

2026
HAMILTON COVE HOMEOWNERS ASSOCIATION
ANNUAL BUDGET REPORT AND POLICY STATEMENT

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PRO FORMA OPERATING BUDGET
2026

BUDGET	2026
Monthly Assessment - Class I	\$1,925
Monthly Assessment - Class III	\$1,300
CLASS I	\$4,273,500
CLASS III	\$140,400
Total Assessment	\$4,413,900
Earthquake Ins Assessment	TBD
Preferred Mooring Fees	\$41,100
Vending Machines	\$3,000
Full size vehicle parking fee	\$11,520
Second Cart Parking fee	\$12,960
Rack Storage Fee	\$1,680
Boat Storage Fee	\$12,000
Verizon Lease	\$22,740
TOTAL INCOME	\$4,518,900

Auto Expense	\$15,000	0.33%
Bank Charges	\$2,300	0.05%
Computer Support	\$500	0.01%
Dues and Subscriptions	\$1,000	0.02%
Freight	\$2,300	0.05%
Functions And Meetings	\$2,500	0.06%
Golf Course etc. supplies	\$500	0.01%
Earthquake and Flood Ins	TBD	
Insurance, general	\$1,600,000	35.41%
Insurance, group health	\$152,250	3.37%
Insurance, workers comp.	\$75,000	1.66%
Janitorial Supplies	\$12,000	0.27%
Internet Site	\$4,000	0.09%
Landscaping/Groundskeeping	\$20,000	0.44%
Accounting	\$16,000	0.35%
Legal and Professional	\$50,000	1.11%
Mooring Fees	\$90,000	1.99%
Office	\$10,000	0.22%
Pest Control	\$5,000	0.11%
Pier and Dock	\$65,000	1.44%
Postage	\$3,500	0.08%
Reproduction and copying	\$9,000	0.20%
Repairs and Maintenance	\$100,000	2.21%
Fire Alarm System	\$40,000	0.89%
Supplies	\$50,000	1.11%
Licences and Permits	\$1,500	0.03%
Payroll Taxes	\$150,000	3.32%
Payroll	\$1,107,086	24.50%
Property Taxes	\$13,500	0.30%
State Taxes	\$3,000	0.07%
Telephone	\$10,000	0.22%

Uniforms	\$4,500	0.10%
Utilities	\$470,000	10.40%
Transfer to Reserves	\$430,000	9.52%
Provision Fed Tax	\$3,464	0.08%
TOTAL EXPENSES	\$4,518,900	100.00%
NET INCOME	\$0	

RESERVE SUMMARY, RESERVE FUNDING PLAN, RESERVE FUNDING MECHANISM AND PROCEDURES FOR CALCULATING RESERVES

Section 5570 (b)(2) of the Civil Code permits an association to disregard reserving for “major components with an estimated life of more than 30 years...so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary. **The Association does not reserve for replacement of the buildings, the fresh water system, the salt water system, the sewer system and the roads having determined that they have an estimated life of more than 30 years.** In certain instances, funds to maintain aspects of these major components are reserved for. Otherwise, funds to maintain these major components are included in the Operating Budget.

As of 9/30/2025 the Association’s Reserves were \$904,124. The 2026 Budget provides that \$430,000 will be added to the Reserves during the year.

The Membership Disclosure Summary follows:

Hamilton Cove Homeowners Association
Assessment and Reserve Funding Disclosure Summary
For the fiscal year ending December 31, 2026
 (“Disclosure Summary”)

FULL REPORT AVAILABLE ON ASSOCIATION WEBSITE

The notes at the end of this Disclosure Summary should be read in conjunction with the information provided.

(1) The regular assessment for the 2026 fiscal year per ownership interest is \$1925 per month.

(2) Based upon the most recent reserve study, dated August 8, 2023, and other information available to the Board of Directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Yes No

(3) If the answer to #3 is "no," what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not been approved by the Board or the members?

Approximate date assessment will be due: Amount per ownership interest per month or year:

N.A.

