador Committee Member

- ◆ Community Associations Institute (CAI),
Affiliate Member:
Coachella Valley Chapter (CV)
Greater Inland Empire Chapter (GRIE)
- *Past President*,
Orange County Regional Chapter (OCRC)
- *Past Board Treasurer*
San Diego Chapter (SD)
- *Past Board Treasurer*

Publications

- ◆ "Ask The Experts", O.C. View, May/June 2004.
- ◆ "Fiduciary Responsibility Forum",
CondoManagement, December 2003.
- ◆ "Does Our Association Have Money Or Not",
Quorum, June 2001.
- ◆ "How Do You Use Your Reserve Study To
Finance Remodeling Work", Quorum, April
2000.
- ◆ Numerous Speaking and Panel Engagements

Awards

- ◆ Community Associations Institute, GRIE,
2012 Hall of Fame
2000 *Committee Member of the Year*
- ◆ Community Associations Institute, OCRC,
2009 *Committee Member of the Year*
2006 *Ellen Ellish Award*
2006 *Presidents Award*
- ◆ California Association of Community Managers,
2001, *Vision Award, Excellence in Service*

Professional Responsibilities

As Reserve Fund Specialist for SCT Reserve
Consultants, Inc. Mr. Graves:

- ◆ Manages reserve study site inspections and
funding analyses
- ◆ Prepares reserve study reports and proposals
- ◆ Markets reserve study services through
professional contacts and trade associations'
meetings and shows

Professional Experience

Mr. Graves' reserve study experience includes:

- ◆ Numerous Levels I, II, and III reserve studies
throughout San Diego, Los Angeles, Orange,
Riverside, San Bernardino, and Imperial
Counties.
- ◆ Familiar with components that go into a reserve
study.
- ◆ Able to assist Associations in determining a
well-suited funding plan that fits their reserve
goals.
- ◆ Utilizing Property Reserve Analysis (PRA)
System software to generate Component
definition files.
- ◆ Developing SCT Reserve Analysis System
software to calculate elements used in the Rough
Draft and Final Reports.
- ◆ Meet with Association's Board of Directors to
review the draft of the reserve study.
- ◆ Consideration of Board's input with respect to
incorporate component replacement and funding
policies.



Disclosure Statements

SCT Reserve Consultants, Inc. endeavors to provide the most accurate reserve study possible. However, the current replacement costs of the listed components are based on estimates utilizing: local trades, contractor interviews, and national cost databases. Regular maintenance of reserve components is required to realize the full useful life of each component. Changes in fees for labor and materials, acts of God, extraordinary weather conditions, vandalism and unusual wear of the reserve components may have an adverse impact on the useful life and the cost to replace a particular reserve component. SCT Reserve Consultants, Inc. did not identify, nor did it purport to expound on, any possible construction defects on the project. All dollar figures are subject to rounding errors.

The completeness of this reserve study relies heavily on information provided to us by the Association's representative(s). Incomplete or missing information may cause a distortion of the Association's financial condition. The reserve balance presented in this reserve study is based on information provided and was not audited. SCT Reserve Consultants, Inc. assumes that the information provided to us by the Association's representative(s) is both reliable and accurate and for a Level II study (update with-site-visit) and Level III study (update with no-site-visit) the Association is to have considered previously developed component quantities and/or lump sum expenditures as accurate and reliable. Information provided about reserve projects is also understood to be reliable. Any on-site inspection should not be considered a project audit or quality inspection.

In the event we have performed an on-site inspection of the community, the data compiled has been used with financial, physical, quantity, and historical information provided by the Association's representative(s). Our physical inspection would consist primarily of visual inspection, measurement, drawing take-offs, and photographic documentation. No destructive testing methods were used.

SCT Reserve Consultants, Inc. has prepared this reserve study in conformance with the requirements laid out by the California Civil Code (§5550) and the Community Association Institute (CAI). We have no other current involvement with THE SPRINGS COMMUNITY ASSOCIATION and have no actual or perceived conflicts of interest with THE SPRINGS COMMUNITY ASSOCIATION.

This reserve study is a reflection of the information provided to us by the Association's representative(s) and is assembled for the budgeting and planning purposes of the Board of Directors only. Information provided about reserve projects will be considered reliable. The reserve study is not to be used for the purpose of performing an audit, quality/forensic analyses, or background checks of historical records.



Definition of Terms

100% Funded – from the “Component Identification Report”, see Fully Funded Balance (FFB).

Basis Cost - the estimated unit (of measurement basis) replacement cost.

Cash Flow Method - a method of developing a reserve funding plan where contributions to the reserve fund are designed 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.

Contingency Fund – typically 3.0% to 5.0% of annual reserve allocation may be established to pay for incidental and miscellaneous reserve expenditures (optional).

Current Replacement Cost (estimated) - the total estimated cost of a component's replacement or long-term maintenance action at the time of the study. This amount is calculated by multiplying the measurement basis quantity times the basis cost.

Davis-Stirling Common Interest Development Act - the name for the sections of the California Civil Code (4000 through 6150) that are the framework for the operation and management of common interest developments in California.

Fully Funded Balance (FFB) - total accrued depreciation. This number is calculated for each reserve component, then summed together for a total dollar value.

Expressed as $FFB = (Estimated\ Used\ Life) / (Estimated\ Full\ Life) \times (Current\ Replacement\ Cost)$

Full Life (estimated) - the original estimate of a period of time that a component will last before major long-term maintenance or replacement is required.

Funding Goals – there are four basic categories of funding plan goals:

- ⇒ **Baseline Funding** – establishing a reserve-funding goal of keeping the reserve cash balance above zero.
- ⇒ **Full Funding** – setting a reserve-funding goal of attaining and maintaining reserves at or near 100% funded.
- ⇒ **Statutory Funding** – establishing a reserve-funding goal of setting aside the specific minimum amount of reserves required by local statutes.
- ⇒ **Threshold Funding** – establishing a reserve-funding goal of keeping the reserve balance above a specified dollar or percent funded amount.

Future Replacement Cost (estimated) – the current replacement cost multiplied by an inflation factor (compounded annually).

Level I Reserve Study - is considered a full study, it consists of:

- ⇒ **Component Inventory** - quantification and verification of the reserve components.
- ⇒ **Condition Assessment** – the task of evaluating the current condition of the component based on observed or reported conditions.
- ⇒ **Life and Valuation Estimates** – the task of estimating Full Life, Remaining Life and repair and replacement costs for the components.
- ⇒ **Fund Status** – status of the reserve fund as compared to an established benchmark such as percent funding.
- ⇒ **Funding Plan** – an Association's plan to provide income to the reserve fund to offset anticipated expenditures from that fund.

Level II Reserve Study - is considered an update (on-site) study, it consists of:

- ⇒ **Component Inventory** - verification of the reserve components only, no quantification.
- ⇒ **Condition Assessment** – the task of evaluating the current condition of the component based on observed or reported conditions.
- ⇒ **Life and Valuation Estimates** – the task of estimating Full Life, Remaining Life and repair and replacement costs for the components.

Definition of Terms

(continued)

- ⇒ **Fund Status** – status of the reserve fund as compared to an established benchmark such as percent funding.
- ⇒ **Funding Plan** – an Association's plan to provide income to the reserve fund to offset anticipated expenditures from that fund.

Level III Reserve Study - is considered a financial update, it consists of:

- ⇒ **Life and Valuation Estimates** – the task of estimating Full Life, Remaining Life and repair and replacement costs for the components.
- ⇒ **Fund Status** – status of the reserve fund as compared to an established benchmark such as percent funding.
- ⇒ **Funding Plan** – an Association's plan to provide income to the reserve fund to offset anticipated expenditures from that fund.

Measurement Basis - the unit of measurement, i.e.: each, linear feet, square feet, squares (100 sf).

Percent Funded – the ratio, at a particular point of time, of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.

Remaining Life (estimated) - an educated evaluation of the amount of time before the component will need replacement.

Reserve Allocation - money that is collected and applied to particular components (see Year 2021 Reserve Budget).

Reserve Component - is defined as any major component that needs major maintenance or replacement at a frequency exceeding two years but typically not more than 30 years.

Reserve Fund Balance (estimated) - the estimated amount of money in the reserve account(s) as of the study date, typically calculated by adding the prior year's current reserve balance, remaining reserve allocations, and interest, and then subtracting any known reserve expenditures through the same prior year.

Reserve Study - is a budget-planning tool that identifies the current status of the reserve fund and offers a stable and equitable funding plan to offset the anticipated future major common area expenditures. It consists of two parts:

- ⇒ **Financial Analysis** - the portion of the reserve study where the current status of the reserves (Fund Status) are measured as cash or percent funded and a recommended reserve contribution rate (Funding Plan) are derived, and the projected reserve income and expense over time is presented.
- ⇒ **Physical Analysis** - the portion of the reserve study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed.

Straight Line Allocation (Annual) – from the "Component Identification Report" is a single year's 100% funded amount, often referred to as the ideal or recommended allocation level.

Expressed as $SLA = (I) / (Estimated\ Full\ Life) \times (Current\ Replacement\ Cost)$

Weighted Average Life (WAL) - is calculated by multiplying the cost of each component by the number of months until replacement, creating a weighted average life factor. The total of the factors is divided by the total replacement cost, producing the WAL.



2020 California Civil Code (Selected Sections)

PART 5. COMMON INTEREST DEVELOPMENTS**CHAPTER 6. ASSOCIATION GOVERNANCE****ARTICLE 7. ANNUAL REPORTS****§5300. Annual Budget, Reserves and Other Required Disclosures**

(a) Notwithstanding a contrary provision in the governing documents, an association shall distribute an annual budget report 30 to 90 days before the end of its fiscal year.

(b) Unless the governing documents impose more stringent standards, the annual budget report shall include all of the following information:

- (1) A pro forma operating budget, showing the estimated revenue and expenses on an accrual basis.
- (2) A summary of the association's reserves, prepared pursuant to Section 5565.
- (3) A summary of the reserve funding plan adopted by the board, as specified in paragraph (5) of subdivision (b) of Section 5550. The summary shall include notice to members that the full reserve study plan is available upon request, and the association shall provide the full reserve plan to any member upon request.
- (4) A statement as to whether the board has determined to defer or not undertake repairs or replacement of any major component with a remaining life of 30 years or less, including a justification for the deferral or decision not to undertake the repairs or replacement.
- (5) A statement as to whether the board, consistent with the reserve funding plan adopted pursuant to Section 5560, has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefor. If so, the statement shall also set out the estimated amount, commencement date, and duration of the assessment.
- (6) A statement as to the mechanism or mechanisms by which the board will fund reserves to repair or replace major components, including assessments, borrowing, use of other assets, deferral of selected replacements or repairs, or alternative mechanisms.
- (7) A general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement, or additions to those major components that the association is obligated to maintain. The statement shall include, but need not be limited to, reserve calculations made using the formula described in paragraph (4) of subdivision (b) of Section 5570, and may not assume a rate of return on cash reserves in excess of 2 percent above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made.
- (8) A statement as to whether the association has any outstanding loans with an original term of more than one year, including the payee, interest rate, amount outstanding, annual payment, and when the loan is scheduled to be retired.
- (9) A summary of the association's property, general liability, earthquake, flood, and fidelity insurance policies. For each policy, the summary shall include the name of the insurer, the type of insurance, the policy limit, and the amount of the deductible, if any. To the extent that any of the required information is specified in the insurance policy declaration page, the association may meet its obligation to disclose that information by making copies of that page and distributing it with the annual budget report. The summary distributed pursuant to this paragraph shall contain, in at least 10-point boldface type, the following statement:
 "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."

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(continued)

(10) When the common interest development is a condominium project, a statement describing the status of the common interest development as a Federal Housing Administration (FHA)-approved condominium project pursuant to FHA guidelines, including whether the common interest development is an FHA-approved condominium project. The statement shall be in at least 10-point font on a separate piece of paper and in the following form:

“Certification by the Federal Housing Administration may provide benefits to members of an association, including an improvement in an owner’s ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest.

