

ARTICLE VII

USE RESTRICTIONS

Section 7.1 Condominium Use: No condominium shall be occupied and used except for residential purposes by the Owners, their tenants, and social guests, and no trade or business shall be conducted therein, except that residential Condominiums may be used as a combined residence and executive or professional office by the Owner thereof, so long as such use does not interfere with the quiet and enjoyment by other Owners and does not include visiting clients. No tent, shack, trailer, outbuilding or structure of a temporary character shall be used at anytime as a residence, either temporarily or permanently.

The number of residents, unless applicable law provides otherwise, shall be limited as follows:

No more than two (2) persons per bedroom in any Condominium shall be permitted as permanent residents.

(A) "Permanent Resident" means any person residing in a Condominium more than sixty (60) days out of any twelve (12) consecutive month(s), provided that one (1) child under three (3) years of age shall be allowed in addition to the maximum number of permanent residents otherwise permitted in each unit.

No health care facilities operating as a business or charity and serving the sick, elderly, disabled, handicapped or retarded shall be permitted in the Project.

Section 7.2 Nuisances. No obnoxious, illegal or offensive activity shall be transacted or conducted in any Unit or in any part of the property, nor shall anything be done thereon which may be a serious annoyance or a nuisance to or which may in any way interfere with the quiet enjoyment of each of the Owners of his respective Unit, or which shall in any way increase the rate of insurance for the Project, or cause any insurance policy to be canceled or to cause a refusal to renew the same or which will impair the structural integrity of any building.

Section 7.3 Vehicle Restrictions And Towing: No trailer, camper, mobile home, commercial vehicle, recreational vehicle, truck having carrying capacity of greater than one-half ton, or van having seating capacity in excess of eight (8) persons or which is too large to fit within the Owner's carport, boat, inoperable automobile, or similar equipment shall be permitted to be parked or remain upon any area within the Project. Permitted vehicles which are used both for business and personal use are not prohibited, provided the signs or markings of a commercial nature on such vehicles shall be unobtrusive and inoffensive as determined by the Board. No noisy or smokey vehicles shall be operated on the Project. No unregistered or unlicensed motor vehicles shall be operated or parked upon the Project. The Association may install a sign at each vehicular entrance to the Project containing a statement that public parking is prohibited of all vehicles not authorized to park on the Project will be removed at the Owner's expense. The sign shall contain the telephone number of the local traffic law enforcement agency and shall not be less than 17 x 22" in size with lettering not less than one (1) inch in height. The Association may cause the removal of any vehicle wrongfully parked in the Project, including a vehicle owned by an occupant. If the identity of the registered owner of the vehicle is known or readily

ascertainable, the President of the Association or his or her designee shall, within a reasonable time, notify the owner of the removal in writing by personal delivery or first-class mail. In addition, notice of the removal shall be given to the local traffic law enforcement agency immediately after the vehicle has been removed. The notice shall include a description of the vehicle, the license plate number and the address from where the vehicle was removed. If the identity of the owner is not known or readily ascertainable and the vehicle has not been returned to the owner within one hundred and twenty (120) hours after its removal, the Association immediately shall send or cause to be sent a written report of the removal by mail to the California Department of Justice in Sacramento, California and shall file a copy of the notice with the proprietor of the garage in which the vehicle is stored. The report shall be made on a form furnished by the Department of Justice. It shall include a complete description of the vehicle, the date, time and place from which the vehicle is removed, the amount of mileage on the vehicle at the time of the removal, the grounds for removal and the name of the garage or place where the vehicle was stored. Notwithstanding the foregoing, the Association may cause the removal, without notice, of any vehicle parked in a marked fire lane, within fifteen (15) feet of a fire hydrant, in a parking space designated for handicap without proper authority or in a manner which interferes with any entrance to, or exit from, the Project or any Condominium, parking space or carport located upon it. The Association shall not be liable for any damages incurred by the vehicle owner because of the removal in compliance with this section or for any damage to the vehicle caused by the removal, unless such damage resulted from the intentional or negligent act of the Association or any person causing the removal of or removing the vehicle. If requested by the owner of the vehicle, the Association shall state the grounds for the removal of the vehicle.

Carport space shall not be converted into any use (such as a recreational room or storage room) that would prevent its use as a parking space for the number of vehicles the space was designed to contain. Owners are to use their assigned parking spaces for parking of their vehicles so that unassigned Common Area parking will be available for guest parking. The Association may establish Rules from time to time for the parking of vehicles in the Common Areas.

Section 7.4 Signs. No signs shall be displayed to the public view on any Unit or any portion of the Property except signs as are approved by the Board. In accordance with California Civil Code §712, one (1) "For Sale" or "For Rent" sign for each Condominium shall be allowed without such approval, provided that it is reasonable in size and posted at appropriate locations on the Property. The Board may adopt rules and regulations concerning the size and location of "For Sale" or "For Rent" signs.

Section 7.5 Animals. No animals, dogs or birds of any kind shall be raised, bred or kept in any condominium, or any portion of the property; except that ordinary household pets such as dogs, cats, birds, etc., may be kept, provided that they are not kept, bred or maintained for any commercial purposes, and that they are kept under reasonable control at all times. No pet shall enter the Common Area except while on a leash which is held by a person capable of controlling it. The Association or any Owner may cause any unauthorized pet found in the Common Area to be removed to a pound or animal shelter under the jurisdiction of the City of San Jose, by calling the appropriate authorities, whereupon the Owner (upon payment of all expenses connected therewith) may repossess the pet. Owners shall prevent their pets from soiling any portions of the Common Area and shall promptly clean up any fouling by their pets.

Section 7.6 Garbage and Refuse Disposal. All rubbish, trash and garbage shall be regularly removed from the property and shall not be allowed to accumulate thereon. Trash, garbage and other waste shall not be kept except in sanitary containers. All equipment for the storage or disposal of such materials shall be kept in a clean and sanitary condition. All equipment, garbage cans, wood piles or storage piles shall be kept screened and sealed from view of other Units, streets and Common Areas. No toxic or hazardous materials shall be disposed of within the Project by dumping in the garbage containers or down the drains, or otherwise.

Section 7.7 Radio and Television Antennas. No alteration to or modification of a central radio and/or television antenna system or cable television system whichever is applicable, as maintained by the Association or a telecommunication franchisee, shall be permitted. Subject to applicable laws, no Owner may be permitted to construct and/or use and operate his own external radio and/or television antenna, satellite dish or related equipment without the consent of the Board. In considering whether to approve applications, the Board shall consider and give great weight to considerations of esthetics and uniformity of appearance and potential structural damage and potential for water leaks in the Project and the requirements of any applicable laws.

Section 7.8 Right to Lease. Owners shall be entitled to rent or lease their Unit provided that:

(A) Not less than the entire unit is leased or rented.

(B) The lease term is for a period of not less than thirty (30) days.

(C) Any lease or occupancy agreement for a Unit shall be in writing and shall provide that it is subject to the covenants, conditions and restrictions, limitations and uses contained in this Declaration as well as the rules and regulations established by the Association. The Owner shall remain liable for any violation or infraction of this Declaration or such rules and regulations by the tenant. Owner shall file a fully conformed copy of the lease or rental agreement with the Board prior to occupancy.

(D) Any violation of the Association's governing documents shall be a breach of the lease or rental agreement, allowing termination thereof by Owner or Board.

(E) In the event an owner defaults in payment of Association dues, special assessments, or fees, the tenant shall make the monthly rental payments directly to the Association. The Association shall retain the delinquent amount and remit any remainder to owner.