(4) All major components are included in the reserve study and are included in its calculations. However, the following major assets are excluded from the reserve study calculations for the following reasons:

Major asset: Reason this major asset was not included:

Painting* Covered by operating budget

Railing – Wood Deck* Covered by operating budget

Lighting* Covered by operating budget

Various Beach Area Components* Covered by operating budget

Various Clubhouse Components* Covered by operating budget

Various Pool Area Components* Covered by operating budget

Various Tennis Area Components* Covered by operating budget

Various Bldg 10 Components* Covered by operating budget

Decks – Sealing/Recoating* Covered by operating budget

Golf Course Stream Pump* Covered by operating budget

Irrigation Controllers* Covered by operating budget

Guardhouse* Covered by operating budget

Sewer lift station* Association to determine funding

* See full reserve study for detailed list of "unfunded" components

(5) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is **\$2,185,091** based in whole or in part on the last reserve study or update prepared by Advanced Reserve Solutions, Inc. as of January 01, 2024. The projected reserve fund cash balance at the end of the current fiscal year is **\$995,000** resulting in reserves being **46%** funded at this date. The current deficiency in the reserve fund represents **\$6,433** per ownership interest.

(5) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the Civil Code, a reserve funding plan has been developed – see

the attached projections. The assumed long-term before-tax interest rate earned on reserve funds is **1.5%** per year and the assumed long-term inflation rate applied to major component repair and replacement costs is **2.50%** per year. Full reserve study available upon request.

NOTES:

(A) The financial representations set forth in this summary are based on the best estimates of the preparer and the Board at that time. The estimates are subject to change.

(B) For the purposes of understanding this Disclosure Summary: (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 the 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. (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. (5) Based on reserve studies or the occurrence of one or more unanticipated events, the Board could increase regular assessments and/or levy special assessments, consistent with the provisions of the CC&Rs and applicable law, to fund additional reserves as it deems necessary. For example, the information contained in this Disclosure Summary includes (i) estimates of replacement value and life expectancies of the components and (ii) assumptions regarding future events. Estimates are projections of a future event based on information currently available and are not necessarily indicative of the actual future outcome. The longer the time period between the estimate and the estimated event, the more likely the possibility of error and/or discrepancy. For example, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the preparation of this Disclosure Summary. Therefore, the actual replacement cost and remaining life may vary from this report and summary, and the variation may be significant. Additionally, inflation and other economic events may impact this report and summary, particularly over an extended summary, of time (such as thirty (30) years) and those events could have a significant and negative impact on the accuracy of this Disclosure Summary and, further, the funds available to meet the association's obligation for repair and/or replacement of major

components during their estimated useful life.

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Hamilton Cove Homeowners Association

Executive Summary

Directed Cash Flow Method

Account Number 4007

Version Number 1

Analysis Date 8/8/2023

Fiscal Year 1/1/2024 to 12/31/2024

Number of Units 185

Client Information Global Parameters

Inflation Rate 2.50%

Annual Contribution Increase 2.50%

Investment Rate 1.50%

Taxes on Investments 30.00%

Contingency 5.00%

\$365,000 \$30,416.67

Total Contribution **\$371,948 \$30,995.68**

Interest Contribution **\$6,948 \$579.01**

\$164.41

\$3.13

\$167.54

Member Contribution

Funding for the 2024 Fiscal Year

Per Unit

For budgeting purposes, we have used the following dates for aging the original components throughout these areas of the community:

Phase 1, Clubhouse, Pool Area.....January 1985

Phase 2-3.....January 1988

Phase 4.....January 1991

Guardhouse, Beach Area, Tennis, Croquet.....January 1990

Based on the size and nature of several of the components included in this analysis, the association has determined to maintain these items using its operating and or reserve contingency funds. These items have been included in this analysis for inventory purposes, however funding for these components has been excluded at this time. Should the association determine to resume reserve funding to any of these components, this analysis may be revised. ARS visual inspections: July 17, 2023, October 5, 2020, September 28, 2017, October 30, 2014, April 7, 2011, September 10, 2007, May 26, 2004; April 10, 2001; October 13, 1999 & November 6, 1997