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

(11) When the common interest development is a condominium project, a statement describing the status of the common interest development as a federal Department of Veterans Affairs (VA)-approved condominium project pursuant to VA guidelines, including whether the common interest development is a VA-approved condominium project. The statement shall be in at least 10-point font on a separate piece of paper and in the following form:

“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 (circle one)] a condominium project. The association of this common interest development [is/is not (circle one)] certified by the federal Department of Veterans Affairs.”

(12) A copy of the completed “Charges For Documents Provided” disclosure identified in Section 4528. For purposes of this section, “completed” means that the “Fee for Document” section of the form individually identifies the costs associated with providing each document listed on the form.

(c) The annual budget report shall be made available to the members pursuant to Section 5320.

(d) The summary of the association’s reserves disclosed pursuant to paragraph (2) of subdivision (b) shall not be admissible in evidence to show improper financial management of an association, provided that other relevant and competent evidence of the financial condition of the association is not made inadmissible by this provision.

(e) The Assessment and Reserve Funding Disclosure Summary form, prepared pursuant to Section 5570, shall accompany each annual budget report or summary of the annual budget report that is delivered pursuant to this article. [2017 - Based on former §1365 & 1365.2.5(b)(2)]

CHAPTER 7. FINANCES

ARTICLE 1. ACCOUNTING

§5500. Board’s Duty to Review Financial Statements and Accounts

Unless the governing documents impose more stringent standards, the board shall do all of the following:

- (a) Review, on a monthly basis, a current reconciliation of the association’s operating accounts.
- (b) Review, on a monthly basis, a current reconciliation of the association’s reserve accounts.
- (c) Review, on a monthly basis, the current year’s actual operating revenues and expenses compared to the current year’s budget.
- (d) Review, on a monthly basis, the latest account statements prepared by the financial institutions where the association has its operating and reserve accounts.
- (e) Review, on a monthly basis, an income and expense statement for the association’s operating and reserve accounts.
- (f) Review, on a monthly basis, the check register, monthly general ledger, and delinquent assessment receivable reports. [2018 - Based on former §1365.5(a)]

§5501. Review of Financial Statements and Accounts



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(continued)

The review requirements of Section 5500 may be met when every individual member of the board, or a subcommittee of the board consisting of the treasurer and at least one other board member, reviews the documents and statements described in Section 5500 independent of a board meeting, so long as the review is ratified at the board meeting subsequent to the review and that ratification is reflected in the minutes of that meeting. [2018]

§5502. Account Deposits and Transfers

Notwithstanding any other law, transfers of greater than ten thousand dollars (\$10,000) or 5 percent of an association's total combined reserve and operating account deposits, whichever is lower, shall not be authorized from the association's reserve or operating accounts without prior written board approval. This section applies in addition to any other applicable requirements of this part. [2019]

ARTICLE 2. USE OF RESERVE FUNDS

§5510. Signatures on and Limitation on Use of Reserve Funds

- (a) The signatures of at least two persons, who shall be directors, or one officer who is not a director and one who is a director, shall be required for the withdrawal of moneys from the association's reserve accounts.
- (b) The board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components that the association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established. [2012 - Based on former §1365.5(b & (c)(1)]

§5515. Transfer or Borrowing from Reserve Funds

- (a) Notwithstanding Section 5510, the board may authorize the temporary transfer of moneys from a reserve fund to the association's general operating fund to meet short-term cashflow requirements or other expenses, if the board has provided notice of the intent to consider the transfer in a board meeting notice provided pursuant to Section 4920.
- (b) The notice shall include the reasons the transfer is needed, some of the options for repayment, and whether a special assessment may be considered.
- (c) If the board authorizes the transfer, the board shall issue a written finding, recorded in the board's minutes, explaining the reasons that the transfer is needed, and describing when and how the moneys will be repaid to the reserve fund.
- (d) The transferred funds shall be restored to the reserve fund within one year of the date of the initial transfer, except that the board may, after giving the same notice required for considering a transfer, and, upon making a finding supported by documentation that a temporary delay would be in the best interests of the common interest development, temporarily delay the restoration.
- (e) The board shall exercise prudent fiscal management in maintaining the integrity of the reserve account, and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limits required by this section. This special assessment is subject to the limitation imposed by Section 5605. The board may, at its discretion, extend the date the payment on the special assessment is due. Any extension shall not prevent the board from pursuing any legal remedy to enforce the collection of an unpaid special assessment. [2012 - Based on former §1365.5(c)(2)]

§5520. Using Reserve Funds for Litigation; Notice; Accounting

- (a) When the decision is made to use reserve funds or to temporarily transfer moneys from the reserve fund to pay for litigation pursuant to subdivision (b) of Section 5510, the association shall provide general notice pursuant to Section 4045 of that decision, and of the availability of an accounting of those expenses.
- (b) Unless the governing documents impose more stringent standards, the association shall make an accounting of expenses related to the litigation on at least a quarterly basis. The accounting shall be made available for inspection by members of the association at the association's office. [2012- Based on former §1365.5(d)]



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(continued)

ARTICLE 3. RESERVE PLANNING

§5550. Reserve Study Inspection Frequency; Contents; Funding Plan

(a) At least once every three years, the board shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components that the association is obligated to repair, replace, restore, or maintain as part of a study of the reserve account requirements of the common interest development, if the current replacement value of the major components is equal to or greater than one-half of the gross budget of the association, excluding the association's reserve account for that period. The board shall review this study, or cause it to be reviewed, annually and shall consider and implement necessary adjustments to the board's analysis of the reserve account requirements as a result of that review.

(b) The study required by this section shall at a minimum include:

- (1) Identification of the major components that the association is obligated to repair, replace, restore, or maintain that, as of the date of the study, have a remaining useful life of less than 30 years.
- (2) Identification of the probable remaining useful life of the components identified in paragraph (1) as of the date of the study.
- (3) An estimate of the cost of repair, replacement, restoration, or maintenance of the components identified in paragraph (1).
- (4) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the components identified in paragraph (1) during and at the end of their useful life, after subtracting total reserve funds as of the date of the study.
- (5) A reserve funding plan that indicates how the association plans to fund the contribution identified in paragraph (4) to meet the association's obligation for the repair and replacement of all major components with an expected remaining life of 30 years or less, not including those components that the board has determined will not be replaced or repaired. [2012 - Based on former §1365.5(e)]

§5551. Inspection of Elevated Elements (effective 1/1/2020)

(a) For purposes of this section, the following definitions apply:

- (1) "Associated waterproofing systems" include flashings, membranes, coatings, and sealants that protect the load-bearing components of exterior elevated elements from exposure to water.
- (2) "Exterior elevated elements" mean the load-bearing components together with their associated waterproofing system.
- (3) "Load-bearing components" means those components that extend beyond the exterior walls of the building to deliver structural loads to the building from decks, balconies, stairways, walkways, and their railings, that have a walking surface elevated more than six feet above ground level, that are designed for human occupancy or use, and that are supported in whole or in substantial part by wood or wood-based products.
- (4) "Statistically significant sample" means a sufficient number of units inspected to provide 95 percent confidence that the results from the sample are reflective of the whole, with a margin of error of no greater than plus or minus 5 percent.
- (5) "Visual inspection" means inspection through the least intrusive method necessary to inspect load-bearing components, including visual observation only or visual observation in conjunction with, for example, the use of moisture meters, borescopes, or infrared technology.

(b)

- (1) At least once every nine years, the board of an association of a condominium project shall cause a reasonably competent and diligent visual inspection to be conducted by a licensed structural engineer or architect of a random and statistically significant sample of exterior elevated elements for which the association has maintenance or repair responsibility.
- (2) The inspection shall determine whether the exterior elevated elements are in a generally safe condition and performing in accordance with applicable standards.



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(continued)

(c) Prior to conducting the first visual inspection, the inspector shall generate a random list of the locations of each type of exterior elevated element. The list shall include all exterior elevated elements for which the association has maintenance or repair responsibility. The list shall be provided to the association for future use.

(d) The inspector shall perform the visual inspections in accordance with the random list generated pursuant to subdivision (c). If during the visual inspection the inspector observes building conditions indicating that unintended water or water vapor has passed into the associated waterproofing system, thereby creating the potential for damage to the load-bearing components, then the inspector may conduct a further inspection. The inspector shall exercise their best professional judgment in determining the necessity, scope, and breadth of any further inspection.

(e) Based upon the inspector's visual inspections, further inspection, and construction and materials expertise, the inspector shall issue a written report containing the following information:

- (1) The identification of the building components comprising the load-bearing components and associated waterproofing system.
- (2) The current physical condition of the load-bearing components and associated waterproofing system, including whether the condition presents an immediate threat to the health and safety of the residents.
- (3) The expected future performance and remaining useful life of the load-bearing components and associated waterproofing system.
- (4) Recommendations for any necessary repair or replacement of the load-bearing components and associated waterproofing system.

(f) The report issued pursuant to subdivision (e) shall be stamped or signed by the inspector, presented to the board, and incorporated into the study required by Section 5550.

(g)

(1) If, after inspection of any exterior elevated element, the inspector advises that the exterior elevated element poses an immediate threat to the safety of the occupants, the inspector shall provide a copy of the inspection report to the association immediately upon completion of the report, and to the local code enforcement agency within 15 days of completion of the report. Upon receiving the report, the association shall take preventive measures immediately, including preventing occupant access to the exterior elevated element until repairs have been inspected and approved by the local enforcement agency.

(2) Local enforcement agencies shall have the ability to recover enforcement costs associated with the requirements of this section from the association.

(h) Each subsequent visual inspection conducted under this section shall commence with the next exterior elevated element identified on the random list and shall proceed in order through the list.

(i) The first inspection shall be completed by January 1, 2025, and then every nine years thereafter in coordination with the reserve study inspection pursuant to Section 5550. All written reports shall be maintained for two inspection cycles as records of the association.

(j)

(1) The association shall be responsible for complying with the requirements of this section.

(2) The continued and ongoing maintenance and repair of the load-bearing components and associated waterproofing systems in a safe, functional, and sanitary condition shall be the responsibility of the association as required by the association's governing documents.

(k) The inspection of buildings for which a building permit application has been submitted on or after January 1, 2020, shall occur no later than six years following the issuance of a certificate of occupancy. The inspection shall otherwise comply with the provisions of this section.

(l) This section shall only apply to buildings containing three or more multifamily dwelling units.

(m) The association board may enact rules or bylaws imposing requirements greater than those imposed by this section.

(n) A local government or local enforcement agency may enact an ordinance or other rule imposing requirements greater than those imposed by this section. [2019]

§5560. Reserve Funding Plan Adoption; Assessments Needed for Adequate Funding

(a) The reserve funding plan required by Section 5550 shall include a schedule of the date and amount of any change in regular or special assessments that would be needed to sufficiently fund the reserve funding plan.



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(continued)

- (b) The plan shall be adopted by the board at an open meeting before the membership of the association as described in Article 2 (commencing with Section 4900) of Chapter 6.
- (c) If the board determines that an assessment increase is necessary to fund the reserve funding plan, any increase shall be approved in a separate action of the board that is consistent with the procedure described in Section 5605. [2012 - Based on former §1365.5(e)]

§5565. Contents of Association's Reserve Summary

The summary of the association's reserves required by paragraph (2) of subdivision (b) of Section 5300 shall be based on the most recent review or study conducted pursuant to Section 5550, shall be based only on assets held in cash or cash equivalents, shall be printed in boldface type, and shall include all of the following:

- (a) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component.
- (b) As of the end of the fiscal year for which the study is prepared:
- (1) The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components.
 - (2) The current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain major components.
 - (3) If applicable, the amount of funds received from either a compensatory damage award or settlement to an association from any person for injuries to property, real or personal, arising out of any construction or design defects, and the expenditure or disposition of funds, including the amounts expended for the direct and indirect costs of repair of construction or design defects. These amounts shall be reported at the end of the fiscal year for which the study is prepared as separate line items under cash reserves pursuant to paragraph (2). Instead of complying with the requirements set forth in this paragraph, an association that is obligated to issue a review of its financial statement pursuant to Section 5305 may include in the review a statement containing all of the information required by this paragraph.
- (c) The percentage that the amount determined for purposes of paragraph (2) of subdivision (b) equals the amount determined for purposes of paragraph (1) of subdivision (b).
- (d) The current deficiency in reserve funding expressed on a per unit basis. The figure shall be calculated by subtracting the amount determined for purposes of paragraph (2) of subdivision (b) from the amount determined for purposes of paragraph (1) of subdivision (b) and then dividing the result by the number of separate interests within the association, except that if assessments vary by the size or type of ownership interest, then the association shall calculate the current deficiency in a manner that reflects the variation. [2012 - Based on former §1365(a)(2)]

§5570. Required Assessment and Reserve Funding Disclosure Summary

- (a) The disclosures required by this article with regard to an association or a property shall be summarized on the following form:

ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY FORM
(typically pages 5 and 6, occasionally pages 6 and 7, of report)

- (b) For the purposes of preparing a summary pursuant to this section:
- (1) "Estimated remaining useful life" means the time reasonably calculated to remain before a major component will require replacement.
 - (2) "Major component" has the meaning used in Section 5550. Components with an estimated remaining useful life of more than 30 years may be included in a study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary.