(F) Any lease or renting of a unit will not result in a percentage of non-owner occupied units exceeding thirty percent (30%). The Board shall establish reasonable rules in order to fairly achieve compliance with this provision, including, but not limited to, a "grandfather" clause to commit the continuance of rental units already in existence at the Project at the time such rules are established.

Section 7.9 Architectural Control. No building, fence, wall, pool, spa, obstruction, outside or exterior wiring, balcony, screen, patio, patio cover, tent, awning, carport, carport cover, trellis, improvement or structure of any kind shall be commenced, installed, erected, painted, repainted or maintained upon the Project, nor shall any alteration or improvement of any kind be made until the same has been approved in writing by the Board or by an Architectural Control Committee appointed by the Board. Notwithstanding the foregoing, Owners may

improve or alter any improvements within the interior boundaries of the Owner's Unit, provided such improvement or alteration does not impair the structural or acoustical integrity of any Common Area, the utilities or other systems servicing the Common Area or other Condominiums, and does not involve altering any Common Area (including bearing walls). Plans and specifications showing the nature, kind, shape, color, size, materials and location of any proposed improvements or alterations, shall be submitted to the Board or to the Architectural Control Committee for approval as to quality of workmanship and design and harmony of external design with existing structures, and as to location in relation to surrounding structures, topography and finish grade elevation. No permission or approval shall be required to repaint in accordance with the original color scheme, or to rebuild in accordance with original plans and specifications. No permission or approval shall be required to repaint in accordance with the color scheme previously approved by the Board or the Committee, or to rebuild in accordance with plans or specifications previously approved by the Board or by the Committee. Nothing contained herein shall be construed to limit the right of an Owner to paint the interior of his Unit any color desired.

In order to maintain noise transference levels between units, and to comply with Title 24, California Administration Code, and with applicable building standards, floor covering materials that are removed shall be replaced with materials of equal or better quality and noise transmission specifications.

Before commencing any alteration or improvements approved by the Board or the Architectural Control Committee, the Owner shall comply with all appropriate governmental laws and regulations. Approval by the Board or Committee does not satisfy the appropriate approvals that may be required by any governmental entity with appropriate jurisdiction.

Section 7.10 Drapes: All drapes, curtains, window coverings, shutters or blinds visible from the street or Common Area shall be beige, white, or off white in color or lined in beige, white, or off white, or as the case may be, colors, materials and patterns which are approved by the Board or its authorized committee.

Section 7.11 Clotheslines: There shall be no outside laundering or drying of clothes. No draping of towels, carpets or laundry over exterior railings shall be allowed.

Section 7.12 Power Equipment And Car Maintenance: No power equipment, hobby shops or motor vehicle maintenance (other than emergency work) shall be permitted on the Project except with prior written approval of the Board. Approval shall not be unreasonably withheld, and in deciding whether to grant approval, the Board shall consider the offense of noise, air pollution, dirt or grease, fire hazard, interference with radio or television reception, and similar objections. All hazardous waste shall be disposed of properly by each Owner.

The washing of vehicles on the premises of the Project, shall be performed at a location which the Board, in its sole discretion, deems appropriate.

Section 7.13 Liability of Owners for Damage to Common Area. The Owner of each condominium shall be liable to the Association for all damages to the Common Area or improvements thereon caused by such Owner or any occupant of his condominium or guest, except for that portion if any, fully covered by insurance.

Section 7.14 Basketball Standards: No basketball apparatus or fixed sport apparatus shall be attached to the exterior surface of any portion of the Common Area.

Section 7.15 Activities Causing Increase In Insurance Rates: Nothing shall be done or kept in any Unit or in any improvements constructed thereon, or in the Common Area, which will increase any applicable rate of insurance or which will result in the cancellation of insurance on any Unit or any part of the Common Area or which would be in violation of any law.

Section 7.16 Floor Coverings: No change in the floor covering materials originally installed in the Units shall be permitted except with the consent of the Board or Architectural Control Committee.

ARTICLE VIII

DAMAGE OR DESTRUCTION; CONDEMNATION

Section 8.1 Damage Or Destruction; Condemnation: If Project improvements are damaged or destroyed by fire or other casualty, the improvements shall be repaired or reconstructed substantially in accordance with the original as-built plans and specifications, modified as may be required by applicable building codes and regulations in force at the time of such repair or reconstruction and subject to such alterations or upgrades as may be approved by the Board, unless either of the following occurs: (1) the cost of repair reconstruction is more than fifty percent (50%) of the current replacement costs of all Project improvements, available insurance proceeds are not sufficient to pay for at least eighty-five percent (85%) of the cost of such repairs or reconstruction, and three-fourths (3/4) of the total voting power of the Association residing in Members and their First Lenders vote against such repair and reconstruction; or (2) available insurance proceeds are not sufficient to substantially repair or reconstruct the improvements within a reasonable time as determined by the Board, a Special Assessment is not levied by the Board, or the Membership, if such Membership approval is required, as provided in Section 4.4, and the Board, having failed to levy a Special Assessment, is unable to supplement the insurance by borrowing on behalf of the Association sufficient monies to enable the improvements to be substantially repaired or reconstructed within a reasonable time.

A. Process For Repair Or Reconstruction: If the improvement is to be repaired or reconstructed and the cost for repair or reconstruction is in excess of twenty-five percent (25%) of the current replacement cost of all Project improvements, the Board shall designate a construction consultant, a general contractor, and an architect for the repair or reconstruction. All insurance proceeds, Association monies allocated for the repair or reconstruction, and any borrowings by the Association for the repair or reconstruction shall be deposited with a commercial lending institution experienced in the disbursement of construction loan funds (the "depository") as selected by the Board. Funds shall be disbursed in accordance with the normal construction loan practices of the depository that require as a minimum that the construction consultant, general contractor and architect certify within ten (10) days prior to any disbursement substantially the following:

- (1) that all of the work completed as of the date of such request for disbursement has been done in compliance with the approved plans and specifications;
- (2) that such disbursement request represents monies which either have been paid by or on behalf of the construction consultant, the general contractor or the architect and/or are justly due to contractors, subcontractors, materialmen, engineers, or other persons (whose name and address shall be stated) who have rendered or furnished certain services or materials for the work and giving a brief description of such services and materials and the principal subdivisions or categories thereof and the respective amounts paid or due to each of said persons in respect thereof and stating the progress of the work up to the date of said certification;

(3) that the sum then requested to be disbursed plus all sums previously disbursed does not exceed the cost of the work insofar as actually accomplished up to the date of such certificate;

(4) that no part of the cost of the services and materials described in the foregoing paragraph (1) has been or is being made the basis for the disbursement of any funds in any previous or then pending application; and (5) that the amount held by the depository, after payment of the amount requested in the pending disbursement request, will be sufficient to pay in full the costs necessary to complete the repair or reconstruction.

If the cost of repair or reconstruction is less than twenty-five percent (25%) of the current replacement cost of all Project improvements, the Board shall disburse the available funds for the repair and reconstruction under such procedures as the Board deems appropriate under the circumstances.

The repair or reconstruction shall commence as soon as reasonably practical after the date of such damage or destruction and shall be completed as quickly as is reasonably practicable after commencement of reconstruction subject to delays that are beyond the control of the party responsible for making the repairs. The Owners of the damaged or destroyed improvement immediately shall take such steps as may be reasonably necessary to secure any hazardous condition and to screen any unsightly views resulting from the damage or destruction.