Community Profile

Annual Monthly Per Month

Adequacy of Reserves as of January 1, 2026

Anticipated Reserve Balance **\$995,000.00**

Fully Funded Reserve Balance **\$2,185,091.00**

Percent Funded **46%**

8.8.2023

Hamilton Cove Homeowners Association

Membership Disclosure Summary

Sorted by Category

Major Reserve Components

Current Cost

Assigned Reserves

Remaining Life Range

Useful Life Range

010 Streets	\$463,168	\$29,569	2-6	4-20	
020 Roofs	\$36,094	\$44,754	1	16	
030 Painting	\$95,480	\$95,480	0	4	
040 Fencing	\$158,145	\$1,040	1-3	12-35	
050 Lighting	\$0	\$0	n.a.	n.a.	
060 Recreation	\$1,065,418	\$399,824	0-17	3-30	
070 Surveillance	\$35,000	\$0	10	12	
095 Building	10	\$13,459	\$13,095	1	30
100 Decks	\$72,600	\$72,600	0	2	
105 Equipment	\$379,850	\$90,400	0-25	1-30	
130 Irrigation/Motors	\$312,980	\$138,261	0-16	2-30	
140 Grounds	\$63,500	\$63,500	0	3-25	
150 Termite Control	\$560,000	\$0	3	15	
Contingency	n.a.	\$47,426	n.a.	n.a.	
Total	\$3,255,694	\$995,949	0-25	1-35	

8.8.2023(

ASSOCIATION INSURANCE

SEE ATACHMENT 1

ANNUAL POLICY STATEMENT INDEX

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- 7. Lien Policy.**
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- 9. Dispute Resolution Procedures**
- 10. Architectural Rules**
- 11. Overnight Payments**
- 12. FHA and VA Statement**

DESIGNATED RECIPIENT

The following person is the designated recipient of documents required by law to be delivered to the Association:

Norris J. Bishton, Jr.
President
Hamilton Cove Homeowners Association
PO BOX 1573
Avalon, CA 90704
310 510 9500

INDIVIDUAL DELIVERY OF NOTICES AND THE RIGHT TO NOTICE TWO ADDRESSES

When a law requires that a document be delivered by “individual delivery” or “individual notice” it will be delivered as follows:

(1) First-class mail, postage prepaid, registered or certified mail, express mail, or overnight delivery by an express service carrier. The document shall be addressed to the recipient at the address last shown on the books of the Association.

(2) E-mail, facsimile, or other electronic means, if the recipient has consented, in writing, to that method of delivery. The consent may be revoked, in writing, by the recipient.

(3) Upon receipt of a request by an Owner pursuant to Civil Code Section 5260, identifying a secondary address for delivery of notices of the following types, the Association shall deliver an additional copy of those notices to the secondary address identified in the request:

(1) The documents to be delivered to the member pursuant to Civil Code Article 7 (commencing with Section 5300) of Chapter 6.

(2) The documents to be delivered to the member pursuant to Civil Code Article 2 (commencing with Section 5650) of Chapter 8, and Section 5710.

GENERAL NOTICE DELIVERY

When a law requires that a document be delivered by “general delivery” or “general notice” it will be delivered as follows:

(1) Any method provided for delivery of an individual notice pursuant to Civil Code Section 4040.

(2) Inclusion in a billing statement, newsletter, or other document that is delivered by one of the methods provided in this section.

(3) Posting the printed document on the bulletin board in the Club House outside the Association Office and on the bulletin Board at the Entry Gate.

(4) Posting the notice on the association's internet website, **hchoacatalina.org**, in a prominent location that is accessible to all members.

(5) If an Owner requests to receive general notices by individual delivery, all general notices to that Owner shall be delivered pursuant to Civil Code Section 4040.

RIGHT TO INDIVIDUAL DELIVERY

When a law requires that a document be delivered by "general delivery" or "general notice" an Owner may request that it be delivered pursuant to Civil Code 4040. (See Individual Delivery of Notices above.)

RIGHT TO MINUTES

The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any board meeting, other than an executive session, shall be available to Owners within 30 days of the meeting.

Minutes are available on the Association's web site www.hchoacatalina.org.

COLLECTION POLICY

The effective and prompt collection of assessments is critical to the running of our Association. Our policy must therefore encourage the consistent, prompt payment of the monthly assessments. The policy must be designed to preclude the infrequent mistake from being classified with the perennial procrastinator. With this in mind, the Board has adopted the following collection policy:

Monthly assessments are due on the 1st of the month, not the 15th of the month and are considered paid on the date the check is received by the Association, provided the check is honored by the bank. In the case of a dishonored check, there will be a \$20 returned check charge assessed to the owner and the date of payment, for purposes of assessing late charges, will be the date the check is honored by the bank, NOT the date of original submission or re-submission. Special assessments are due according to the terms of the special assessments.