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(3) The form set out in subdivision (a) shall accompany each annual budget report or summary thereof that is delivered pursuant to Section 5300. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in subdivision (a) is provided.

(4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. This shall not be construed to require the board to fund reserves in accordance with this calculation. [2016]

§5580. Community Service Association Disclosure Requirements

(a) Unless the governing documents impose more stringent standards, any community service organization whose funding from the association or its members exceeds 10 percent of the organization's annual budget shall prepare and distribute to the association a report that meets the requirements of Section 5012 of the Corporations Code, and that describes in detail administrative costs and identifies the payees of those costs in a manner consistent with the provisions of Article 5 (commencing with Section 5200) of Chapter 6.

(b) If the community service organization does not comply with the standards, the report shall disclose the noncompliance in detail. If a community service organization is responsible for the maintenance of major components for which an association would otherwise be responsible, the community service organization shall supply to the association the information regarding those components that the association would use to complete disclosures and reserve reports required under this article and Section 5300. An association may rely upon information received from a community service organization and shall provide access to the information pursuant to the provisions of Article 5 (commencing with Section 5200) of Chapter 6. [2012 - Based on former §1365.3]



The Springs Community Association

Bylaws



RESTATED BYLAWS

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THE SPRINGS COMMUNITY ASSOCIATION

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~~DRAFT SIX~~

FIRST AMENDED AND RESTATED BYLAWS OF THE SPRINGS COMMUNITY
ASSOCIATION

ARTICLE 1

Recitals and Definitions

1. Name of Association.

The name of this nonprofit mutual benefit corporation is The Springs Community Association and shall be referred to herein as the "Association."

2. Association Is Nonprofit.

The Association has been formed as, and exists as, a nonprofit mutual benefit corporation pursuant and subject to the California Civil Code Sections 1350 et seq and pursuant to the California Nonprofit Mutual Benefit Corporation Law (Corporations Code Sections 7110-8970).

3. Specific Purpose.

The specific and primary purpose of this Association shall be to manage, operate, maintain, protect, preserve and develop the Common Area and Common Facilities and to maintain individual Lots and Residences located thereon to the extent and in the manner more particularly described in the Declaration, all within that certain common interest development located in the County of Riverside, State of California, and commonly referred to as The Springs, and more particularly described in Exhibit "A", attached hereto and incorporated herein by reference, and to enforce the Rules and Regulations adopted by the Board of Directors, from time to time, and the terms and conditions of the Declaration and Bylaws and otherwise to enhance and promote the use and enjoyment of the Common Areas and Common Facilities by the Owners in common.

4. Previous Bylaws.

The Association was previously subject to a set of Bylaws which were adopted at a Board of Directors meeting held on July 31, 1974. These Amended and Restated Bylaws supercede that set in its entirety.

5. Definitions.

(a) County. The term "County" means the County of Riverside, State of California.

(b) Declaration. The term "Declaration" means all restrictions, covenants, terms and conditions set forth in the Declaration Of Covenants, Conditions and Restrictions, recorded August 22, 1974

as Instrument 108609 in Official Records of Riverside County, California. This Declaration was amended by way of the following thereafter: 1. Amendment No. 1 recorded on January 2, 1975 as Instrument 19; 2. Amendment No. 2 recorded on May 14, 1975 as Instrument 55324; 3. A Declaration of Annexation of Phase Two recorded August 14, 1975 as Instrument 98517; 4. Amendment No. 3 recorded on December 2, 1976 as Instrument 184952; 5. Environmental Committee recorded July 21, 1982 as Instrument 124790; 6. A Cancellation and Termination of Declaration of Annexation/Instrument 173054 recorded on November 29, 1983 as Instrument 246747; 7. Amendments to the Covenants, Conditions & Restrictions for The Springs Community Association recorded May 8, 1985 as Instrument 97640; 8. Amendment No. 4 recorded July 29, 1982 as Instrument 279760; 9. The Springs Community Association/The Springs Rules recorded March 19, 1976 as Instrument 36022; 10. The Springs Community Association/The Springs Rules/Revised Rules 14, 15, 17, 19, 20, and 36 recorded August 10, 1977 as Instrument 154606; 11. Amendment/The Springs Community Association/The Springs Rules/Revised Rule 16 recorded January 19, 1978 as Instrument 7197; 12. Amendment of Declaration of CC&R/The Springs Community Association/The Springs Rules/Revised Rule 16 recorded June 8, 1978 as Instrument 116961; 13. Amendment of the Springs Declaration of Covenants, Conditions and Restrictions/The Springs Community Association/The Springs Rules/Rule 37 recorded October 16, 1981 as Instrument 195155; 14. Resolution of the Board of Directors of The Springs Community Association/Rules Enforcement duly recorded July 5, 1983 as Instrument 133759; 15. Resolution of Board of Directors of The Springs Community Association, A California Nonprofit Corporation/The Springs Rules recorded May 11, 1984 as Instrument 99607; 16. Resolution of the Board of Directors of The Springs Community Association, A California Nonprofit Corporation/The Springs Rules - Rule 33 recorded June 5, 1987 as Instrument 158384; 17. Resolution of the Board of Directors of The Springs Community Association, A California Nonprofit Corporation/The Springs Rules - Rule 38 recorded June 5, 1987 as Instrument 158385; 18. Resolution of the Board of Directors of The Springs Community Association, A California Nonprofit Corporation/The Springs Rules - Rule 42 recorded June 30, 1982 as Instrument 240950; and 19. Resolution of the Board of Directors of The Springs Community Association, a California Nonprofit Mutual Benefit Corporation/Amending Section 11.a of The Springs Traffic Regulations; Enforcement of 25 Mile Per Hour Speed Limit recorded August 4, 1994 as 307724. In addition to these documents, the following documents were recorded as to The Springs: 1. Reciprocal Easement Agreement recorded March 15, 1976 as Instrument 33291 and 2. Wellsite and Water Agreement recorded August 4, 1976 as Instrument 113847. These documents affect all of the Properties described and commonly known as The Springs Community Association and are hereby amended and restated in their entirety in the First Restated Declaration of Covenants, Conditions and Restrictions of The Springs Community Association

recorded AUG 25, 2004, ~~2003~~ as Instrument No. 2004-0079546, in the County of Riverside, State of California and as such Declaration may from time to time be supplemented, amended or modified by a subsequent Declaration, or amendment thereto, duly recorded in said Recorder's Office.

(c) Majority of a Quorum. "Majority of a Quorum" means the vote of a majority of the votes cast at a meeting or by written ballot when the number of Members attending the membership meeting or the number of written ballots cast equals or exceeds the quorum requirement specified in these Bylaws. In the case of membership meetings, the voting power of a particular Member may be represented at the meeting by proxy.

(d) Office of the Recorder. The term "Office of the Recorder" means the Office of the Recorder, County of Riverside, State of California.

(e) Person. The term "Person" means and includes any individual, corporation, partnership, association or other entity recognized by the laws of the State of California.

(f) Voting Power. The term "Voting Power" means those Members who are eligible to vote for the election of Directors or with respect to any other matter, issue, or proposal properly presented to the Members for approval at the time any determination of voting power is made.

(g) Definitions Incorporated by Reference. The terms defined in the Declaration shall have the same meaning when used herein unless the context clearly indicates a contrary intention.

ARTICLE 2 Principal Office

1. Location of Principal Office.

The principal office of the Association will be located at such place within Riverside County as the Board may from time to time designate by resolution.

ARTICLE 3 Membership

1. Members of the Association.

Every Owner of record of a Lot within the Properties is a Member of the Association. Membership in the Association is appurtenant to, and may not be separated from, ownership of any Lot.

2. Term of Membership.

Each Owner who is a Member shall remain a Member until he no longer qualifies as such under this Article. Upon the sale, conveyance or other transfer of an Owner's interest in a Lot, the Owner's membership interest appurtenant to the Lot shall automatically transfer to the Lot's new Owner(s).

3. Multiple Ownership of Lots.

Ownership of a Lot shall give rise to a single membership vote in the Association. Accordingly, if more than one person owns a Lot, all of these persons shall be deemed to be one Member for voting purposes, although all such Owners shall have equal rights as Members to use and enjoy the Common Areas and Common Facilities. The Secretary of the Association shall be notified in writing of the Owner designated by his Co-Owners as having the sole right to vote the membership on their behalf. If no such notification is received the Secretary may accept the vote of any Owner of Record or proxy holder of such an Owner as the vote attributable to the Lot in question, provided that if the multiple Owners of a Lot attempt to vote the membership attributable to said Lot in an inconsistent fashion, the Secretary or other person or persons designated as inspectors of election by the Board of Directors may refuse to count any ballot pertaining to the Lot.

4. Furnishing Evidence of Membership.

A person shall not be entitled to exercise the rights of a Member until such person has advised the Secretary in writing that he is qualified to be a Member under this Article and, if requested by the Secretary, has provided the Secretary with evidence of such qualification in the form of a copy of a recorded grant deed (certified by the Office of the Recorder) or a currently effective policy of title insurance. Exercise of membership rights shall be further subject to the rules regarding record dates for notice, voting, and actions by written ballot and eligibility for voting set forth in these Bylaws.

ARTICLE 4 Membership Voting

1. Single Class of Membership.

The Association shall have one class of voting membership.

2. Member Voting Rights.

On each matter submitted to a vote of the Members, whether at a meeting of the membership called and held pursuant to the provisions of these Bylaws or otherwise, each Member shall be entitled to cast one vote for each Lot owned by such Member. Single memberships in which two or more persons have an indivisible interest shall be voted as provided in these Bylaws.

3. Eligibility To Vote.

Only Members in good standing shall be entitled to vote on any issue or matter presented to the Members for approval. In order to be in good standing, a Member must be current in the payment of all assessments levied against the Member's Lot and not be subject to any suspension of voting privileges as a result of any disciplinary proceeding conducted in accordance with the Declaration. A Member's good standing shall be determined as of the record date established in accordance with these Bylaws. The Association shall not be obligated to conduct a hearing in order to suspend a Member's voting privileges on the basis of the nonpayment of assessments, although a delinquent Member shall be entitled to request such a hearing in accordance with the Declaration. A Member who owns more than one Lot shall be ineligible to vote if that Member is delinquent with respect to any such Lot.

4. Manner of Casting Votes.

(a) Voting at Membership Meetings. Voting at any membership meeting may be by voice or by ballot, provided that the voting in any election of Directors shall be conducted by secret ballot. The vote on any other issue properly before a meeting of the Members shall be conducted by secret ballot when determined by the chairman of the meeting, in his discretion, or when requested by 10% of the voting power present at the meeting. Issues properly brought before the Members means an issue or matter that has been duly noticed to all Members, such that all Members are aware that a vote will be taken at that Meeting. Annual Meetings are for the purposes of electing officers and voting upon any duly noticed issues.

(b) Voting by Written Ballot. Except for the limited membership voting permitted at meetings (see subparagraph (a)), Members' votes shall be solicited by written ballot with respect to any issue requiring membership approval under the Governing Documents or by law. Written ballot voting shall be conducted in accordance with these Bylaws.