B. Process If A Repair Or Reconstruction Not Undertaken: If the improvements are not repaired or reconstructed in accordance with the foregoing, all available insurance proceeds shall be disbursed among all Owners and their respective mortgagees in proportion to the respective fair market values of their Condominiums as of the date immediately preceding the date of the damage or destruction as determined by a qualified independent appraiser selected by the Board, after first applying the proceeds to the cost of mitigating hazardous conditions on the Project, making provision for the continuance of public liability insurance to protect the interests of the Owners until the Project can be sold, and complying with all other applicable requirements of governmental agencies.

If the failure to repair or reconstruct results in a material alteration of the use of the Project from its use immediately preceding the damage or destruction as determined by the Board (a material alteration shall be conclusively presumed if repair or reconstruction costs exceed twenty-five percent (25%) of the current replacement cost of all Project improvements), the Project shall be sold in its entirety under such terms and conditions as the Board deems appropriate. If any Owner or First Lender disputes the Board's determination as to a material alteration, the dispute shall be submitted to arbitration pursuant to the rules of the American Arbitration Association, and the decision of the arbitrator shall be conclusive and binding on all Owners and their mortgagees.

If the Project is sold, the sales proceeds shall be distributed to all Owners and their respective mortgagees in proportion to their respective fair market values of their Condominiums as of the date immediately preceding the date of damage or destruction as determined by the independent appraisal procedure described above. For the purpose of effecting a sale under this Section 8.1, each Owner grants to the Association an irrevocable power of attorney to

sell the entire Project for the benefit of the Owners, to terminate the Declaration and to dissolve the Association. In the event the Association fails to take the necessary steps to set the entire Project as required hereunder within sixty (60) days following the date of a determination by the Board or arbitrator of a material alteration, or if within one hundred twenty (120) days following the date of damage or destruction the Board has failed to make a determination as to a material alteration, any Owner may file a partition action as to the entire Project under California Civil Code §1359, or any successor statute, and the court shall order partition by sale of the entire Project and distribution of the sale proceeds as provided herein.

Notwithstanding anything herein to the contrary, any Owner or group of Owners shall have a right of first refusal to match the terms and conditions of any offer made to the Association in the event of a sale of the Project under this Section 8.1, provided this right is exercised within ten (10) days of receipt by the Owners of a notice from the Association containing the terms and conditions of any offer it has received. If the Owner or group of Owners subsequently default on their offer to purchase, they shall be liable to the other Owners and their respective mortgagees for any damages resulting from the default. If more than one (1) Owner or group elects to exercise this right, the Board shall accept the offer that in its determination is the best offer.

Section 8.2 Condemnation: In the event of an award for the taking of any Unit in the Project by eminent domain, the owner of such Unit shall be entitled to receive the award for such taking and, after acceptance thereof, he and his mortgagee shall be divested of all interest in the Project, if such Owner shall vacate his Unit as a result of such taking. The remaining Owners shall decide by majority vote whether to rebuild or repair the Project or take other action. The remaining portion of the Project shall be resurveyed, if necessary, and the Declaration shall be amended to reflect such taking and to adjust proportionately the percentages of the undivided interests of the remaining Owners in the Project. The Association shall represent the Owners in any condemnation proceedings or in negotiations, settlements and agreements with the condemning authority for the acquisition of the Common Area or any part thereof, and the award or proceeds of settlement shall be payable to the Association, or any trustee appointed by the Association, for the use and benefit of the Condominium Owners and their mortgagees, as their interests may appear. If Units are not valued separately by Court judgment or by agreement between the condemning authority and each of the affected Owners in the Project, the condemnation award shall be distributed as follows: The Board shall appoint two (2) independent appraisers to determine the relative values of the Units affected by the condemnation. The two appraisers shall appoint a third independent appraiser. If the two appraisers are unable to agree on a third, then the third shall be appointed by the presiding Judge of the Superior Court of the State of California for the County of Santa Clara. The value of the respective interests shall be the average of the three values submitted by each of the appraisers. In the event any Owner disagrees with the proposed allocation, he may have the matter submitted to arbitration under rules of the American Arbitration Association. In the event of eminent domain proceedings against the Project or any portion thereof, institutional lenders shall be given timely written notice thereof.

ARTICLE IX

GENERAL PROVISIONS

Section 9.1 Enforcement. The Association, or any Owner shall have the right to enforce, pursuant to this Declaration, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration, or decisions made by the Association pursuant to the provisions of this Declaration and in such action shall be entitled to recover reasonable attorneys' fees. Failure by the Association or by any Owner to enforce any covenant or restriction contained herein shall in no event be deemed a waiver of the rights to so do thereafter.

Section 9.2 Invalidity Of Any Provision: Should any provision or portion of any Condominium Document be declared invalid or in conflict with any law of the jurisdiction in which this Project is situated, the validity of all the remaining provisions and portions thereof shall remain unaffected and in full force and effect.

Section 9.3 Term: The covenants, conditions and restrictions of this Declaration shall run with and bind the property and shall inure to the benefit of and shall be enforceable by the Association or the Owner of any property subject to this Declaration, their respective legal representatives, heirs, successors and assigns for a term of thirty (30) years from the date that this Declaration is recorded, after which time, these covenants, conditions and restrictions shall be automatically extended for successive periods of ten (10) years, unless an instrument in writing, signed by two-thirds (2/3) of the then Owners of the Condominiums (and approved by two-thirds (2/3) of the first mortgagees) has been recorded within the year preceding the year of each successive period of ten (10) years, agreeing to change such covenants and restrictions in whole or in part or to terminate them.

Section 9.4 Amendments. This Declaration may be amended only by the affirmative vote in excess of fifty percent (50%) of the total voting power of the Association members. In no event, however, may any clause, provision, or Section of this Declaration be amended by a percentage of voting power of the Association members which is lower than the percentage of affirmative votes prescribed for action to be taken under that clause, provision, or Section. All such amendments must be recorded and shall become effective upon being recorded in the Recorder's Office of the County of Santa Clara.

Section 9.5 Encroachment Rights: Each condominium within the property is hereby declared to have an easement over all adjoining condominiums and the Common Area for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settling or shifting of the building, or any other cause. There shall be valid easements for the maintenance of such encroachments as long as they shall exist, and the rights and obligations of the Owners shall not be altered in any way by such encroachment, settlement or shifting; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if such encroachment occurred due to willful misconduct of such Owner or Owners. In the event that a structure is partially or totally destroyed, and subsequently repaired or rebuilt, the Owners of each condominium agree that minor encroachments over adjoining condominiums or Common Area shall be

permitted and that there shall be valid easements for the maintenance of such encroachments so long as they shall exist.

Section 9.6 Rights Of First Lenders: No breach of any of the covenants, conditions and restrictions, nor the enforcement of any lien provisions, shall render invalid the lien of any First Mortgage (meaning a mortgage with first priority over any other mortgage) on any Condominium made in good faith and for value, but all of said covenants, conditions and restrictions shall be binding upon and effective against any owner whose title is derived through Foreclosure or trustees sale, or otherwise. Notwithstanding any provision in the condominium documents to the contrary, first lenders shall have the following rights:

A. Copies Of Project Documents: The Association shall make available to condominium owners and first lenders, and to holders, insurers or guarantors or any First Mortgage, current copies of the Declaration, By-Laws, Articles or other Rules concerning the Project and the books, records and financial statements of the Association.

"Available" means available for inspection and copying, request, during normal business hours or under other reasonable circumstances. The Board may impose a fee for providing the foregoing which may not exceed the reasonable cost to prepare and reproduce the requested documents.