Assessments are delinquent thirty (30) days after they are due, and late charges pursuant to the following schedule of penalties and interest will be applied to the account in accordance with the Association's CC&R's and Civil Code:

- 10% Penalty will be added to each delinquent payment
- Delinquent payments will bear interest at an annual rate of 12% from the date the payment became due until paid.

With regard to any payment more than 90 days delinquent the Board may proceed with collection efforts including liens and foreclosure in accordance with Section 5.09 of the Restated CC&Rs and applicable provisions of law. Owners will be given notice and an opportunity to be heard by the Board before commencement of permitted collection efforts.

The board sincerely hopes that they will never be forced to pursue the remedies covered herein. However, it is the Board's OBLIGATION to protect ALL homeowners from the diminution of asset values which accompanies the failure of homeowners to pay their monthly assessments in a prompt and consistent manner. We appreciate your anticipated cooperation and understanding regarding the critical importance of this assessment collection policy.

NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of Owners and the Association. Please refer to the sections of the Civil Code indicated for further information. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

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

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

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

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

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

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

PAYMENTS

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

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

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

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

MEETINGS AND PAYMENT PLANS

An Owner 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 5665 of the Civil Code)

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

LIEN POLICY

The Association is willing to work with Owner's who become delinquent and who are making a good faith effort to resolve his or her delinquency. If the Board determines that it is necessary to do so to protect the Association's interests, it may cause the Association to lien a Unit in accordance with applicable law. If the Unit is subject to a sublease, the Board may cause the Association to terminate the sublease unless the default is cured.

RULES ENFORCEMENT POLICY

The Association has adopted Rules and Regulations (the "Rules") which are amended from time to time by the Board. The current Rules can be found on the Association's web site, www.hchoacatalina.org, under the Governing Documents Tab or a copy may be obtained by contacting the Association's Office, 310 510 9500 or hamiltoncoveassoc@sbcglobal.net. The Rules are enforced as follows:

1. Any alleged violations of these rules must be reported in writing and either E Mailed (hamiltoncoveassoc@sbcglobal.net) or mailed to the Association:

Hamilton Cove Homeowners' Association
P. O. Box 1573
Avalon, CA 90704

The report shall indicate the date, time, location, person/persons responsible for the alleged violation, and the nature of the alleged violation.

Alleged violations may also be reported to the Association's office, which shall record the alleged violation and advise the Board of Directors.

For violations that must be dealt with immediately, please call the Guard Gate.

Behavior that is in violation of City, State or Federal laws or regulations shall be reported to the Sheriff Department.

2. When an employee of the Association, an Owner or other person reports an alleged violation of the Rules to the Association, a letter shall be sent to the Owner of the Unit involved, advising the Owner of the alleged violation and requesting voluntary compliance in the future. If the violation was by a Short Term Renter, a copy of the letter shall be sent to the Approved Rental Agency.

3. If the Board of Directors determines that the nature of the alleged violation requires a hearing, or if the alleged violation continues after a letter is sent to the Owner, the following procedure shall be followed:

(a) Notice shall be sent by prepaid, first class mail to the most recent address of the Owner as shown on the Association's records, or to the E Mail address provided to the Association by the Owner setting forth the alleged violation and the proposed monetary penalty established by the Board of Directors. Such notice shall be sent as least fifteen (15) days before the proposed effective date of the penalty.

(b) The Owner being penalized shall be given an opportunity to be heard by the Board of Directors, either orally or in writing, at a hearing to be held not fewer than five (5) days before the effective date of the proposed penalty. The Notice to the Owner of the proposed penalty shall state the date, time and place of the hearing, and the amount of the proposed penalty. The Owner must respond to the notice within five (5) days, in writing, of his/her intention to attend such a noticed hearing.

(c) At the hearing, the Board of Directors shall decide whether or not the Owner shall, in fact, be penalized and the amount of the penalty. The decision of the Board of Directors shall be final and binding upon the Owner.