(c) Proxy Voting. Members otherwise eligible to vote at a meeting may do so in person or by proxy issued as provided in these Bylaws.

(d) Cumulative Voting. Each Member entitled to vote at any election of Directors where 2 or more positions are to be filled shall have the right to cumulate his votes by giving one candidate a number of votes equal to the number of Directors to be elected, multiplied by the number of votes to which the Member is entitled, or by distributing his votes on the same principle among as many candidates as he desires. No Member shall be entitled to cumulate

votes unless (i) the candidate's name or candidates' names have been placed in nomination before the voting, and (ii) a Member has given notice at the meeting, and before the voting, of the Member's intention to cumulate the Member's votes. If any one Member has given such notice, all Members may cumulate their votes for candidates in nomination.

5. Proxies.

(a) Proxies Generally. Any Member entitled to vote may do so either in person or by one or more agents authorized by a written proxy signed by the Member and filed with the Secretary of the Association. Any proxy shall be for a term not to exceed 11 months from the date of issuance, unless otherwise provided in the proxy, except that the maximum term of any proxy shall be 3 years from the date of execution. Proxy forms shall be dated to assist in verifying their validity.

(b) Effectiveness of Proxies. Every proxy continues in full force and effect until revoked by the issuing Member prior to the vote pursuant thereto subject to the maximum term of a proxy set forth above. Any proxy issued hereunder shall be revocable by the person executing such proxy at any time prior to the vote pursuant thereto, by (i) delivery to the Secretary of a written notice of revocation, (ii) a subsequent proxy executed by the Member executing the prior proxy and presented to the meeting, or (iii) as to any meeting, by attendance at such meeting and voting in person by the Member executing the proxy. The dates shown on the forms of proxy presumptively determine the order of execution, regardless of the postmarks shown on the envelopes in which they are mailed. A proxy shall be deemed revoked when the Secretary shall receive actual notice of the death or judicially declared incompetence of the Member issuing the proxy, or upon termination of such Member's status as an Owner of a Lot, as provided in these Bylaws.

(c) Validity of Proxies With Respect to Certain Material Transactions. Any proxy given with respect to any of the matters described in this subparagraph shall be valid only if the proxy form sets forth a general description of the nature of the matter to be voted on. The matters subject to this requirement are: (i) Removal of Directors without cause; (ii) Filling of vacancies on the Board; (iii) Approval of contracts or transactions between the Association and one or more of its Directors, or between the Association and a corporation, firm or association in which one or more of its Directors has a material financial interest; (iv) Amendment of the Articles of Incorporation, these Bylaws, or the Declaration; (v) Action to change any Association assessments in a manner requiring membership approval under the Declaration; (vi) Sale, lease, exchange, transfer or other disposition of all or substantially all of the Association's assets otherwise than in the regular course of the Association's activities; (vii) Merger

of the Association or an amendment to an agreement of merger; and (viii) Voluntary dissolution of the Association.

(d) Limited Proxies. Any form of proxy distributed to 10 or more Members must afford an opportunity on the proxy to specify a choice between approval or disapproval of any matter or group of related matters intended, at the time the proxy is distributed, to be acted upon at the meeting for which the proxy is solicited. If the form of proxy lists one or more matters to be acted upon and the issuer of the proxy has specified a choice with respect to any such matter (including a preference in voting for candidates for election to the Board), the proxy holder shall be obligated to cast the vote represented by the proxy in accordance with the issuer's designated preference. In accordance with this subparagraph, proxies distributed in connection with the election of Directors shall set forth the names of all individuals who are candidates for election to the Board of Directors at the time the proxy is issued. The proxy form shall contain boxes or lines where the issuing Member can express his voting preference. If the proxy is marked by a Member "withhold" or otherwise marked in a manner indicating that the authority to vote for the election of Directors is withheld, the proxy holder shall not vote the proxy either for or against the election of a Director. If any proxy issued in connection with the election of Directors is marked so as to direct the proxy holder to vote the proxy for a specified candidate or candidates, the proxy holder shall vote in accordance with the direction of the proxy holder.

(e) Restriction or Elimination of Proxy Rights: Limitation on Authority. No amendment of the Articles or Bylaws repealing, restricting, or expanding proxy rights may be adopted without approval by the affirmative vote of a majority of the voting power of Members represented and voting at a duly held meeting at which a quorum is present, or the affirmative vote of a majority of the voting power of Members by written ballot as provided in these Bylaws.

(f) Proxy Rules for Memberships Held By More Than One Person. Where 2 or more persons constitute a Member, any proxy with respect to the vote of such Member shall be signed by at least one of those person. All such persons may attend meetings, but no vote of such Member shall be cast without the unanimous consent of all persons present at such meeting constituting each Member.

(g) No Proxy Voting in Connection with Written Ballots. Proxy voting shall not be allowed when Members' votes are solicited by written ballot in accordance with these Bylaws.

(h) A Member shall be entitled to designate another person to act as the Member's proxy at a meeting for the sole and limited purpose of establishing a quorum, as well as for any other legally allowable proxy purpose.

6. Action by Written Ballot.

(a) Definition of Written Ballot. A "written ballot" is a ballot that is mailed or otherwise distributed to every Member entitled to vote on the matter and that complies with the requirements of this section. The term "written ballot" does not include a ballot distributed to Members at a meeting for purposes of conducting a vote of the Members at such meeting.

(b) Written Ballots Generally. Any matter or issue requiring the vote of the Members, other than the election of Directors, may be submitted to the Members for approval by written ballot without the necessity of calling a meeting of the Members, as long as the requirements for action by written ballot set forth in this section are satisfied. The determination to seek Member approval for Association action in this fashion shall be made by a majority vote of the Board or by Members possessing 5% of the total voting power of the membership signing a written request that a proposal be presented to the Members for a vote by written ballot and delivering this request to the President, Vice President or Secretary. If the request for a vote by written ballot is received from the Members, the Association's obligations to initiate the balloting process shall be governed by these Bylaws. Once the determination is made to seek Member approval by written ballot, the Board shall establish a record date for purposes of determining those Members eligible to cast written ballots and distribute a written ballot to every Member entitled to vote on the matter. This distribution shall be made consistent with the time requirements specified below.

(c) Content of Written Ballots. Any written ballot distributed to the Members to vote on any issue shall set forth the proposed action and provide an opportunity to specify approval or disapproval of the proposal.

(d) Balloting Time Requirements. Written ballots shall be distributed to all eligible Members at least 30 days prior to the final date the written ballots must be received by the Association in order to be counted. All written ballots shall provide a reasonable time within which to return the written ballot to the Association and shall state on the face of the ballot or in an accompanying notice the date by which the written ballot must be returned in order to be counted. The time fixed for the return of written ballots may be extended only if the Board so notifies the Members in the balloting solicitation materials originally sent to Members and then for no more than 2 successive periods of 30 days each.

(e) Requirements for Valid Member Action by Written Ballot. Membership approval by written ballot shall be valid only if (i) the number of votes cast by ballot within the time established for

return of the ballots equals or exceeds the quorum that would have been required to be present at a membership meeting if a meeting had been convened to vote on the proposal, and (ii) the number of affirmative votes equals or exceeds the number of affirmative votes that would have been required to approve the action at such a meeting. If the time for returning written ballots is extended, the reduced quorum percentage specified in these Bylaws shall apply during the extension period(s).

(f) Solicitation Rules Generally. Written ballots shall be solicited in a manner consistent with the requirements of these Bylaws pertaining to the issuance of notices of Members' meetings. All solicitations of written ballots shall indicate (A) the number of responses needed to meet the quorum requirement for valid action; (B) the time by which the written ballot must be received by the Association in order to be counted; and (C) the percentage of affirmative votes necessary to approve the measure submitted for membership approval. If the period for the return of written ballots is extended, the Board shall be entitled to announce to the Members the aggregate votes for or against the proposal received as of the extension date.

(g) Additional Balloting Procedures. In order to ensure the secrecy of written ballots, the Board may but shall not be obligated to use the services of a management ~~company~~ representative or public accountant to receive and tabulate all written ballots. The management ~~company~~ representative or accountant retained to perform such services shall have the full powers of an inspector of elections appointed by the Board under Corporations Code Section 7614.

(h) Notification of Results of Balloting Process. Upon tabulation of the written ballots, the Board shall notify the Members of the outcome of the vote within 30 days following the close of the balloting process and tabulation of the ballots. If the number of written ballots cast with respect to any matter is insufficient to satisfy the minimum quorum requirements for valid action, the Board shall so notify the Members.

(i) Prohibition of Revocation. Once cast, a written ballot may not be revoked.

(j) Conduct of Informational Meetings. Use of the written ballot procedures provided herein shall not preclude the Association from also conducting informational meetings of the Members or from scheduling a membership meeting to coincide with the culmination of the balloting period.

7. Majority Vote Required.

If a quorum is present, the affirmative vote of the majority of the voting power of Members represented at the meeting, entitled

to vote and voting on any matter (other than the election of Directors), shall be the act of the Members, unless the vote of a greater number is required by the California Nonprofit Mutual Benefit Corporation Law or by the Governing Documents. In the case of Director elections, the candidates receiving the highest number of votes, up to the number of Directors to be elected, shall be elected to the vacant Director positions.

8. Action by Unanimous Written Consent.

Any action required or permitted to be taken by the Members at a meeting may be taken without a meeting (and without complying with the formalities of a written ballot) if all Members shall individually or collectively consent in writing to the action. When an action is taken by written consent, the consent(s) shall be filed with the Association's minutes.

ARTICLE 5 Membership Meetings

1. Place of Meeting.

Meetings of the Members shall be held at the offices of the Association within the Properties or at such other reasonable place within Riverside County and at such time as may be designated by the Board in the notice of the meeting.

2. Annual Meeting.

There shall be an Annual Meeting of the Members on the first Sunday of February of each year at 2:00 P.M. at a location to be determined by the Board and contained within the notice of the Annual Meeting, or at such other reasonably convenient time and/or place not more than 30 days before or after such date, and at such other place reasonably accessible to the members, as may be designated by the Board by notice delivered to the Members not less than 10 days nor more than 60 days prior to the date fixed for such meeting. For purposes of the Annual Meeting, a quorum shall consist of one-third of the membership, or 273 votes, represented in person or by proxy.

3. Special Meetings.

(a) Persons Entitled To Call Special Meetings. A majority of the Board, the President or 5% or more of the Members may call Special Meetings of the Members at any time to consider any lawful business of the Association.

(b) Procedures for Calling Special Meetings Requested by Members. If a Special Meeting is called by Members other than the Board of Directors or President, the request shall be submitted by such Members in writing, specifying the general nature of the business

proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the President, any Vice President, or the Secretary of the Association. The officer receiving the request shall cause notice to be promptly given to the Members entitled to vote, in accordance with the provisions of this Section, that a meeting will be held, and the date, time, and purpose for such meeting, which date shall be not less than 35 nor more than 60 days following the receipt of the request. The costs incurred for calling of the Special Meeting, including copy costs, postage, etc. shall be allocated to, and paid by, the Members calling for such meeting.

(c) If notice of the meeting is not given within 20 days after receipt of the request, the persons requesting the meeting may give the notice. Nothing contained in this subsection shall be construed as limiting, fixing, or affecting the time when a meeting of Members may be held when the meeting is called by action of the Board of Directors or the President.

4. Notice of Members' Meetings.

(a) Requirement That Notice Be Given. Notice of all regular and special meetings of the Members shall be sent or otherwise given in writing to each Member who is eligible to vote at the meeting as of the record date for notice established in accordance with these Bylaws.

(b) Time Requirements for Notice. The notice of membership meetings shall be given in the manner specified in subparagraph (e), not less than 10 nor more than 60 days before the date of the meeting. If notice is given by mail and the notice is not given by first-class, registered, or certified mail, the notice shall be given not less than 30 days nor more than 60 days before the meeting.

(c) Minimum Requirements Regarding Content of Notice. The notice of any membership meeting shall specify the place, date, and hour of the meeting. In the case of a Special Meeting, the notice shall also state the general nature of the business to be transacted, and no other business may in that case be transacted at the Special Meeting. In the case of a regular meeting, the notice shall also describe those matters that the Board of Directors, at the time of giving the notice, intends to present for action by the Members; but any proper matter may be presented at the meeting for such action so long as a quorum is present. The notice of any meeting at which Directors are to be elected shall include the names of all those individuals who are nominees at the time the notice is given to the Members.