B. Audited Statement: Any holder, insurer or guarantor of a First Mortgage shall be entitled, upon written request, to an audited financial statement for the immediately proceeding fiscal year, free of charge to the party so requesting. Such statement shall be furnished within one hundred and twenty (120) days of the Association's fiscal year-end.

C. Notice Of Action: Upon written request to the Association, identifying the name and address of the Eligible Mortgage Holder or Eligible Insurer or Guarantor, and the Condominium number or address, such Eligible Mortgage Holder or Eligible Insurer or Guarantor will be entitled to timely written notice of

(1) Any condemnation laws or any casualty laws which effects a material portion of the Project or any Condominium in which there is a First Mortgage held, insured, or guaranteed by such Eligible Mortgage Holder or Eligible Insurer or Guarantor, as applicable;

(2) Any default in performance of obligations under the Project Documents or delinquency in the payment of Assessments or charges owned by an Owner of a Condominium subject to a First Mortgage held, insured or guaranteed by such Eligible Mortgage Holder or Eligible Insurer or Guarantor, which remains uncured for a period of sixty (60) days;

(3) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;

(4) Any proposed action which would require the consent of a specified percentage of Eligible Mortgage Holders at Section 9.6D.

The Association shall discharge its obligations to notify Eligible Mortgage Holders or Eligible Insurers or Guarantors by sending written notices required to such parties, at the address given on the current request for notice, in the manner prescribed by Section 9.9.

D. Consent To Action:

(1) Except as provided by statute or by other provision of the Project Documents in case of substantial destruction or condemnation of the Project:

(a) The consent of Owners of Condominiums to which at least sixty seven percent (67%) of the votes in the Association are allocated and the approval of Eligible Mortgage Holders holding mortgages on Condominiums which have at least fifty-one percent (51%) of the votes of Condominiums subject to Eligible Holder Mortgages, shall be required to terminate the legal status of the Project as a Condominium Project; provided, however, that if termination is for reasons other than substantial destruction or condemnation, the agreement of Eligible Mortgage Holders representing at least sixty-seven percent (67%) of the votes of the mortgaged Units is required;

(b) The consent of the Owners of Condominiums to which at least sixty-seven percent (67%) of the votes in the Association are allocated and the approval of Eligible Mortgage Holders holding mortgages on Units which have at least fifty-one percent (51%) of the votes of the Condominiums subject to Eligible Holder Mortgages, shall be required to add or amend any material provisions of the Project Documents which establish, provide for, govern or regulate any of the following:

(i) Voting Rights;

(ii) Increases in Assessments for a previously assessed amount by more than twenty-five percent (25%), assessment liens, or the priority of assessment liens;

(iii) Reductions in reserves for maintenance, repair and replacement of Common Areas;

(iv) Responsibility for maintenance and repair;

(v) Reallocation of interest in the general or Restricted Common Areas, or rights to their use;

(vi) Convertibility of Units into Common Areas or vice versa;

(vii) Expansion or contraction of the Project, or the addition, annexation or withdrawal of property to or from the Project;

(viii) Hazard or fidelity insurance requirements;

(ix) Imposition of any restrictions on the leasing of Units;

(x) Imposition of any restrictions on an Owner's right to sell or transfer his or her Unit;

(xi) Restoration or repair of the Project (after damage or partial condemnation) in a manner other than that specified in the Project Documents; or

(xii) Any provisions that expressly benefit mortgage holders, insurers, or guarantors;

(c) An Eligible Mortgage Holder who receives a written request to approve additions or amendments who does not deliver or propose to the requesting party a negative response within thirty (30) days after the notice of the proposed addition or amendment, shall be deemed to have approved such request, provided that notice has been delivered to the Eligible Mortgage Holder by certified or registered mail, return receipt requested.

(2) Except as provided by statute in case of condemnation or substantial loss to the Condominiums and/or common elements of the Project, unless the holders of at least two-thirds (2/3) of the First Mortgages (based upon one (1) vote for each First Mortgage owned), or Owners of the individual Condominiums have given their prior written approval, the Association and/or the Owners shall not be entitled to:

(a) By act or omission, seek to abandon or terminate the Project as a Condominium Project (except for abandonment or termination provided by law in the case of substantial destruction by fire or other casualty in the case of a taking by condemnation or eminent domain);

(b) Change the pro-rata interest or obligations of any individual Condominium for the purpose of:

(i) Levying Assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards, or

(ii) Determining the pro-rata share of ownership of each Condominium in the Common Area; provided that no Owner's undivided interest in the Common Area may be changed without the consent of that Owner;

(c) Partition or subdivide any Condominium;

(d) By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Area. (the granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Area by the Condominium Project shall not be deemed to transfer within the meaning of this clause);

(e) Use hazard insurance proceeds for losses to any of the Project for other than the repair, replacement or reconstruction of such Project.

E. Right Of First Refusal: The Condominium Documents contain no provisions creating a "right of first refusal".

F. Contracts: To enforce, pursuant to Section 5.2C, provisions pertaining to any agreement for professional management of the Project.

G. Reserves: Condominium dues or charges shall include an adequately reserve fund for maintenance, repairs and replacement of those improvements which the Association is obligated to maintain and that must be replaced on a periodic basis, and shall be payable in regular installments rather than by special Assessments.

H. Priority Of Liens: Any lien created by the provisions of this Declaration is expressly made subject and subordinate to the lien and encumbrance of any First Mortgage that encumbers all or any portion of the Project, or any Unit. Each holder of a First Mortgage lien on a Condominium who comes into possession of the Condominium by virtue of foreclosure of the mortgage, or any purchaser at a foreclosure sale under a first deed of trust, will take the Condominium free of any claims for unpaid assessments and fees, late charges, fines or interest levied in connection therewith, against the Condominium which accrue prior to the time such holder takes title to the Condominium, except for claims for a pro-rata share of such assessments or charges to all Condominiums including the mortgaged Condominium, and except for assessment liens as to the notice of delinquent assessment has been recorded prior to the Mortgage.

I. Distribution Of Insurance Or Condemnation Proceeds: No provision of the Condominium Documents gives an Owner, or any other party, priority over any rights of First Lenders in the case of a distribution to Owners of insurance proceeds or condemnation awards for losses to or taking of Condominiums and/or Common Area.

Section 9.7 Owner's Right And Obligation To Maintain And Repair:

Except for those portions of the project that the Association is required to maintain and repair, each Owner shall at his sole cost and expense, maintain and repair his Unit, keeping the same in good condition. Except as otherwise provided in this Declaration, each Owner shall keep those portions of the Restricted Common Area, to which he has an exclusive easement or license, clean and neat. Except as otherwise provided in this declaration, each Owner shall have the exclusive right to paint, plaster, panel, tile, wax, paper or otherwise refinish or decorate the inner surfaces of the walls, ceilings, floors, windows, and doors bounding his Unit. In the event that an Owner fails to maintain the interior of his Unit in a manner which the Board deems necessary to preserve the appearance and value of the property, the Board may notify the Owner of the work required and request that it be done within sixty (60) days from the giving of such notice. In the event the Owner fails to carry out such maintenance within the sixty (60) day period, the Board may cause such work to be done and may specially assess the cost thereof to such Owner and, if necessary, place a lien on his Condominium for the amount thereof, provided that no less than five (5) days before causing such work to be done or specially assessing the cost thereof or placing a lien on his Condominium, the Board must hold a hearing, of which such Owner must be given fifteen (15) days prior written notice, and at which such Owner must be given an opportunity to be heard orally or in writing.

