

Lake Forest II Master Homeowners Association COLLECTION POLICY

Association's Designated Recipient – Civil Code §§5310(a)(1),4035

Official communications for the Association should be delivered to Alisa Woolsey, General Manager at 24752 Toledo Way, Lake Forest, CA 92630.

Right of Notice to Two Addresses - Civil Code §§5310(a)(2),4040(b)

Upon receipt of a written request by an owner identifying a secondary address for purposes of collection notices, the Association shall send additional copies of any notices required by 5310 of the California Civil Code 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 that 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 requested secondary address from the point that the Association receives the request.

General Notice Location - Civil Code §§5310(a)(3),4045(a)(3)

The Association has designated the message board located outside the front doors of the clubhouse located at 24752 Toledo Way, Lake Forest, CA 92630, as its prominent location for any general notice posting.

Right to Receive General Notice by Individual Delivery - Civil Code §§5310(a)(4),4045(b)

Upon receipt of a written request a member has the right to receive general notices by individual delivery.

Right to Receive Copies of Board Meeting Minutes - Civil Code §§5310(a)(5),4950(b)

All members have the right to copies of the minutes of the meetings of the Board of Directors, except those matters allowed by statute to be discussed in Executive Session (Personnel Matters, Litigation Matters, Collection Matters, and Matters relating to the formation of Contracts with third parties). A summary of the minutes is available within 30 days of the meeting at the Association Offices during regular business hours. A complete set is available *for a per copy cost* after the minutes have been approved by the Board of Directors.

Notice of Document Request Costs – Civil Code §5205(c)(4)

The Association may bill the requesting member for the direct and actual cost of copying and mailing requested documents. The Association must inform the member of the amount of the copying and mailing costs, and the member must agree to pay those costs, before the Association copies and sends the requested documents.

Notice of Assessment Default Enforcement Policy - Civil Code §§5310(a)(7)

Regularly Monthly, Reimbursement and Special Assessments are due and payable in full on the first of each month. Payments are due and payable on the first day of each month and become subject to late payment penalty (described below) if not received by the twentieth day of the month. All other charges, including but not limited to, late fees, interest, reasonable collection costs and fines are due as incurred. All Regular Monthly, Reimbursement and Special Assessments, late fees, interest and reasonable collection costs are subject to this section of the Collection Policy.

Payments received will be automatically applied in the following order: unpaid principal including Regular Monthly, Reimbursement and Special Assessments levied in accordance with the Declaration and Civil Code, cost of collection, including attorney's fees, late fees, interest and CC&R violations. An owner is entitled to inspect Association accounting records to verify the amounts owed pursuant to Corporations Code Section 8333.

Notice of Overnight Payment Mailing Address - Civil Code §§5310(a)(11)5655

The mailing address for overnight payment of assessments is: Lake Forest II MHOA, 24752 Toledo Way, Lake Forest, CA 92630.

Owners may request a meeting with the Board of Directors of the Association to discuss the delinquent account and/or request a payment plan at any time during the collection process. Please note the Board of Directors has the authority to suspend privileges, if the Association account is not kept in a good standing.

The following action will be taken to collect delinquent Regular Monthly, Reimbursement and Special Assessments.

1. Approximately *twenty days* after the due date a late fee (\$10) is assessed on each past due regular monthly, reimbursement and special assessment.
2. Approximately *thirty days* after due date management sends a past due statement for all outstanding charges on account (assessments, late fees, interest, collection costs). Currently the charge for this is fifteen dollars (\$15).
- 3a. Approximately *sixty to seventy days* after the due date, an 'Intent to Lien' and 'Demand for Payment' letter is sent to the Owners by certified mail. Charges incurred will be levied against the delinquent account.
- 4a. Approximately *one hundred days* after the due date, a Notice of Delinquent Assessment Lien will be filed against the delinquent property. Charges incurred will be levied against the delinquent account.
- 4b. Copy of recorded document will be sent to Owners of record by certified mail in accordance with Civil Code.
5. Upon receipt of payment in full, a Release of Lien will be prepared and recorded. Copies will be sent to all Owners of record. Charges incurred will be levied against the delinquent account.
6. For delinquent assessments in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, upon authorization of the Board, a Notice of Intent to Foreclose may be sent to Owner. Charges incurred will be levied against the delinquent account. Copies will be sent to all Owners of record.
7. Approximately *thirty days* after the due date, interest may be charged on regular monthly, reimbursement and special assessments, late fees, interest and collection fees at the rate of 10% per annum, pursuant to the Civil Code.
8. Copies of documents to all Owners of record in accordance with the Civil Code: a) One copy only – no charge b) Handling fee for additional copies - to be determined.
9. Returned payments for any reason will result in a twenty-five dollar (\$25) charge per occurrence.

NOTE: A collection agency may be utilized at any stage of the collection process. All fees may be subject to change.

Dispute Resolution Procedure Summary – Civil Code §§5310(a)(9), 5920, 5965

Notice of statutory right of Alternative Dispute Resolution (“ADR”)

The California Civil Code provides for the resolution of disputes regarding nonpayment of assessments through ADR or IDR as set forth in the California Civil Code (Section 5685(b) and Section 5900).

You have the right to dispute the assessment debt by submitting a written request for dispute resolution to the Association pursuant to the Association’s “meet and confer” program required in Civil Code Section 5900. You have the right to request alternative dispute resolution with a neutral third party pursuant to Civil Code Section 5925 before the Association may initiate foreclosure against your separate interest, except that binding arbitration shall not be available if the Association intends to initiate a judicial foreclosure.