(d) Specification of Certain Significant Actions. If any action is proposed to be taken at any membership meeting for approval of any

of the following proposals, the notice shall also state the general nature of the proposal. Member action on such items is invalid unless the notice or written waiver of notice or consent states the general nature of the proposal(s):

(i) Removing a Director without cause;

(ii) Filling vacancies on the Board of Directors under those circumstances where a vote of the Members is required pursuant to these Bylaws;

(iii) Amending these Bylaws or the Declaration in any manner requiring approval of the Members;

(iv) Approving a contract or transaction between the Association and one or more of its Directors, or between the Association and any corporation, firm, or association in which one or more of its Directors has a material financial interest;

(v) Approving any change in the Association's assessments in a manner requiring membership approval under the Declaration; or

(vi) Voting upon any election to voluntarily terminate and dissolve the Association.

(e) Manner of Service. Notice of any meeting of Members shall be given either personally or by first-class mail, telegraphic, or other written communication, charges prepaid, addressed to each Member either at the address of that Member appearing on the books of the Association or the address given by the Member to the Association for the purpose of notice. If no address appears on the Association's books and no other has been given, notice shall be deemed to have been given if either (i) notice is sent to that Member by first-class mail or telegraphic or other written communication to the Association's principal office, or (ii) notice is published at least once in a newspaper of general circulation in the County. Notice shall be deemed to have been given at the time when the notice is delivered personally or deposited in the mail (postage prepaid) or sent by telegram or other means of written or electronic communication to the recipient.

(f) Affidavit of Mailing. An affidavit of the mailing or other means of giving any notice of any Members' meeting may be executed by the Secretary or the Assistant Secretary of the Association, and if so executed, shall be filed and maintained in the minute book of the Association. Such affidavit shall constitute prima facie evidence of the giving of notice.

5. Quorum Requirements.

(a) Quorum Requirements Generally. The following quorum

requirements must be satisfied in order to take valid action at any meeting of the Members or by written ballot in accordance with these Bylaws:

(i) Quorum for Votes on Assessment Increases and of Removal of Directors From Office. In the case of any membership meeting or written ballot called or conducted for the purpose of voting on assessment increases requiring membership approval and removal of any Director from office, the quorum requirement for valid action on the proposal shall be the percentage specified in Civil Code Section 1366 or comparable superseding statute. That quorum percentage is currently a majority of the Members.

(ii) Quorum for Valid Action on Other Matters. In the case of a membership meeting or written ballot called or conducted for any other purpose, the quorum shall be 51% of the Members eligible to vote and represented in person or by proxy.

(b) Members Represented by Proxy. Members present at a membership meeting in person or by proxy shall be counted toward satisfaction of the quorum requirements specified herein.

(c) Effect of Departure of Members From Meeting. The Members present in person or by proxy at a duly called or duly held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, so long as any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum. If a quorum is never established for the meeting, a majority of those Members who are present in person or by proxy may vote to adjourn the meeting for lack of a quorum, but no other action may be taken or business transacted.

6. Adjourned Meeting.

(a) Adjournment Generally. Any Members' meeting, annual or special, whether or not a quorum is present, may be adjourned to another place and/or time (but not for more than 45 days) by the vote of the majority of Members present at the meeting either in person or by proxy. Unless there is an absence of a quorum (in which case no business other than adjournment may be transacted), the reconvened meeting may take any action that might have been transacted at the original meeting.

(i) Reduced Quorum. In the event any meeting of Members cannot be held because a quorum is not present, either in person or by proxy, the meeting may be adjourned as provided above and, at which meeting, the quorum requirement shall be twenty-five percent (25%) of the voting power of the membership. Where a meeting is conducted with a quorum of twenty-five percent (25%) of the voting power of the membership, the only matters that may be

voted upon are those matters included in the original meeting notice published prior to the adjourned meeting.

(b) Notice Requirements for Adjourned Meetings. When a Members' meeting is adjourned to another time or place, notice need not be given of the new meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. Notwithstanding the foregoing, if after adjournment a new record date is fixed for notice or voting, a notice of the rescheduled meeting must be given to each Member who on the record date for notice of the meeting is entitled to vote thereat.

7. Waiver of Notice or Consent by Absent Members.

(a) Waivers and Consents Generally. If decisions are made or an action is otherwise taken by the Members at a meeting where a quorum is present, but for which proper notice was not given to all Members for whatever reason, the decisions or actions made at that meeting will be valid if, either before or after the meeting, each person entitled to vote who was not present at the meeting in person or by proxy consents to the meeting by signing (i) a written waiver of notice, (ii) a consent to holding the meeting, or (iii) an approval of the minutes. The waiver of notice or consent need not specify the purpose or general nature of business to be transacted at such meeting unless action was taken or is proposed to be taken at the meeting with respect to any matters specified in this Article, in which case, the waiver of notice or consent must state the general nature of such matter(s). All such waivers, consents, or approvals shall be filed with the Association records or be made part of the minutes of the meeting.

(b) Effect of a Member's Attendance at a Meeting. Attendance by a Member or his proxy holder at a meeting shall also constitute a waiver of any objections such person may have with respect to notice of that meeting, except when the Member or proxy holder attends the meeting for the sole purpose of objecting at the beginning of the meeting to the transaction of any business because of the inadequacy or illegality of the notice. Attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting that are required to be described therein pursuant to this Article, if that objection is expressly made at the meeting.

8. Record Dates for Member Notice; Voting and Giving Consents.

(a) Record Dates Established by the Board of Directors. For the purpose of determining which Members are entitled to receive notice of any meeting, vote, act by written ballot without a meeting, or exercise any rights in respect to any other lawful action, the Board of Directors may fix, in advance, a "record date" and only Members of record on the date so fixed are entitled to notice, to vote, or to take action by written ballot or

otherwise, as the case may be, notwithstanding any transfer of any membership on the books of the Association after the record date, except as otherwise provided in the Articles of Incorporation, by agreement, or in the California Nonprofit Mutual Benefit Corporation Law. The record dates established by the Board pursuant to this section shall be as follows:

(i) Record Date for Notice of Meetings. In the case of determining those Members entitled to notice of a meeting, the record date shall be no more than 90 nor less than 10 days before the date of the meeting;

(ii) Record Date for Voting. In the case of determining those Members entitled to vote at a meeting, the record date shall be no more than 60 days before the date of the meeting;

(iii) Record Date for Action by Written Ballot Without Meeting. In the case of determining Members entitled to cast written ballots, the record date shall be no more than 60 days before the day on which the first written ballot is mailed or solicited; and

(iv) Record Date for Other Lawful Action. In the case of determining Members entitled to exercise any rights in respect to other lawful action, the record date shall be no more than 60 days prior to the date of such other action.

(b) Failure of Board to Fix a Record Date. If the Board, for any reason, fails to establish a record date, the following rules shall apply:

(i) Record Date for Notice of Meetings. The record date for determining those Members entitled to receive notice of a meeting of Members shall be the business day preceding the day on which notice is given, or, if notice is waived, the business day preceding the day on which the meeting is held.

(ii) Record Date for Voting. The record date for determining those Members entitled to vote at a meeting of Members shall be the day of the meeting, or in the case of an adjourned meeting, the day of the adjourned meeting.

(iii) Record Date for Action by Written Ballot Without Meeting. The record date for determining those Members entitled to vote by written ballot on proposed Association actions without a meeting, when no prior action by the Board has been taken, shall be the day on which the first written ballot is mailed or solicited. When prior action of the Board has been taken, it shall be the day on which the Board adopts the resolution relating to that action.

(iv) Record Date for Other Lawful Action. The record date for determining those Members entitled to exercise any rights in respect to any other lawful action shall be Members at the close

of business on the day on which the Board adopts the resolution relating thereto, or the 60th day prior to the date of such other action, whichever is later.

(v) "Record Date" Means as of Close of Business. For purposes of this subparagraph a person holding a membership as of the close of business on the record date shall be deemed the Member of record.

ARTICLE 6 Membership Rights

Subject to the provisions hereof and the provisions of the Declaration, the Members shall have the following rights:

1. Use and Enjoyment of Common Areas by Members and Family.

Each Member and the members of his family who also reside in the Member's Residence shall be entitled to the use and enjoyment of all Common Areas, parking lots, and Common Facilities within the Properties, subject to the Rules and Regulations for that Common Facility (ie., the Fitness and Activity Center shall have rules regarding usage by guests of Members. The golf course and tennis facilities at The Springs Club are not a Common Area or Common Facility of the Association, but are separate and apart therefrom. The Fitness and Activity Center shall be subject to a separate set of Rules and Regulations and usage thereof, and any rights to that usage, shall be as contained therein.

2. Tenants and Lessees. Assignment of Rights Generally.

Each Member shall have the right to assign his rights as a Member (other than voting rights or the ability to serve as a member of the Board of Directors) to a tenant residing within the Member's Lot, subject to the separate rights of usage applicable to the Fitness and Activity Center and contained within the Rules and Regulations regarding that Common Facility. Such assignment shall be effective only so long as said tenant is residing in said Lot and is in compliance with the Declaration and the Association's Rules in effect at that time. At all times the Member shall remain responsible for compliance by the Member's lessee or tenant with the provisions of the Governing Documents, including the Rules and Regulations applicable to the Fitness and Activity Center.

3. Invitees and Guests.

The invitees and guests of a Member shall have the right to use and enjoy the Common Areas, Common Facilities, and parking lots within the Properties, as long as the guest or invitee is in the company and supervision of the Member (and specific to the Fitness and Activity Center, in accordance with the Rules and Regulations of that Common Facility). Any such guest or invitee shall be subject to the same obligations imposed on the Member to observe

the rules, restrictions, and regulations of the Association as set forth in the Governing Documents.

4. Association Rules and Regulations.

The right of any person to use and enjoy the Common Areas and Common Facilities shall at all times be subject to the rules, limitations, and restrictions set forth herein, in the Declaration, and in the Association's published Rules and Regulations as promulgated by the Board from time to time (and specific to the Fitness and Activity Center, in accordance with the Rules and Regulations of that Common Facility). With the exception of the right of use of any parking lots, the Board shall have the right to impose monetary penalties or to suspend the use and enjoyment of any Common Area and Common Facilities, and/or to suspend cable services to the Lot for the failure of a Member to pay any Assessments when due under the Declaration, or to comply with any other rule or regulation imposed upon such Member, his tenants or guests, pursuant to the Governing Documents, provided, however, that any such suspension shall be imposed only after such person has been afforded the notice and hearing rights more particularly described in the Declaration and, if provided therein, with the notice and hearing rights pursuant to the Rules and Regulations of the Fitness and Activity Center.

ARTICLE 7

Board of Directors

1. General Association Powers.

Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, the Davis-Stirling Common Interest Development Act (Civil Code Sections 1350-1373) and any limitations in any of the Governing Documents relating to action required to be approved by the Members, the business and affairs of the Association shall be vested in and exercised by the Association's Board of Directors. Subject to the limitations expressed in the article entitled "Committees", the Board may delegate the management of the activities of the Association to any person or persons, management company, or committee, provided that notwithstanding any such delegation the activities and affairs of the Association shall continue to be managed and all Association powers shall continue to be exercised under the ultimate direction of the Board.

2. Number and Qualification of Directors.

The Board of Directors shall consist of seven (7) persons who shall be Owners of Lots whose memberships are in good standing with all assessments current and are not subject to any suspension of membership rights. Only one Owner per Lot shall be eligible to serve on the Board at any time. In the case of multiple

ownership, only one Owner shall be eligible to serve on the Board at any one time.

3. Term of Office.

Each Director, including a Director elected to fill a vacancy or elected at a Special Meeting of Members, shall hold office for a term of 3 years and until a successor Director has been elected and qualified. Directors shall serve no more than 2 consecutive terms.