Section 9.8 Owner's Compliance: Each Owner, tenant or occupant of a Condominium shall comply with the provisions of this Declaration and (to the extent that they are not in conflict

with the Declaration, the Articles, and By-Laws, and the decisions and resolutions of the Association of the Board, as lawfully amended from time to time. Failure to comply with any such provisions, decisions or resolutions shall be grounds for an action (1) to recover sums due, (2) for damages, (3) for injunctive relief, (4) for cost of attorneys fees, and (5) any combination of the foregoing.

Section 9.9 Notices. Any notice permitted or required by this Declaration or the Bylaws may be delivered either personally or by mail. If delivery is by mail, it shall be deemed to have been delivered seventy-two (72) hours after a copy of the same has been deposited in the United States Mail, postage prepaid, addressed to each person at the current address given by person to the Secretary of the Board or addressed to the Unit of such person if no such address has been given to the Secretary.

Section 9.10 Fair Housing: No Owner shall either directly or indirectly, forbid or restrict a conveyance, encumbrance, leasing or mortgaging, or occupancy of his Condominium to any person of a specified race, sex, adulthood, marital status, color, religion, ancestry, physical handicap or natural origin.

Section 9.11 Alternative Dispute Resolution: The Board is authorized to resolve any civil claim or action to alternative dispute resolution proceedings such as mediation, binding arbitration, or non-binding arbitration proceedings.

Prior to initiating the prosecution of a civil action solely for declaratory relief or injunctive relief to enforce the Project Documents, or for declaratory relief or injunctive relief to enforce the Project Documents in conjunction with a claim for monetary damages, other than Association assessments, not in excess of five thousand dollars (\$5,000.00), the parties shall endeavor to submit the matter to alternative dispute resolution in compliance with the provisions of §1354(b) of the California Civil Code.

The Board shall comply with the requirements of California Civil Code §1354(i) by providing Members of the Association annually with the summary of the provisions of California Civil Code §1354, including the following language:

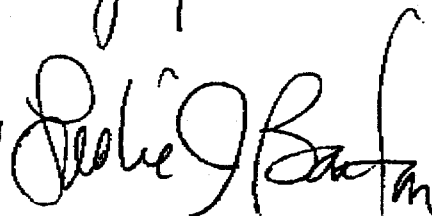
"Failure by any Member of the Association to comply with the pre-filing requirements of §1354 of the Civil Code may result in loss of your rights to sue the Association or another Member of the Association regarding enforcement of the governing documents."

Section 9.12 Number; Gender: The singular and plural number and masculine, feminine and neuter gender shall each include the other where the context requires.

IN WITNESS WHEREOF, the undersigned being the Declarant herein, have executed this Declaration this 31 day of July, 1998.

Declarant

JEFFERSON SQUARE
HOMEOWNERS ASSOCIATION



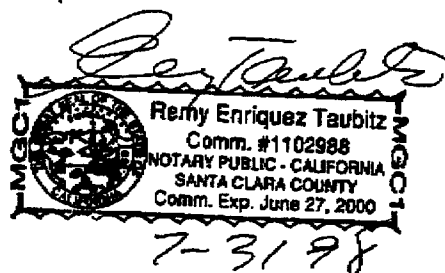
CERTIFICATE

I, the undersigned, the duly elected and acting Secretary of Jefferson Square Homeowners Association, a California nonprofit mutual benefit corporation, do hereby certify that the foregoing FIRST RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF JEFFERSON SQUARE HOMEOWNERS ASSOCIATION were adopted as the DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS (CC&Rs) of the Association on July 31, 1998, and that the same do now constitute the CC&Rs of the Association.

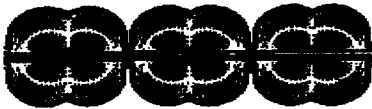
Dated: 7/31/98

Secretary Remy Enriquez Taubitz

ACKNOWLEDGEMENT:



CALIFORNIA



ALL-PURPOSE



ACKNOWLEDGEMENT

STATE OF CALIFORNIA

COUNTY OF Santa Clara

On

7-31-98
DATE

before me,

REMY E. TAUBITZ
NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

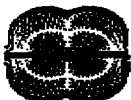
personally appeared,

LESLIE A. BARTON

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

[Signature] (SEAL)
NOTARY PUBLIC SIGNATURE



OPTIONAL INFORMATION



TITLE OR TYPE OF DOCUMENT _____

DATE OF DOCUMENT _____

NUMBER OF PAGES _____

SIGNER(S) OTHER THAN NAMED ABOVE _____

Jefferson Square Homeowners Association

TO: All Jefferson Square Homeowners
FROM: Board of Directors
DATE: August 24, 2016
RE: Approved 2016-2017 Budget

Living in a planned community development offers many advantages. An attractive appearance of the units, harmonious relations with your neighbors, and property values are all important qualities needed in your community. In this regard, the Association is operated pursuant to the governing documents, which include the First Restated Declaration of CC&Rs of Jefferson Square Homeowners Association a Condominium Project, as well as the Articles of Incorporation, the Bylaws, rules and regulations, and policies of the Association as adopted from time to time by the Board of Directors to implement these goals and restrictions.

Common Interest Developments, such as Jefferson Square Homeowners Association are regulated and governed in California by the Davis Stirling Common Interest Development Act established in 1985. There was a major revision to the Act which took effect January 1, 2014 to simplify and reorganize the laws as they pertain to common interest developments. The revisions affected the manner in which annual budgets are done and the disclosures which must be presented to Association members.

We now have two separate disclosure reports to present to Members: the Annual Budget Report (Pages 1-20) and the Annual Policy Statement (Pages 21-46). Each report has its own section designations and exhibits.

The Board approved the annual 2016-2017 budget for the Jefferson Square Homeowners Association on August 8, 2016. **The new 2016-2017 assessment rates range from \$290.00 to \$331.00 per unit, per month and are effective beginning October 1, 2016.** The new assessment figures represent an overall average increase of 3.4%.

The Board of Directors reviewed the reserve study, as prepared by Association Reserves, and taking into consideration several factors, including acceleration of funding for the Association, estimates of component maintenance, repairs and remaining lives, together with the effect on the monthly assessment amounts, determined that a monthly contribution of \$10,967.00 is prudent. Please read the Annual Budget Report for complete details.

If you have any questions regarding this budget, please plan to attend one of the regular meetings of the Board of Directors. At this time, the Board meetings are scheduled for the fourth Monday of every month at 6:00PM. Meeting dates and location may vary. During the summer months, the Board meets at the pool area and during the winter months, they meet at the Trinity Cathedral. We post the meeting notices and agendas for the Association at each bulletin board at the complex. You may also call Archway, The Management Company in advance of any Board meeting to verify the date and location for the meeting.

P. O. Box 320819, Los Gatos, CA 95032
251 E. Hacienda Avenue, Suite B, Campbell, CA 95008
408-866-4537 / Fax 408-866-4619
jeffersonsquare@archwaytmc.biz

**Jefferson Square Homeowners Association
Annual Budget Report – 2016-2017 Fiscal Year**

Table of Contents

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Exhibit "A": Pro Forma Budget

Exhibit "B": Operating Budget Pie Chart

Exhibit "C": Summary of Reserves and Reserve components

Exhibit "D": Reserve Funding Plan

Exhibit "E": Assessment and Reserve Funding Disclosure Summary

Exhibit "F": Insurance Summary

Note: A complete copy of the reports summarized or referred to herein may be requested by you and will be provided to you without cost. Please provide your written request to Archway, The Management Company, P.O. Box 320819, Los Gatos, CA 95032-0113.