(d) Fines and legal fees shall be assessed and invoiced to the Owner and are due and payable immediately. Fines and legal fees which are not paid may result in liens being filed against the property and may also result in a judicial foreclosure if the liens are not cleared.

(e) The Board shall notify any Owner initiating a complaint of the Board's action.

Predetermined Fines

To the extent the Rules provide for Predetermined Fines, such fines shall first be noticed in writing or by E Mail to the Owner involved **after such notice is approved by a majority of the Board in Executive Session**. An Owner noticed of a Predetermined Fine may oppose the fine to the Board by a letter or e mail to the Association in accordance with the Notice Procedure within 30 days of being informed of the fine. At

the Board Meeting following the expiration of the 30 day period, all opposed fines shall be reviewed in Executive Session. An Owner opposing a fine shall be given an opportunity to be heard by the Board in writing, submitted before the Executive Session. If an Owner wishes to be heard by phone, arrangements shall be made with the Association Office before the Board Meeting by providing a telephone number the Board can call during the Executive Session. The Board shall decide whether or not the Owner shall, in fact, be fined. The decision of the Board shall be final and binding upon the Owner. All unopposed fines and fines approved after being opposed shall be invoiced to the Owner involved. If an Owner fails to pay duly assessed fines, the Board may apply non-monetary penalties such as suspension of Common Area privileges or the right to engage in Short Term Renting.

Repeat Offenses

If an offense for which there is a Predetermined Fine is repeated the fine shall be multiplied by the number of times the offense occurs in any running 12-month period.

Schedule of Penalties/Non-Predetermined Fines

An Offense is a violation of the Rules during a calendar day. For example, blocking a common balcony after being instructed to remove the blockage would constitute an offense for each day the blockage is not removed.

- A. First Offense: \$100 and reimbursement of legal fees incurred by the Association, if any;
- B. Second Offense: Fines up to \$1,000 or non-monetary penalties such as suspension of Common Area privileges or the right to engage in Short Term Renting, at the discretion of the Board, based on the severity of the offense, plus reimbursement of any legal fees;
- C. Additional Offenses: Fines up to \$5,000 or non-monetary penalties such as suspension of Common Area privileges or the right to engage in Short Term Renting, at the discretion of the Board, based on the severity of the offense, plus reimbursement of any legal fees.

Internal Dispute Resolution

Sections 5900 *et. seq.* of the Civil Code provides for procedures for internal dispute resolution (“IDR”) for disputes “between an association and a member involving their rights, duties or liabilities under this title [Title 6 Common Interest Developments], 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 [Hamilton Cove Homeowners Association] ” In accordance with said law the Association adopts the following procedures:

- a) IDR may be invoked by the Association or an Owner at any time. A request invoking the procedure must be in writing, must indicate the right(s), duty(s) or liabilities under Title 6 Common Interest Developments of the Civil Code, 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 Association with specific reference to the law or section of the governing documents underlying the dispute and must set out the position of the Association or Owner. A request by the Association shall contain the name of the Board member or members designated to meet with the Owner and the times the designated Board member or members would be available to meet. A request from an Owner shall contain times the Owner is available to meet. All meetings shall occur at Hamilton Cove unless the Owner and the designated Board member or members mutually agree to an alternative location. A request must be mailed, faxed, E mailed or hand delivered to the Association’s Office or to the Owner as is appropriate.
- b) If IDR is invoked by an Owner, the Association must participate. If IDR is invoked by the Association the Owner may or may not participate. If an Owner does not respond in writing to a request by the Association within 30 days of the date the request is sent, it is presumed that the Owner has declined to participate.
- c) When a request is received from an Owner, the Association shall have 15 days from the date of receipt to designate a member or members of the Board to meet with the Owner and to reply to the request. The designation shall be made by the Board or the President, if authorized to do so by the Board, and communicated in writing or by E Mail to the Owner. The reply shall also set out the position of the Association. Unless mutually agreed otherwise, the meeting shall occur within 30 days of receipt of the request by the Owner or the Association.
- d) Upon receipt of a request from an Owner, the Board or the President, if authorized to do so by the Board, may determine that the request is not in accordance with the provisions contained herein or is not made in “good faith”. A request is not made in “good faith” if the dispute had previously been the subject matter of an IDR procedure between the Association and the Owner or if the request is vague, defamatory, unsupported by any reference to facts or obviously intended as harassment. Any such determination shall be communicated to the Owner by the President. An Owner may appeal any such determination in writing to the entire Board to be determined at the next regular meeting of the Board.