4. Nomination of Directors.

Individuals can become candidates for election to the Board of Directors in any of the following ways:

(a) Candidates Selected by Nominating Committee. At least 90 days prior to the date of any election of Directors, the President shall appoint a nominating committee to select qualified candidates for election to those positions on the Board of Directors held by Directors whose terms of office are then expiring. The nominating committee shall consist of a chairperson who shall be a Member of the Board of Directors, and 2 or more Members of the Association who may or may not be Board Members. The nominating committee shall make its report at least 45 days before the date of the election, and the Secretary shall forward to each Member, with the notice of meeting required by these Bylaws, a list of the nominees. The nominating committee shall make as many nominations for election to the Board as it shall, in its discretion, determine but not less than the number of vacancies on the Board to be filled.

(b) Nominations From the Floor. Any Member present in person or by proxy at a meeting to elect Directors may place names in nomination.

(c) Good Standing Requirement for Candidacy. To be eligible for nomination and election to the Board, a candidate must be certified by the Secretary to be a Member in good standing with the Association and current in the payment of assessments both at the time his name is placed in nomination and as of the election date.

5. Election of Directors.

(a) Directors Elected at Annual Meeting. At each Annual Meeting of the Members, the Members present in person or by proxy shall elect persons to those positions on the Board of Directors held by Directors whose terms are expiring. The persons thus elected shall be selected from among those persons nominated pursuant to these Bylaws; however, if for any reason an Annual Meeting is not held or the Directors are not elected at any Annual Meeting, the

Directors may be elected at any Special Meeting of the Members held for that purpose.

(b) Determination of Election Results and Succession to Office. The candidates receiving the highest number of votes, up to the number of Directors to be elected, shall be elected as Directors and shall take office immediately following their election. In the event there is a tie vote, the tie shall be broken by lot.

6. Vacancies on Board of Directors.

(a) Vacancies Generally. A vacancy or vacancies in the Board of Directors shall be deemed to exist on the occurrence of any of the following: (i) the death, resignation, or removal of a Director under paragraphs (c) and (d) below; (ii) an increase of the authorized number of Directors; or (iii) the failure of the Members, at any meeting of Members at which any Director or Directors are to be elected, to elect the number of Directors to be elected at such meeting.

(b) Resignation of Directors. Except as provided in this paragraph, any Director may resign, and such resignation shall be effective on giving written notice to the President, the Secretary, or the Board of Directors, unless the notice specifies a later time for the resignation to become effective. If the resignation of a Director is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

(c) Authority of Board to Remove Directors. The Board of Directors shall have the power and authority to remove a Director and declare his office vacant if he (i) has been declared of unsound mind by a final order of court; (ii) has been convicted of a felony; (iii) has been found by a final order or judgment of any court to have breached any duty under Corporations Code Sections 7233-7236; or (iv) fails to attend, without excuse or approval by a majority of the rest of the members of the Board, 3 regular meetings of the Board of Directors that have been duly noticed in accordance with California law.

(d) Authority of Members to Remove Directors. Except as otherwise provided in subparagraphs (c) and (e), a Director may be removed from office prior to expiration of his term only by the affirmative vote of a majority of the voting power of the Members represented and voting at a duly held meeting at which a quorum is present (which affirmative votes also constitute a majority of the required quorum) or by written ballot conducted in accordance with these Bylaws. Any membership action to recall or remove a Director shall be conducted in accordance with the following procedures:

(i) A petition must be presented in person to the President, Vice

President, or Secretary of the Association and must carry the signatures of Members in good standing who represent at least 5% of the voting power of the membership. Such petition must set forth the reason(s) the petitioners are seeking the Director's removal; the signature and Lot number(s) of each petitioner in his own handwriting; the name(s) of the sponsor(s) of the petition; and must fulfill all other requirements of law.

(ii) Within 20 days after receipt of such petition, the Board shall either call a Special Meeting or announce the procedures for conducting a written ballot of the Members to vote upon the requested recall. Such meeting or written ballot shall be conducted not less than 35 nor more than 90 days after the petition is presented. If the Board fails to set a date for, and give the Members notice of, such meeting or written ballot within 20 days, the Members initiating the petition may call such meeting on their own initiative without Board approval or sanction.

(iii) The Director whose removal is being sought shall have the right to rebut the allegations contained in the petition orally, in writing, or both. If the rebuttal is in writing, it shall be mailed by the Association or otherwise provided to all Members, together with the recall ballot.

(iv) If the quorum requirement for a valid membership action is not satisfied or if the recall vote results in a tie, the removal action will have failed.

(v) As with any other Special Meeting requested by members, the costs shall be borne by the Members calling for the Special Meeting.

(e) Protection of Cumulative Voting Rights. Unless the entire Board of Directors is removed from office, no Director may be removed when the votes cast against removal, or not consenting in writing to such removal, would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the Director's most recent election were then being elected.

(f) Removal by Court Action. The Riverside County Superior Court may, in response to a suit filed by any Director or the lesser of 20 Members or 5% of the Members, remove any Director determined to be guilty of fraudulent or dishonest acts or gross abuse of authority or discretion with reference to the Association. The Association shall be made a party to any such action.

(g) Filling Vacancies. Vacancies on the Board of Directors shall be filled by a majority vote of the remaining Directors though less than a quorum, or by a sole remaining Director unless the vacancy is created through removal of a Director, in which case

the vacancy shall be filled by a vote of the Members conducted at a duly noticed meeting at which a quorum is present pursuant to the requirements of cumulative voting procedures, with the result of the election being determined in the same manner as a regular election of Directors pursuant to these Bylaws. The Members may elect a Director or Directors at any time to fill any vacancy or vacancies not filled by the Directors.

(h) Reduction in Number of Directors. No reduction of the authorized number of Directors shall have the effect of removing any Director before that Director's term of office expires.

ARTICLE 8 Board Meetings

1. Place of Meetings.

Regular and special meetings of the Board of Directors may be held at any place within the Properties that has been designated from time to time by resolution of the Board and stated in the notice of the meeting. In the absence of such designation, regular meetings shall be held at the principal office of the Association. Notwithstanding the above provisions of this Section, a regular or special meeting of the Board may be held at any place consented to in writing by all the Board members, either before or after the meeting. If consents are given, they shall be filed with the minutes of the meeting. Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all persons attending the meeting can hear one another, and all such persons shall be deemed to be present in person at such meeting.

2. Annual Meeting of Directors.

Immediately following each Annual Meeting of Members, the Board of Directors shall hold a regular meeting for the purposes of organization, election of officers, and the transaction of other business. Notice of this meeting shall not be required.

3. Other Regular Meetings.

Other regular meetings of the Board shall be held without call at such time as shall from time to time be fixed by the Board of Directors and communicated to the Board members. Ordinarily, regular meetings shall be conducted at least monthly. However, regular meetings can be held as infrequently as every six months if the Board's business does not justify more frequent meetings and upon the approval of a majority of the Board. Further, the Board may determine that no meetings will be held during the months of July, August and September and that the Board will be "dark" during those months. Notice of the time and place of regular meetings shall be posted in a prominent place within the

Common Area, and shall be communicated to the Board members not less than 72 hours prior to the meeting; provided, however, that notice need not be given to any Board member who has signed a written waiver of notice or consent to holding the meeting as more particularly provided in these Bylaws. Notice of the time and place of the regular meetings of the Board shall be provided to the Members of the Association at least 4 days prior to the meeting by posting the notice in a prominent place in the Common Area or by mail or delivery of the notice to each Lot in the development or by newsletter or similar means of communication.

4. Special Meetings of the Board.

(a) Who May Call a Special Meeting. Special meetings of the Board of Directors may be called for any purpose at any time by the President or any 2 Directors.

(b) Notice of Special Meetings.

(i) Manner of Giving. Notice of the time and place of special meetings of the Board shall be given to each Director by one of the following methods: (A) by personal delivery of written notice; (B) by first-class mail, postage prepaid; (C) by telephone communication, either directly to the Director or to a person at the Director's home or office who would reasonably be expected to communicate such notice promptly to the Director; or (D) by telegram, charges prepaid. All such notices shall be given or sent to the Director's address or telephone number as shown on the records of the Association. Notwithstanding the foregoing, notice of a meeting need not be given to any Director who signed a written waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof as more particularly provided in these Bylaws.

(ii) Time Requirements. Notices sent by first-class mail shall be deposited in a United States mailbox at least 4 days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least 48 hours before the time set for the meeting.

(iii) Notice Contents. The notice shall state the time, place, and purpose of the meeting.

5. Attendance by Members; Common Interest Development Open Meeting Act Provisions.

(a) Meetings Generally Open to Members. With the exception of executive sessions of the Board, any Member of the Association may attend meetings of the Board of Directors, provided, however, that non-Director Members may participate in deliberations or discussions of the Board only when expressly authorized by the

Board member chairing the meeting. For purposes of the Open Meeting Act, an Open Forum will be held at the beginning of each Board meeting, wherein Members will be provided 3 minutes each in which to speak to the Board, for a total Open Forum session of no more than 15 minutes per Board meeting, unless the Board at the beginning of the Open Forum announces more time may be provided. Members may obtain a Comment Card during the meeting, and may then make comments on that card, which will be collected at the end of the meeting and reviewed by the Board members.

(b) Executive Sessions. The Board, on the affirmative vote of a majority of the Directors present at a meeting at which a quorum is present, shall be entitled to adjourn at any time for purposes of reconvening in executive session to discuss (i) litigation in which the Association is or may become a party; (ii) matters relating to the formation of contracts with third parties; (iii) Member discipline; or (iv) personnel matters. The Board shall meet in executive session if requested by a Member who may be subject to a fine, penalty, or other form of discipline and the Member who is the subject of the disciplinary proceeding shall be entitled to attend the executive session. Any matter discussed in executive session shall be generally noted in the minutes of the immediately following meeting open to the entire membership, taking into consideration the need to maintain confidentiality.

(c) Board Meeting Minutes. The minutes, proposed minutes that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board of Directors, other than minutes of an executive session, shall be available to the Members within 30 days following the meeting. The minutes, proposed minutes, or summary of the minutes shall be distributed to any Member on request and on reimbursement of the Association's costs of making that distribution. Members shall be notified in writing at the time that the pro forma budget required by these Bylaws is distributed, or at the time of any general mailing to the entire membership, of the Members' right to have copies of the minutes of any Board meeting and how and where those minutes may be obtained.

(d) Members' Right to Notice of Meetings. Unless the time and place of meeting is fixed by the Bylaws, or unless the Bylaws provide for a longer period of notice, Members shall be given notice of the time and place of Board meetings, except for emergency meetings, at least 4 days before the date of the meeting. This notice may be given by posting the notice in a prominent place or places within the Common Area, by mail or delivery of the notice to each Lot within the Properties, or by newsletter or similar means of communication. For purposes of this subparagraph, an emergency meeting of the Board means a meeting called by the President or by any 2 members of the Board under circumstances that could not have been reasonably foreseen that require immediate attention and possible action by the Board and that of necessity make it impracticable to provide prior notice to

the Members as required by the Open Meeting Act.

6. Quorum Requirements.

A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, except to adjourn as provided in these Bylaws. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, especially those provisions relating to (a) approval of contracts or transactions in which a Director has a direct or indirect material financial interest, (b) appointment of committees, and (c) indemnification of Directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors below a quorum, if any action taken is approved by at least a majority of the required quorum for that meeting, or such greater number as is required by these Bylaws, by the Articles, or by law.

7. Waiver of Notice.

Any action taken at any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting, each of the Directors not present, individually or collectively, signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. All waivers, consents, and approvals shall be filed with the Association records or made a part of the minutes of the meeting and shall have the same force and effect as a unanimous vote of the Board. The requirement of notice of a meeting shall also be deemed to have been waived by any Director who attends the meeting without protesting the lack of proper notice either before or at the inception of the meeting.

8. Adjournment.

A majority of the Directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place. If the meeting is adjourned for more than 24 hours, notice of adjournment to any other time or place shall be given prior to the time of the adjourned meeting to the Directors who are not present at the time of the adjournment. Except as provided above, notice of adjournment need not be given.