**Jefferson Square Homeowners Association
c/o Archway, The Management Company
P.O. Box 320819
Los Gatos, California 95032-0113**

**Annual Budget Report
August, 2016**

The Annual Budget Report includes the requirements of the California Civil Code and other applicable law to provide the disclosures for the operation of the Association as follows:

1. Pro Forma Operating Budget. Civil Code Section 5300(b)(1).

This disclosure statement is being distributed to you together with a copy of the pro forma operating budget which includes an estimate of the revenue and expenses of the Association on an accrual basis.

Pursuant to the enclosed budget there will be an increase in the regular monthly assessment for the fiscal year 2016-2017. The assessments vary per unit; please see below and the 2016-2017 Budget Summary attached as Exhibit "A" with this budget report. Should the following fiscal year budget call for an assessment increase, you will receive not less than thirty (30) nor more than ninety (90) days notice prior to the increased assessment becoming due.

<u>Unit Group</u>	<u>OLD Assessment</u>	<u>NEW Assessment</u>
Plan 1	\$283.00	\$293.00
Plan 2	\$303.00	\$314.00
Plan 3	\$320.00	\$331.00
Plan 4	\$280.00	\$290.00

Please see the 2016-2017 Budget Summary attached as Exhibit "A".

The budget is based on a variety of expense lines for the operation of the Association. The budget includes operating and reserve components for expenses. We have prepared a pie chart of the expenses to facilitate the budget review, attached as Exhibit "B".

2. Summary of Association Reserves. Civil Code Section 5300(b)(2).

A summary of the Association's reserves and reserve components, prepared pursuant to Section 5565, is attached as Exhibit "C". It is based upon the most recent review or study concerning the major components the Association is obligated to repair, replace, restore or maintain. Exhibit "C" also includes projections of expenses and estimated reserve balances for the next five years.

The Association's most recent complete reserve study was done in July 2016 with an update provided in August of this year.

3. Reserve Funding Plan. Civil Code Section 5300(b)(3).

A summary of the reserve funding plan adopted by the Board, as specified in paragraph (5) of subdivision (b) of Section 5550, is attached as Exhibit "D". The full reserve study plan is available upon request. Please see the table of contents for the Annual Budget Report for full instructions.

The reserve account funding is reviewed on an annual basis by the Board of Directors and is adjusted by the rate of inflation, construction cost variations and updated evaluations of the life expectancy for repair or replacement of each of the major component. The Board has elected to analyze the reserve account requirements on a "pooled cash flow" method. The reserve funding process involves estimates of component maintenance, repair and replacement costs and estimates of the remaining life of the components. Reserve funding requirements can change over time based upon revised estimates and evaluations.

For the 2016-2017 fiscal year, the reserve study for the Association recommends a monthly reserve contribution of \$10,750.00 to meet the full funding contribution for the Association. The Board reviewed the reserve study, and taking into consideration several factors, including acceleration of the funding for the Association, estimates of components maintenance, repairs and remaining lives, together with the effect on the monthly assessment amounts, determined that a monthly contribution of \$10,967.00 would be approved.

Please see the Assessment and Reserve Funding Disclosure Summary attached as Exhibit "E".

4. Major Component Repairs. Civil Code Section 5300(b)(4).

The Board has not determined to defer or not undertake repairs or replacement of any major component with a remaining life of thirty (30) years or less, except as follows:

For Fiscal year 2015-2016, the reserve study called for either repair or replacement of component items as follows:

- 103 Concrete Deck/Walk repairs
- 202 Asphalt – Seal/repair
- 702 Patio Utility Doors – replace
- 803 Water Heater – pool replace
- 1003 Irrigation Controller – replace
- 1206 Pool filter – replace
- 1208 Pool Heater replace
- 1210 – Pool pump – replace

Items 103 was deferred pending additional proposals.

Item 202 was deferred for a year because the asphalt is still in good condition.

Item 702 was deferred as there were no doors requiring repair.

Items 803, 1003, 1206, 1208 and 1210 were not done because the items are still functioning and will be addressed as they fail.

5. Special Assessment. Civil Code Section 5300(b)(5).

The Board does not anticipate that the levy of one or more special assessments will be required to repair, replace, restore or maintain any major component or to provide adequate reserves therefore. However, estimates and evaluations can be revised over time. Should there be an unanticipated expense to repair, replace, restore or maintain one or more of the major components, a special assessment to the Membership may be required. Certain special assessments require voting approval by the Members.

6. Reserve Funding Mechanism. Civil Code Section 5300(b)(6).

At this time, the Board plans to fund reserves to repair or replace major components from assessments only, not by borrowing, use of other assets, deferral of selected replacements or repairs or alternative mechanisms.

7. Procedures for Calculation of Reserves. Civil Code Section 5300(b)(7).

Please see Section 3 for further detail.

8. Outstanding Loans. Civil Code Section 5300(b)(8).

The Association has no outstanding loans at this time.

9. Insurance Summary. Civil Code Section 5300(b)(9).

A summary of the Association's property, general liability, earthquake, Directors & Officers, workers compensation and fidelity insurance policies is attached as Exhibit "F". Please note the earthquake insurance renews annually in April and the master policy renews annually in December. The most current disclosures are included for your review.

"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."

Jefferson Square Homeowners Association has the following policies for the Association:

Association Policy on Deductible payment: If a claim is made by a Homeowner to the Association's insurance company and the claim originates as a result of an element that is the Homeowner's responsibility, the Homeowner will be responsible for the deductible. Homeowners are encouraged to review the enclosed disclosure information, and discuss their individual unit policy with their insurance broker.

Association policy on Mold damage: If a Homeowner does not report water damage claims within twenty-four (24) hours from the time of discovery, the Association cannot be held responsible for any resulting mold because the Association was not given a timely opportunity to remediate the water damage before mold developed.

Exhibit "A"