- e) If mutually agreed by the Owner and the designated Board member or members, available local dispute programs involving a neutral third party, including low-cost mediation services may be utilized. If the Owner participates and the dispute is resolved other than by agreement of the Owner and the designated Board member or members, the Owner shall have a right to appeal to the entire Board, which appeal shall be in writing and delivered to the Association's Office. Such an appeal shall be decided at the next regular meeting of the Board.
- f) A resolution of a dispute by a neutral third party pursuant to the above procedure which the Owner and the designated Board member or members agreed to be binding, that is not in conflict with the law or governing documents, binds the Association and the Owner and is judicially enforceable. A written agreement reached pursuant to the above procedures that is not in conflict with the law or the governing documents, is binding on the Association and the Owner and is judicially enforceable.
- g) An Owner shall not be charged a fee to participate in the above procedure. If a local dispute program involving a neutral third party, including low-cost mediation services, is utilized, the agreement to do so shall provide that any cost thereof shall be shared equally between the Association and the Owner.

Alternative Dispute Resolution

Section 5925 *et. seq.* of the Civil Code requires the Association or an Owner to engage in alternative dispute resolution before either the Owner or the Association files an “enforcement action” in superior court. An “enforcement action” means a civil action or proceeding, other than a cross-complaint, for the enforcement of any provision in Title 6 Common Interest Developments, enforcement of any provision of the Nonprofit Mutual Benefit Corporation Law (Part 3 (commencing with Section 7110) of Division 2 of Title 1 of the Corporations Code) or any provision of the governing documents of the Association. The “enforcement action” must be solely for declaratory, injunctive, or writ relief, or for that relief in conjunction with a claim for monetary damages not in excess of five thousand dollars (\$5000). The law does not apply to assessment disputes or small claims actions.

The Association and Owners must comply with Section 1369.510 *et. seq.* of the Civil Code. The procedures are set out in Sections 1369.520 to 1369.590 of the Civil Code. The Association shall furnish an Owner with a copy of the applicable Code Sections upon request.

ARCHITECTURAL RULES

Section 4760 of the Civil Code provides as follows:

(a) Subject to the governing documents and applicable law, a member may do the following:

(1) Make any improvement or alteration within the boundaries of the member's separate interest that does not impair the structural integrity or mechanical systems or lessen the support of any portions of the common interest development.

(2) Modify the member's separate interest, at the member's expense, to facilitate access for persons who are blind, visually handicapped, deaf, or physically disabled, or to alter conditions which could be hazardous to these persons. These modifications may also include modifications of the route from the public way to the door of the separate interest for the purposes of this paragraph if the separate interest is on the ground floor or already accessible by an existing ramp or elevator. The right granted by this paragraph is subject to the following conditions:

(A) The modifications shall be consistent with applicable building code requirements.

(B) The modifications shall be consistent with the intent of otherwise applicable provisions of the governing documents pertaining to safety or aesthetics.

(C) Modifications external to the dwelling shall not prevent reasonable passage by other residents, and shall be removed by the member when the separate interest is no longer occupied by persons requiring those modifications who are blind, visually handicapped, deaf, or physically disabled.

(D) Any member who intends to modify a separate interest pursuant to this paragraph shall submit plans and specifications to the association for review to determine whether the modifications will comply with the provisions of this paragraph. The association shall not deny approval of the proposed modifications under this paragraph without good cause.

(b) Any change in the exterior appearance of a separate interest shall be in accordance with the governing documents and applicable provisions of law.

The governing documents of the Association (Article IV of the CC&R's) establish an Architectural Review Committee composed of three members appointed by the Board of Directors. This Committee has the authority to consider and act upon any and all plans submitted for its approval and perform such other duties as from time-to-time shall be assigned to it by the Board, including the inspection of construction in progress to assure its conformance with plans approved by the Committee.

In addition, it is the Committee's duty to maintain the architectural standards of the project and to insure that any new construction, alterations or additions will not detract from the beauty of the development or the enjoyment thereof by the Owners, and that the upkeep and maintenance thereof will not become a burden on the Association.