9. Action Without a Meeting.

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the

Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board and shall have the same force and effect as a unanimous vote of the Board. If prompt or immediate action of the Board is necessary and there is insufficient time to comply with the notice requirements set forth herein, reasonable efforts shall nevertheless be made to contact all Board members regarding the proposed action in advance thereof, rather than relying on notification after the fact.

10. Compensation.

Directors, officers, and members of committees shall not be entitled to compensation for their services as such, although they may be reimbursed for such actual expenses as may be determined by resolution of the Board of Directors to be just and reasonable. Expenses for which reimbursement is sought shall be supported by a proper receipt or invoice.

ARTICLE 9

Duties and Powers of the Board

1. Specific Powers.

Without prejudice to the general powers of the Board of Directors set forth in these Bylaws, the Directors shall have the power to:

(a) Exercise all powers vested in the Board under the Governing Documents and under the laws of the State of California.

(b) Appoint and remove all officers of the Association, the general manager and/or property manager of the Association, if any, and other Association employees; prescribe any powers and duties for such persons that are consistent with law, the Articles of Incorporation, and these Bylaws; and fix their compensation.

(c) Appoint such agents and employ such other employees, including attorneys and accountants, as it sees fit to assist in the operation of the Association, and to fix their duties and to establish their compensation.

(d) Adopt and establish Rules and Regulations subject to the provisions of the Declaration, governing the use of the Common Areas, the Common Facilities and parking lots within the Properties, the Fitness and Activity Center, and the personal conduct of the Members and their guests thereon, and take such steps as it deems necessary for the enforcement of such Rules and Regulations, including but not limited to the imposition of monetary penalties and/or the suspension of voting rights, the suspension of cable services and the right to use any Common Areas

or Common Facilities (including the Fitness and Activity Center); provided notice and a hearing are provided as more particularly set forth in the Declaration. Rules and Regulations adopted by the Board may contain reasonable variations and distinctions as between Members and tenants, ie., in the case of the Fitness and Activity Center.

(e) Enforce all applicable provisions of the Governing Documents relating to the control, management, and use of the Lots within the Properties and the Common Areas, Common Facilities, the Fitness and Activity Center, and the parking lots within the Properties.

(f) Contract for and pay premiums for fire, casualty, liability, and other insurance and bonds (including indemnity bonds) that may be required from time to time by the Association, and as determined by the Board of Directors.

(g) Contract for and pay for maintenance, landscaping, utilities, materials, supplies, labor, and services that may be required from time to time in relation to the Common Areas, Common Facilities, and other portions of the Properties which the Association is obligated to maintain.

(h) Pay all taxes, special assessments and other assessments, and charges that are or would become a lien on any portion of the Common Areas or Common Facilities.

(i) Contract for and pay for construction or reconstruction of any portion or portions of the Common Area, Common Facilities, or any other part of the Properties that have been damaged or destroyed and that are to be rebuilt by the Association.

(j) Delegate its duties and powers hereunder to the officers of the Association or to committees established by the Board, subject to the limitations expressed in the article entitled "Committees".

(k) Levy and collect assessments from the Members of the Association in accordance with the Declaration and establish and collect reasonable use charges for any or all of the Common Areas and/or Common Facilities, including but not limited to the Fitness and Activity Center, as the Board may deem necessary or desirable from time to time for the purpose of equitably allocating among the users the cost of maintenance and operation thereof.

(l) Perform all acts required of the Board under the Declaration.

(m) Prepare budgets and maintain a full set of books and records showing the financial condition of the affairs of the Association, in a manner consistent with generally accepted accounting principles, and at no greater than annual intervals prepare an annual financial report, a copy of which shall be delivered to

each Member as provided in these Bylaws.

(n) Appoint a nominating committee for the nomination of persons to be elected to the Board and prescribe rules under which said nominating committee is to act, as described in these Bylaws.

(o) Appoint such other committees as it deems necessary from time to time in connection with the affairs of the Association in accordance with the article entitled "Committees", including members of the architectural committee described and constituted in accordance with the Declaration.

(p) Fill vacancies on the Board of Directors or in any committee, except a vacancy created by the removal of a Board Member.

(q) Open bank accounts and borrow money on behalf of the Association and designate the signatories to such bank accounts.

(r) Bring and defend actions on behalf of more than one Member or the Association to protect the interests of the Members or the Association, as such, as long as the action is pertinent to the operations of the Association, and assess the Members for the cost of such litigation. Any disciplinary action against a Member shall be subject to the hearing and procedural requirements set forth in the Declaration.

(s) Enter Lots as necessary, subject to the notice requirements of the Declaration, in connection with construction, maintenance, or emergency repairs for the benefit of the Common Areas, Common Facilities or the Members in common.

2. Limitations on Powers.

Without the vote or written consent of a majority of the voting power of the Members, the Board of Directors shall not take any of the following actions:

(a) Enter into a contract with a third party for the furnishing of goods or services to the Common Area, Common Facilities or the Association for a term longer than 1 year. This restriction shall not apply to: (i) FHA or VA approved management contracts; (ii) public utility contracts in which the rates charged for materials or services are regulated by the Public Utilities Commission, provided that the term of the contract may not exceed the shortest term for which the supplier will contract at the regulated rate; (iii) prepaid casualty or liability insurance policies not to exceed 3 years duration, provided that the policies provide for short-rate cancellation by the insured; or (iv) agreements for cable services and equipment or satellite dish services and equipment not to exceed 5 years duration, and in accordance with the Declaration.

(b) Incur aggregate expenditures for capital improvements to the Common Areas or Common Facilities in any fiscal year in excess of 5% of the budgeted gross expenses of the Association for that fiscal year, provided, however, that this limitation shall not apply to the expenditure of any funds accumulated in a reserve fund for capital replacement or new capital improvements so long as the expenditure is for the purpose for which the fund was established.

(c) Sell during any fiscal year property of the Association having an aggregate fair market value greater than 5% of the budgeted gross expenses of the Association for that year, provided, however, that this limitation shall not apply to the sale or other disposition of improved or unimproved Lots acquired by the Association in foreclosure proceedings, or to easements or portions of Common Area as specifically provided in the Declaration or these Bylaws.

(d) Pay compensation to members of the Board of Directors or officers of the Association; provided that Directors and officers can be reimbursed for reasonable out-of-pocket expenses, verified in writing, incurred in the discharge of their duties.

(e) Fill any vacancy on the Board of Directors created by the removal of a Director.

(f) Any action to impose a special assessment or to increase the regular assessment under circumstances requiring Member approval under the Declaration.

(g) Any action to amend these Bylaws, the Articles of Incorporation or the Declaration, except for any amendments permitted by Board action alone pursuant to the Declaration.

3. Return of Association Materials.

Upon resignation, removal or expiration of the Director's terms, Directors shall return to the Association those Association materials, records, documents and property in their possession.

ARTICLE 10 Committees

1. Committees of Directors.

In addition to the nominating committee appointed and constituted pursuant to these Bylaws and the Architectural Committee appointed and constituted pursuant to the Declaration, the Board may, by resolution adopted by a majority of the Directors then in office, designate one or more committees, each consisting of 2 or more Members, and at least 1 of whom shall be a member of the Board of Directors, to serve at the pleasure of the Board. To the extent

provided in its adopting resolution, each Committee shall have and execute all the authority of the Board with respect to matters within their area of assigned responsibility, but the designation of such committees and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any individual Director, of any responsibility imposed by these Bylaws or the laws of the State of California. Except as otherwise provided in its adopting resolution, the President shall appoint the members of each such committee, and they shall be Members of the Association. Any committee member may be removed whenever those authorized to appoint such member may deem removal to be in the best interests of the Association. No committee, regardless of Board resolution, may:

(a) Take any final action on any matter that, under the California Nonprofit Mutual Benefit Corporation Law, also requires approval of the Members.

(b) Fill vacancies on the Board of Directors or on any committee that has been delegated any authority of the Board.

(c) Amend or repeal Bylaws or adopt new Bylaws.

(d) Amend or repeal any resolution of the Board of Directors that by its express terms is not so amendable or repealable.

(e) Appoint any other committees of the Board of Directors or the members of those committees.

(f) Expend Association funds to support a nominee for Director after there are more people nominated than can be elected.

(g) Approve any transaction (i) to which the Association is a party and one or more Directors have a material financial interest or (ii) between the Association and one or more of its Directors or between the Association or any person in which one or more of its Directors have a material financial interest.

2. Meetings and Actions of Committees.

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of these Bylaws, with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board of Directors and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee. Special meetings of committees may also be called by resolution of the Board of Directors. Notice of special meetings of committees shall also be given to any and all alternate members, who shall have the right to attend all meetings of the committee. Minutes shall be kept of each meeting of any committee and shall be filed with the

Association records. The Board of Directors may adopt rules not inconsistent with the provisions of these Bylaws for the governance of any committee.

3. Effect of Committee Actions.

Unless otherwise expressly provided in the Governing Documents or in the Board resolution authorizing and empowering a committee, all actions of any committee shall be considered advisory to the Board and shall be scheduled on the agenda of the Board meeting next following the committee's action or decision for affirmation, rescission, or modification, as the Board in its discretion deems appropriate.

4. Finance, Security, Grievance, and Landscaping Committees.

The Association's general manager is expected to attend the meetings of each of these committees and keep each committee informed of matters within its area of responsibility. Each committee meets at least 2 days in advance of each regularly scheduled meeting of the Board and reports the proceedings of its own meeting at such meeting of the Board. Each of these committees has the power to appoint subcommittees and study groups having such membership and operating under such rules as the committee may determine from time to time, but the committee must not thereby or in any other way, delegate authority beyond the bounds of its adopting resolution or attempt to relieve the Board or any Director of any responsibility imposed by these Bylaws or the laws of the State of California. The charges of these committees are as follows:

(a) The Finance Committee is charged with the fiscal and financial management of the Association, in close cooperation with the executive committee of the Board (if an executive committee is appointed by the Board). The President and Treasurer of the Board are Finance Committee members, and the Treasurer of the Board is the Finance Committee chairperson.

(b) The Security Committee is charged with responsibility for The Springs rules and regulations relating to the security of the persons and property of the Members of the Association and assists in establishing security procedures for the Association under the direction of the Board. The Security Committee does not supervise any of The Springs personnel or employees.

(c) The Grievances Committee is composed of at least one member of the Board of Directors. The Grievances Committee is charged with the responsibility to hear all grievances by Members of the Association and all disciplinary matters which are not resolved by the Association's general manager or which, pursuant to the Governing Documents, require a public hearing. The Grievances Committee must prepare written findings and a written ruling in

each instance and must file all such writings with the Secretary of the Association for the information of the Board. In addition, the Grievances Committee may make such recommendations from time to time to the Board or to any other committee, growing out of its deliberations, as any 2 of its members may determine. The Grievance Committee does not supervise any of The Springs personnel or employees.

(d) The Landscaping Committee is charged with the responsibility for determining policies for the color and design of the landscaping within the Common Areas and Common Facilities within The Springs. The Landscaping Committee does not supervise any of The Springs personnel or employees.

5. Return of Association Property.

Upon resignation, removal or expiration of their terms, committee members shall return to the Association those Association materials, records, documents and property in their possession.

ARTICLE 11 Officers

1. Officers.

The officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer. The Association may also have, at the discretion of the Board, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions of these Bylaws. The President and Vice President must be members of the Board of Directors, but the other officers need not be. All officers, other than those appointed as subordinate officers as discussed below, shall be Members of the Association. One person may hold 2 or more offices, except that the offices of President and Secretary shall not be held by the same person.

2. Election of Officers.

The officers of the Association, except such officers as may be appointed in accordance with the provisions noted below, shall be chosen annually by majority vote of the Board at its first regular meeting following the Annual Meeting of the Members or the election of Directors, and each shall hold his office until he shall resign or shall be removed or otherwise disqualified to serve, or his successor shall be elected and qualified.

3. Subordinate Officers.

The Board may appoint, and may empower the President to appoint, such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such

authority and perform such duties as are provided in the Bylaws and as the Board may from time to time determine.

4. Removal of Officers.

Any officer may be removed by the Board with or without cause, at any regular or special meeting. Removal of an officer from the Board does not constitute removal of a Board of Director member from the Board.