Jefferson Square Homeowners Association

Approved Budget
FY: Oct through Sept

As approved by the Board at their meeting
held on August 8, 2016

EXPENDITURES	10 Months				2016-2017 MONTHLY BUDGET	held on August 8, 2016		2016-2017 FULL YEAR BUDGET	COST PER UNIT	% OF TOTAL BUDGET
	2015-2016 MONTHLY BUDGET	2015-2016 MONTHLY AVERAGE	2015-2016 MONTHLY VARIANCE			2016-2017 MTHLY BUDGET VAR.				
			\$	%		\$	%			
Corporate										
4100 Insurance	\$4,075.00	\$4,812.69	\$737.69	18.10%	\$4,275.00	\$200.00	4.91%	\$51,300.00	\$49.71	15.72%
4110 Legal	125.00	148.75	23.75	19.00%	125.00	0.00	0.00%	1,500.00	1.45	0.46%
4120 Audit	125.00	147.50	22.50	18.00%	125.00	0.00	0.00%	1,500.00	1.45	0.46%
4140 Taxes	3.75	4.50	0.75	20.00%	3.75	0.00	0.00%	45.00	0.04	0.01%
4160 Printing & Postage	200.00	154.14	(45.86)	-22.93%	200.00	0.00	0.00%	2,400.00	2.33	0.74%
4130 Dues & Subscriptions	33.33	33.81	0.48	1.43%	33.33	(0.00)	-0.01%	399.96	0.39	0.12%
4300 Management	1,676.00	1,721.05	45.05	2.69%	1,760.00	84.00	5.01%	21,120.00	20.47	6.47%
Sub-Total	\$6,238.08	\$7,022.44	\$784.36	12.57%	\$6,522.08	\$284.00	4.55%	\$78,264.96	\$75.84	23.98%
Utilities										
5400 Electricity	\$416.00	\$347.39	(\$68.61)	-16.49%	\$416.00	\$0.00	0.00%	\$4,992.00	\$4.84	1.53%
5405 Gas	100.00	79.98	(20.02)	-20.02%	100.00	0.00	0.00%	1,200.00	1.16	0.37%
5410 Water	3,000.00	2,342.23	(657.77)	-21.93%	3,000.00	0.00	0.00%	36,000.00	34.88	11.03%
5420 Refuse	1,525.00	1,251.80	(273.20)	-17.91%	1,525.00	0.00	0.00%	18,300.00	17.73	5.61%
Sub-Total	\$5,041.00	\$4,021.40	(\$1,019.60)	-20.23%	\$5,041.00	\$0.00	0.00%	\$60,492.00	\$58.62	18.53%
Maintenance										
6505 Pest Control	\$200.00	\$310.00	\$110.00	55.00%	\$300.00	\$100.00	50.00%	\$3,600.00	\$3.49	1.10%
6510 Landscape	1,213.00	1,269.88	56.88	4.69%	1,350.00	137.00	11.29%	16,200.00	15.70	4.96%
6520 Additional Landscape	167.00	154.17	(12.83)	-7.68%	167.00	0.00	0.00%	2,004.00	1.94	0.61%
6542 Fire Extinguishers	46.00	118.70	72.70	158.04%	46.00	0.00	0.00%	552.00	0.53	0.17%
6550 Pool Servicing	248.00	225.00	(23.00)	-9.27%	248.00	0.00	0.00%	2,976.00	2.88	0.91%
6560 Pool Supplies & Repairs	75.00	129.99	54.99	73.32%	75.00	0.00	0.00%	900.00	0.87	0.28%
6565 Pool Health License	65.00	64.60	(0.40)	-0.62%	65.00	0.00	0.00%	780.00	0.76	0.24%
6600 Janitorial	570.00	567.81	(2.19)	-0.38%	570.00	0.00	0.00%	6,840.00	6.63	2.10%
Sub-Total	\$2,584.00	\$2,840.15	\$256.15	9.91%	\$2,821.00	\$237.00	9.17%	\$33,852.00	\$32.80	10.37%
Repairs/Supplies										
7730 Irrigation	\$41.00	\$15.44	(\$25.56)	-62.34%	\$41.00	\$0.00	0.00%	\$492.00	\$0.48	0.15%
7740 Roof Repairs	417.00	140.90	(276.10)	-66.21%	100.00	(317.00)	-76.02%	1,200.00	1.16	0.37%
7747 Water Damage	416.00	133.60	(282.40)	-67.88%	416.00	0.00	0.00%	4,992.00	4.84	1.53%
7750 Electrical	100.00	13.37	(86.63)	-86.63%	100.00	0.00	0.00%	1,200.00	1.16	0.37%
7760 Plumbing	175.00	173.50	(1.50)	-0.86%	175.00	0.00	0.00%	2,100.00	2.03	0.64%
7780 Contingency	185.00	0.00	(185.00)	-100.00%	185.00	0.00	0.00%	2,220.00	2.15	0.68%
7790 Gutter Cleaning	300.00	315.00	15.00	5.00%	355.00	55.00	18.33%	4,260.00	4.13	1.31%
7800 General Repairs	475.00	204.57	(270.43)	-56.93%	475.00	0.00	0.00%	5,700.00	5.52	1.75%
Sub-Total	\$2,109.00	\$996.38	(\$1,112.62)	-52.76%	\$1,847.00	(\$262.00)	-12.42%	\$22,164.00	\$21.48	6.79%
TOTAL OPERATING	\$15,972.08	\$14,880.37	(\$1,091.71)	-6.84%	\$16,231.08	\$259.00	1.62%	\$194,772.96	\$188.73	59.68%
Reserves										
8200 Reserve Contribution	\$10,320.00	\$10,320.00	\$0.00	0.00%	\$10,967.00	\$647.00	6.27%	\$131,604.00	\$127.52	40.32%
8210 Interest Allocation										
TOTAL RESERVES	\$10,320.00	\$10,320.00	\$0.00	0.00%	\$10,967.00	\$647.00	6.27%	\$131,604.00	\$127.52	40.32%
TOTAL EXPENSES	\$26,292.08	\$25,200.37	(\$1,091.71)	-4.15%	\$27,198.08	\$906.00	3.45%	\$326,376.96	\$316.26	100.00%

Exhibit "A"

**Jefferson Square Homeowners Association
2016-2017 Budget Summary**

ASSESSMENT CALCULATIONS

Unit	Number Of Units	Square Feet	Total Sq Footage	Variable Factor	Variable Assessment Per Unit	Base Assessment Per Unit	Total Assessment Per Unit	Rounded Assessment Per Unit	Total Income
1	8	734	5,872	0.0092909	\$91.10	\$202.25	\$293.34	\$293.00	\$2,344.00
2	52	899	46,748	0.0113795	\$111.57	\$202.25	\$313.82	\$314.00	\$16,328.00
3	24	1,040	24,960	0.0131642	\$129.07	\$202.25	\$331.32	\$331.00	\$7,944.00
4	2	711	1,422	0.0089998	\$88.24	\$202.25	\$290.49	\$290.00	\$580.00
	<u>86</u>		<u>79,002</u>						<u>\$27,196.00</u>

PRORATED EXPENSES

Insurance	\$4,275.00
Water	3,000.00
Reserves - Painting	1,118.72
Reserves - Roof	1,411.18
Total Variable Expenses	<u>\$9,804.90</u>
Total Budgeted Expenses	\$27,198.08
Less Variable Expenses	<u>(9,804.90)</u>
Base Expenses (Equally Shared)	<u>\$17,393.18</u>

ASSESSMENT PER UNIT PER MONTH:

CHANGE IN ASSESSMENT RATES

Unit	2015-2016 Assessment	2016-2017 Assessment	Variance	
			\$	%
1	\$283.00	\$293.00	\$10.00	3.5%
2	\$303.00	\$314.00	\$11.00	3.6%
3	\$320.00	\$331.00	\$11.00	3.4%
4	\$280.00	\$290.00	\$10.00	3.6%

Exhibit "A"

Jefferson Square Homeowners Association
2016-2017 Budget Summary

	BUDGET YEAR		% Change
	2015-2016	2016-2017	
OPERATING EXPENSES	\$15,972.08	\$16,231.08	1.6%
RESERVE CONTRIBUTIONS	10,320.00	10,967.00	6.3%
TOTAL EXPENSES	\$26,292.08	\$27,198.08	3.4%

Reserve Percentage Funded Disclosure Per Civil Code Section 5570:

Estimated Starting Reserve Balance	\$440,215
Estimated Fully Funded Reserve Balance	\$628,305
Percentage of Needed Balance Actually Funded	70.1%

Current Deficiency in Reserve Funding Expressed on a Per Unit Basis Per Civil Code Section 5570:

Estimated Fully Funded Reserve Balance	\$628,305
Less Estimated Starting Reserve Balance	(\$440,215)
Current Deficiency in Reserve Funding	\$188,090