It is recommended that Owners refer to limitations imposed by the CC&R's before planning any interior or exterior additions or alterations. Alterations in the Common Area can only be made by the Board of Directors.

Request for approval of any alteration must be submitted in writing to:

Architectural Committee
Hamilton Cove Homeowners' Association
P. O. Box 1573
Avalon, CA 90704

The Committee will utilize a two-stage approval process. The Owner's preliminary submission should include sketches and a description of the work. After the Committee has approved the basic plan, more complete drawings with detailed specifications may be required.

The Committee will make a written decision within thirty (30) business days of receipt of a request. If more complete drawings with detailed specifications are required, the Committee will make a decision within thirty (30) business days of receipt of complete drawings with detailed specifications. If a proposed change is disapproved, the written decision shall include both an explanation of why the proposed change is disapproved and a description of the procedure for reconsideration of the decision by the Board.

A decision on a proposed change may not violate any governing provision of law, including, but not limited to, the Fair Employment and Housing Act (Part 2.8 (commencing with Section 12900) of Division 3 of Title 2 of the Government Code), or a building code or other applicable law governing land use or public safety.

An Owner may request reconsideration by the Board in writing. The Board will review the Committee's decision and make a decision at the next regular meeting of the Board.

Generally, an Owner may make improvements to the interior of his Condominium without prior approval of the Architectural Committee. However, no bearing walls, ceilings, floors and other structural or utility bearing portions of the buildings housing the Condominium shall be pierced or otherwise altered or repaired without the prior written approval of the plans for the alteration or repair by the Architectural Committee. Subject to any required approval of the Architectural Committee, each Owner shall be responsible for maintaining those portions of any heating and cooling equipment and other utilities which are located within or which exclusively serve his Condominium.

An Owner contemplating improvements or alterations to his Condominium should consult Article IV of the Restated CC&Rs to determine what may or may not be

done. For general information, the following alterations are listed as examples of what will not be allowed:

1. Pictures, plaques, planters, or flagpoles attached to the outside walls and/or doors;
2. Screening or any covering attached to deck railings;
3. Exterior shutters or blinds;
4. Superimposed materials over common balcony surfaces;
5. Planters, fences or pots restricting access to and passage through the common balconies; or
6. Pots that do not conform to the architectural theme or that are so large as to damage the balcony surface, or that are not placed on rollers, as herein provided.

If an architectural change is made without approval of the Architectural Committee, the Owner has thirty (30) days to remove the change or be subject to the Enforcement Procedures, as herein provided.

CONSTRUCTION RULES

1. Construction hours shall be 8:00 a.m. until 5:00 p.m., Monday through Friday only.
2. No workers may use the power from the Common Areas! Violation of this will result in the Contractors being requested to leave the property.
3. All Contractors must comply with state and local license requirements. No work shall be undertaken without all applicable permits.
4. All Contractors must comply with the State Workers' Compensation laws.
5. All Contractors must comply with all state and local building codes.
6. All Contractors must remove all tools, construction materials and debris and must clean up any mess created or tracked through the Common Area at the end of each day.
7. Owners will be held responsible for any damage or insufficient clean-up caused by their Contractors and their employees.
8. There shall be no storage of construction materials anywhere in the Common Area of the development. Materials must either be stored fully within the unit(s) involved or off-site.
9. Owners are responsible to ensure that all debris created during construction in their units is appropriately disposed of immediately in a proper location outside of Hamilton Cove.

10. PRIOR to the commencement of ANY construction, all Contractors must provide a Certificate of Insurance naming the Association as "Additional Insured."

11. An Owner is responsible for any noise generated by any work done inside the unit. If the anticipated work is going to generate unavoidable excessive noise, the Owner shall give reasonable notice to the Owners of affected units and shall take all reasonable steps to minimize such noise.

OVERNIGHT PAYMENTS.

Overnight payments can be made by overnight mail to Box 1573, Avalon, CA 90704 or by Federal Express to 23 Camino de Flores, Avalon, CA 90704.

FHA Statement

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 a condominium project. The association of this common interest development is not certified by the Federal Housing Administration.

VA Statement

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 a condominium project. The association of this common interest development is not certified by the federal Department of Veterans Affairs.

ATTACHMENT 1

ASSOCIATION INSURANCE