Alternative Dispute Resolution Disclosure

The California Civil Code requires an “Alternative Dispute Resolution” procedure to be followed by Homeowners Associations and their Members, if and when a dispute arises between them concerning the Declarations, the Bylaws or the Rules and Regulations.

Certain disputes between Owners and the Association relating to enforcement of the Lake Forest II Declaration, its Bylaws or Rules and Regulations must first be offered to be submitted to the Alternative Dispute Resolution Process (“ADR”), if certain criteria are met. Specifically, claims solely for declaratory or injunctive relief, or for declaratory or injunctive relief in conjunction with a claim for damages not exceeding \$5,000.00, except Association assessments, must first be offered to be submitted to “ADR”. Alternative Dispute Resolution is also not required if the statute of limitations for commencing the action would run within one hundred and twenty (120) days.

If either party to the dispute does not offer “ADR” to the other party, they may not be able to file and maintain a lawsuit regarding the dispute. The exceptions to this rule, as well as the specific procedures to be followed are set forth in the Civil Code. We are required by the statute to tell you that:

“Failure by any member of the Association to comply with the alternative dispute resolution requirements of Civil Code 5930 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 process may be initiated by serving on the other party a “Request for Resolution” form, copies of which are available at the Lake Forest II office, as are copies of Civil Code Section 5925 itself. The request must include (i) a brief description of the dispute, (ii) a request for ADR, (iii) a notice that a response must be received within thirty (30) days or it will be deemed rejected, and (iv) a copy of the Civil Code Sections 5925 to 5965.

Internal Dispute Resolution Disclosure

The California Civil Code Section 5920, requires that a description of the Association’s Internal Dispute Resolution policy be disclosed to its members on an annual basis. The following Internal Dispute Resolution (IDR) Policy was adopted by the Board of Directors on December 7, 2005.

Pursuant to Civil Code 5905, the purpose of the Internal Dispute Resolution (IDR) Policy is to provide a fair, reasonable and expeditious procedure for resolving a dispute between the Association and a Member involving the parties’ rights, duties, or liabilities under the Davis-Stirling Common Interest Development Act, Civil Code 4000, under the Nonprofit Mutual Benefit Corporations Law contained in Part 3 (commencing with Section 7110) of Division 2 of Title 1 of the Corporations Code, or under the governing documents of the Association.

1. The Internal Dispute Resolution (IDR) process may be begun by either the Association or the Member (the “requesting party”) requesting the same in writing, and serving the other party (the “responding party”) with a copy of the written request by certified mail. If the process is invoked by a Member, the

Association shall participate. If the process is invoked by the Association, the Member may elect not to participate in the procedure. Should the Member elect not to participate in the procedure, however, the Member shall thereby waive any right to appeal or ask the Board of Directors to reconsider any decision it may make regarding the dispute.

2. Within forty-five (45) days following the receipt of the written request for IDR by the responding party, the Board shall inform the Member in writing, by certified mail, of the representative or representatives it has designated to represent the Association in the process, and of a proposed date, time and place for the Association's designated representative(s) and the Member to meet and confer in an attempt to resolve the dispute. The parties shall schedule and conduct the meet and confer within sixty (60) days following the responding party's receipt of the written request for IDR. At the Member's request, as an

Internal Dispute Resolution Disclosure - continued

alternative to a meet and confer, the parties may mediate their dispute through the Mediation Committee of the Orange County chapter of the Community Associations Institute (CAI), if such mediation may be scheduled to occur within sixty (60) days following the responding party's receipt of the written request for IDR, or if both parties agree to extend the time to complete mediation in the event that the Mediation Committee is unable to schedule a mediation within sixty (60) days. The Member shall not be charged a fee to participate in such as mediation; any fees shall be paid by the Association.

3. The parties are encouraged not to involve their attorneys in the IDR process, so that the parties may feel free to engage in direct and informal discussion. Should the Member decide to bring his/her/its attorney to the meet and confer or mediation, the Member shall give the Association ten (10) business days' written notice of the same by fax, overnight mail or overnight delivery, so that the Association can arrange to have its attorney attend as well.
4. Whether the parties meet and confer or mediate their dispute, they shall each have the opportunity to state and explain their positions regarding the issue or matter in dispute. If during the meet and confer or mediation the Member and the Board's representative(s) reach an agreement in principal regarding the manner in which the dispute may be resolved, they shall put the agreement in writing and the Member shall sign it. At the next regularly scheduled meeting following the meet and confer or mediation, the Board of Directors should consider the agreement and, if it is approved by a majority vote of a quorum of the Board, the President or Vice President of the Board shall sign the agreement, at which time the agreement shall become binding upon the Association and the Member. The agreement shall only become binding upon the parties if such action is taken by the Board of Directors. Should the Board of Directors decide to become bound by, and therefore sign, the agreement, a copy of the signed agreement shall be returned to the Member within fifteen (15) days following the Board's execution of the agreement, and the original of the agreement shall be maintained in the Association's business records.
5. If the parties do not reach tentative agreement at the meet and confer or mediation, the Board of Directors shall send its written decision regarding the issue or matter in dispute to the Member by certified mail, within fifteen (15) days following the next regularly scheduled meeting of the Board of Directors following the meet and confer or mediation. If the Member participates in the meet and confer or mediation but the dispute is resolved by decision of the Board of Directors rather than by agreement of the parties, the Member may appeal to the Board to reconsider its decision by submitting written request for the same to the Board of Directors, by certifies mail, within fifteen (15) days of the Member's receipt of the Board's written decision. If the Association requested IDR and the Member refused to participate in the process, the Board of Director's decision shall be final and not subject to reconsideration or appeal.