5. Resignation of Officers.

Any officer may resign at any time by giving written notice to the Board, or to the President, or to the Secretary. Any such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Association under any contract to which the officer is a party.

6. Vacancies.

A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in the Bylaws for regular appointments to such office.

7. President.

The President shall be elected by the Board from among the Directors. He shall be the Chief Executive Officer of the Association and shall, subject to the control of the Board, have general supervision, direction and control of the affairs and officers of the Association. He shall preside at all meetings of the Board, and shall have the general power and duties of management usually vested in the office of President of a corporation, together with such other powers and duties as may be prescribed by the Board or the Bylaws.

8. Vice President.

The Vice President shall be elected by the Board from among the Directors. In the absence or disability of the President, the Vice President shall perform all the duties of the President and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. He shall have such other powers and perform such other duties as from time to time may be prescribed by the Board or the Bylaws.

9. Secretary.

The Secretary shall be elected by the Board from among the

Directors. The Secretary shall keep or cause to be kept at the principal office or such other place as the Board may order, a book of minutes of all meetings of Directors and Members, with the time and place of holding same, whether regular or Special, and if Special, how authorized, the notice thereof given, the names of those Directors present at Directors' meetings, the number of Members present in person or by proxy at Members' meetings, and the proceedings thereof. The Secretary shall keep, or cause to be kept, appropriate current records showing the Members of the Association, together with their addresses. He shall give, or cause to be given, notice of all meetings of the Board required by the Bylaws or by law, and shall have such other powers and perform such other duties as may be prescribed by the Board or by the Bylaws.

10. Treasurer.

The Treasurer shall be elected by the Board from among the Directors. The Treasurer, shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily included in financial statements. The books and records shall at all reasonable times be open to inspection by any Director, subject to the provisions of these Bylaws and current statutory and case law of the State of California. The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board. He shall disburse the funds of the Association as may be ordered by the Board, shall render to the President and Directors, whenever they request it, an account of all of his transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or the Bylaws. If required by the Board, the Treasurer shall give the Association a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of his office and for restoration to the Association of all its books, papers, vouchers, money, and other property of every kind in his possession or under his control on his death, resignation, retirement, or removal from office.

ARTICLE 12

Member Assessment Obligations and Association Finances

1. Description of Assessments to Which Owners Are Subject.

Owners of Lots within the Properties are subject to Annual, Special, Reimbursement and Special Individual Assessments as described in the Declaration.

2. Checks.

All checks or demands for money and notes of the Association shall be signed by the President and Treasurer, or by such other officer or officers or such other person or persons as the Board of Directors may from time to time designate. Notwithstanding the foregoing, any withdrawal of funds from Association reserve accounts shall require the signature of 2 Directors or an officer (who is not also a Director) and a Director. All other checks will require at least 2 signatures, one of which must be the signature of a Board member.

3. Operating Account.

There shall be established and maintained a cash deposit account to be known as the "Operating Account" into which shall be deposited the operating portion of all Regular and Special Assessments as fixed and determined for all Members. Disbursements from such account shall be for the general need of the operation including, but not limited to, wages, repairs, betterments, maintenance, and other operating expenses of the Properties.

4. Other Accounts.

The Board shall maintain any other accounts it shall deem necessary to carry out its purposes, including reserve accounts for replacement of capital improvements as set forth in the Declaration. All Association books of account shall be maintained in accordance with generally accepted accounting principles.

5. Budgets and Financial Statements.

The following financial statements and related information for the Association shall be regularly prepared and copies thereof shall be distributed annually to each Member of the Association:

(a) Budget. A pro forma operating budget for each fiscal year consisting of at least the following information shall be distributed to Members not less than 45 days nor more than 60 days prior to the beginning of the fiscal year:

(i) The Association's estimated revenue and expenses on an accrual basis;

(ii) A summary of the Association's reserves based on the most recent review or study conducted under Section 6, and in accordance with Civil Code §1365.5, which must be printed in bold type and include all of the following:

(A) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component of the Properties that the Association is obligated to repair, replace,

restore, or maintain (collectively "Association Capital Projects");

(B) As of the end of the fiscal year for which the reserve study is prepared, the current estimate of the amount of cash reserves necessary for Association capital projects and the current amount of accumulated cash reserves actually set aside for Association capital projects; and

(C) The percentage of the estimated amount of necessary cash reserves calculated under subparagraph (B) that represents the amount of accumulated cash reserves;

(iii) A statement as to whether the Board of Directors has determined or anticipates that the levy of one or more Special Assessments will be required to repair, replace, or restore any major component of the Properties for which the Association is responsible, or to provide adequate reserves therefor; and

(iv) A general statement setting forth the procedures used by the Board of Directors in calculating and establishing reserves to defray the future costs of repair, replacement, or additions to those major components of the Properties for which the Association is responsible.

In lieu of distributing the complete pro forma operating budget as specified above, the Board of Directors may elect to distribute a summary of the budget to the Members (within the time limits provided above), together with a notice that the complete budget is available at the Association's principal office and that copies will be furnished, upon request, to any Member at the Association's expense. If a Member requests a copy of the complete budget, the Association shall mail the material, via first-class mail, within 5 days. The notice required hereunder shall be presented on the front page of the summary of the budget in at least 10-point bold type.

(b) Year-End Report. Within 120 days after the close of the fiscal year, a copy of the Association's year-end report consisting of at least the following shall be distributed to Members:

(i) A balance sheet as of the end of the fiscal year;

(ii) An operating (income) statement for the fiscal year;

(iii) A statement of changes in financial position for the fiscal year;

(iv) A statement advising Members of the place where the names and addresses of the current Members are located; and

(v) Any information required to be reported under Corporations

Code Section 8322 requiring the disclosure of certain transactions in excess of \$50,000 per year between the Association and any Director or officer of the Association and indemnifications and advances to officers or Directors in excess of \$10,000 per year.

A review of the financial statement of the Association shall be prepared in accordance with generally accepted accounting principles by a licensee of the State Board of Accountancy for any fiscal year in which the gross income of the Association exceeds \$75,000. If the annual report is not prepared by such a licensee, it shall be accompanied by the certificate of an authorized officer of the Association that the statement was prepared without an audit from the books and records of the Association.

(c) Annual Statement Regarding Delinquency/Foreclosure Policy. In addition to financial statements, the Board of Directors shall annually distribute within 60 days prior to the beginning of the fiscal year, a statement describing the Association's policies and practices in enforcing its remedies against Members for default in the payment of Regular and Special Assessments including the recording and foreclosing of liens against Members' Lots.

(d) Review of Accounts. On no less than a quarterly basis, the Board of Directors shall:

(i) Review a current reconciliation of the Association's operating accounts;

(ii) Review a current reconciliation of the Association's reserve accounts;

(iii) Review the current year's actual reserve revenues and expenses compared to the current year's budget;

(iv) Review the Association's latest account statements prepared by the financial institution(s) with whom the operating and reserve accounts are lodged; and

(v) Review the Association's income and expense statement for the operating and reserve accounts.

To the extent one document provides the information required in more than one of the above listed items, any such requirements listed above may be satisfied by reviewing the same document.

6. Required Reserve Studies.

At least once every 3 years, the Board must have a study of the reserve account requirements of the Association conducted if the current replacement value of the major components that the Association is obligated to repair, replace, restore, or maintain is equal to or greater than $\frac{1}{2}$ of the gross budget of the

Association for any fiscal year. The Board shall also review any reserve study required under this Section on an annual basis and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review. The reserve study required under this Section shall include the minimum requirements of Civil Code §1365.5 or comparable superseding statute.

7. Notification to Members of Insurance Coverage Maintained by Association.

Scope of Required Summary Disclosures. In accordance with Civil Code Section 1365 and at the times specified in subparagraph (c), the Association shall prepare and distribute to its Members a summary of the property and general liability and fidelity insurance policies maintained by the Association. In addition, if the Association also maintains a policy of earthquake or flood insurance, a summary of that insurance shall also be provided to the Members. As to all these types of insurance coverage, the disclosure shall include the name of the insurer, the policy limits of the insurance and the amount of deductibles, if any.

(a) **Use of Policy Declaration Page to Comply With Summary Disclosure Requirements.** In the case of all these types of insurance, the Association's disclosure obligations may be satisfied by distributing to the Members a copy of the policy declaration page, if that page presents the information specified above.

(b) **Times When Insurance Summaries Must Be Provided.** The summary information required by this section shall be provided to each Member of the Association at the following times:

(i) With the first newsletter, annual budget or financial disclosure, or other general mailing to all Members by the Association next following the adoption of these Bylaws; and

(ii) With the newsletter, annual budget or financial disclosure, or other general mailing to all Members by the Association next following any renewal or replacement of one or more of the insurance policies listed in subparagraph (a), when there is no lapse of coverage in connection with the renewal or replacement.

(c) **Notification of Cancellation.** In addition to distributing the insurance summaries described in subparagraph (a), as soon as reasonably practicable following any cancellation of a policy listed in subparagraph (a), the Association shall notify its Members of that event, unless the canceled policy is replaced immediately.

(d) **Manner of Delivery of Insurance Summaries and Cancellation Notices.** Any insurance summary or summaries provided in response

to the events described in subparagraphs (c)(i) and (c)(ii) may be mailed or personally delivered to each Member. If the summaries are mailed, the class of postage used shall be the same as is customarily used to mail the newsletter or other general communication in which the summaries are included. Any notice sent to the Members to advise them of the cancellation and nonrenewal of an insurance policy must be sent by first class mail to each Member. All mailings shall be to the Members at their respective addresses as shown in the books and records of the Association. To the extent one document provides the information required in more than one of the foregoing sections of this article, any such requirements listed above may be satisfied by sending the Members the same document.

ARTICLE 13

Other Required Disclosure to Members

As required by law, the following reports and/or disclosures shall be made or provided to the Members in compliance with the deadlines set forth below:

1. Annual Statement of Association's Collection Policy.

In addition to the budgets and financial statements described in these Bylaws, the Board of Directors shall annually distribute within 60 days immediately preceding the beginning of the fiscal year a statement describing the Association's policies and practices in enforcing its remedies against Members for default in the payment of Regular and Special Assessments, including the recording and foreclosing of liens against Members' Lots, and in accordance with Civil Code Section 1365.1, or any later amendments. The notice required pursuant to Civil Code Section 1365.1, effective 1/1/2003, shall be printed in at least 12-point type, and shall read as follows:

"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 NONJUDICIAL FORECLOSURE

The failure to pay association assessments may result in the loss of an owner's property without court action, often referred to as nonjudicial foreclosure. When using 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 lien is not paid. Assessments become delinquent 15 days after they are due, unless the governing documents of the association provide for a longer time. (Sections 1366 and 1367.1 of the Civil Code)

In a nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged by a member or a member's guests, if the governing documents provide for this. (Sections 1366 and 1367.1 of the Civil Code)

The association must comply with the requirements of Section 1367.1 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 1367.1 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. Among these documents, the association must send 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 1367.1 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 1367.1 of the Civil Code)

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

PAYMENTS

When an owner makes a payment, he or she may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Sections 1367.1 and 1367.1 of the Civil Code)

An owner may dispute an assessment debt by giving the board of the association a written explanation, and the board must respond within 15 days if certain conditions are met. An owner may pay

assessments that are in dispute in full under protest, and then request alternative dispute resolution. (Sections 1366.3 and 1367.1 of the Civil Code)

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 1367.1 of the Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exist. (Section 1367.1 of the Civil Code)

The board of directors must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 1367.1 of the Civil Code)

2. Notification to Members Regarding Insurance Coverage Maintained by the Association.

(a) **Scope of Required Summary Disclosures.** In accordance with California Civil Code Section 1365(e), within 60 days preceding the beginning of the Association's fiscal year, the Association shall distribute to its Members a summary of the Association's property, general liability, fidelity insurance, and earthquake and flood insurance (if any) containing the information described in Article 12.

In addition, the summary shall include the following statement in at least 10-point boldface type: "This summary of the Association's policies of insurance provides only certain information, as required by Section 1365(e) of the California 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 to the Association, 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 Lot, or personal injuries or other losses that occur within or around your Lot. Even if a loss is covered by the Association's insurance, 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