Current Deficiency in Reserve Funding Expressed on a Per Unit Basis

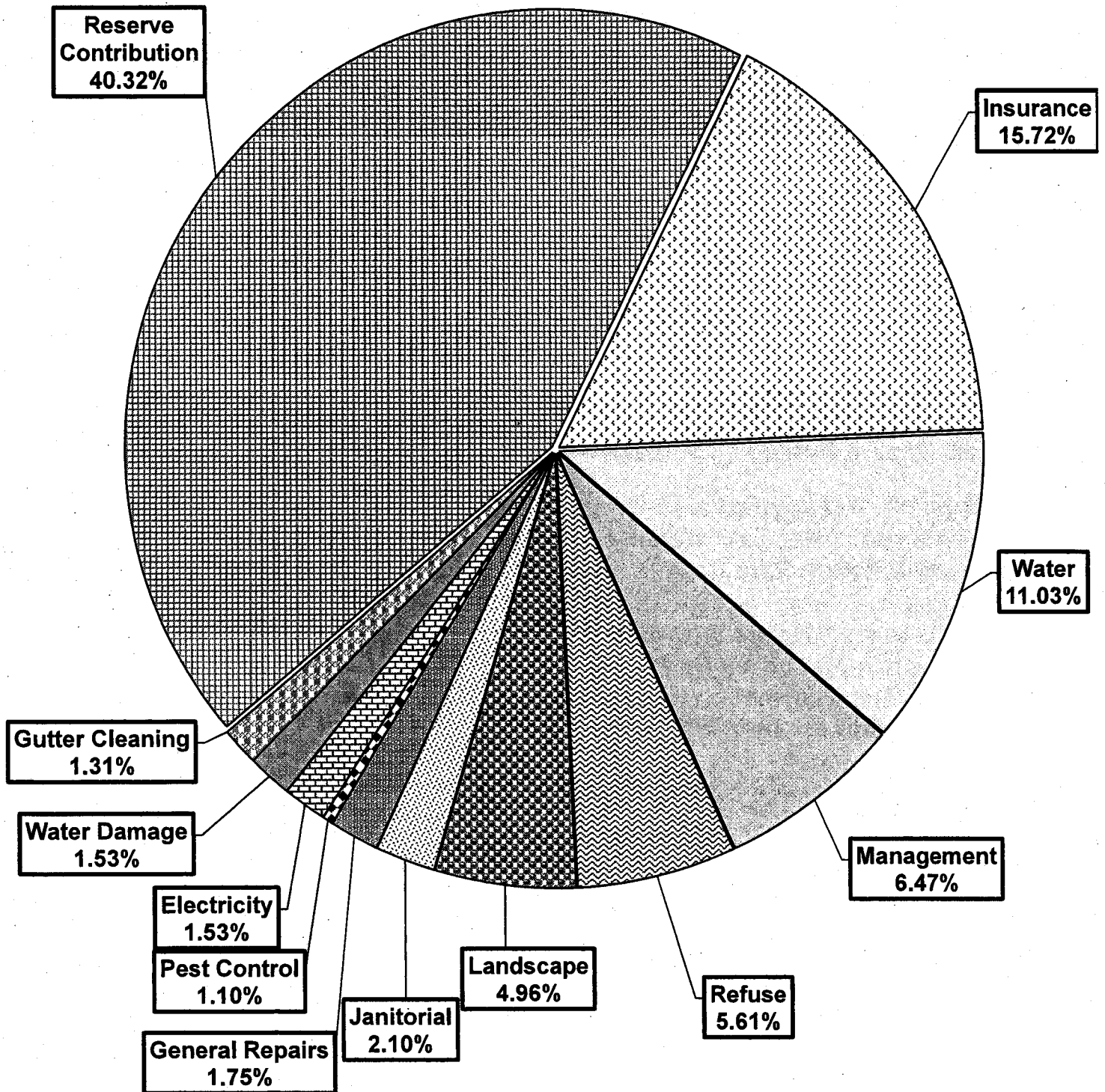
Unit	Deficiency Per Unit *
1	\$2,097.73
2	\$2,177.59
3	\$2,245.84
4	\$2,086.60

* Per Civil Code Section 5570, the reserve funding deficiency per unit was calculated, but it is not an amount owed. It is merely a calculation.

STATEMENT OF ESTIMATED REVENUE

Income Category	2015-2016 Total Per Month	2015-2016 Per Unit Per Month	2016-2017 Total Per Month	2016-2017 Per Unit Per Month	Percentage Change
Assessments	\$26,292.08	\$305.72	\$27,198.08	\$316.26	3.4%
Other Income	0.00		0.00		
Total Revenue	\$26,292.08		\$27,198.08		
Total 2016-2017 Annual Revenue:			\$326,376.96		

2016-2017 Expenses Greater than 1% of Total Budget



The budget items shown in this graph are items that are more than 1% of the total 2016-2017 Fiscal Year Budget. These items represent 93.43% of the total 2016-2017 Fiscal Year Budget. The remaining 6.57% includes items such as pool service, plumbing, irrigation, etc.

3- Minute Executive Summary

Association: Jefferson Square HOA **Assoc. #: 798-3**
Location: San Jose, CA
of Units: 86
Report Period: October 1, 2016 through September 30, 2017

Results as-of 10/1/2016:

Projected Starting Reserve Balance:	\$440,215
Fully Funded Reserve Balance:	\$628,305
Average Reserve Deficit (Surplus) Per Unit:	\$2,187
Percent Funded:	70.1%
Recommended 2016/2017 monthly Reserve Contribution:	\$10,750
Recommended 2016/2017 Special Assessment for Reserves:	\$0

Most Recent Reserve Contribution Rate:.....\$10,320

Economic Assumptions:

Net Annual "After Tax" Interest Earnings Accruing to Reserves..... 1.00%
Annual Inflation Rate 3.00%

- This is an "Update With-Site-Visit" Reserve Study, based on a prior Report prepared by Association Reserves for your 2015/2016 Fiscal Year. The information in this Reserve Study is based on our site inspection on June 30, 2016.
- This Reserve Study was prepared by a credentialed Reserve Specialist (RS).
- Because your Reserve Fund is at 70.1% Funded, this means the association's special assessment & deferred maintenance risk is currently low.
- The objective of your multi-year Funding Plan is to Fully Fund your Reserves, where associations enjoy a low risk of such Reserve cash flow problems.
- Based on this starting point, your anticipated future expenses and your historical Reserve contribution rate, our recommendation is to increase your Reserve contributions.
- No assets appropriate for Reserve designation were excluded.

Exhibit "C"

Table 1: Executive Summary

798-3

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
Buildings					
104	Entry Decks - Reseal/Repaint (Par)	1	0	\$2,240	\$2,307
105	Entry Decks - Repairs/Overlay (Par)	3	2	\$51,500	\$54,636
106	Entry Decks - Resurface	30	14	\$119,500	\$180,754
107	Stairs/Stringers - Repairs (Par)	3	2	\$39,550	\$41,959
108	Patio Decks - Repair	10	2	\$1,875	\$1,989
109	Balconies - Reseal/Repaint (2016)	5	4	\$20,000	\$22,510
109	Balconies - Reseal/Repaint (Old)	5	0	\$6,900	\$7,999
110	Balconies - Repair/Overlay (Par)	3	2	\$19,350	\$20,528
111	Balconies - Resurface	30	14	\$193,500	\$292,686
324	Exterior Wall Lights - Replace	28	3	\$17,600	\$19,232
329	Patio/Spot Lights - Replace	25	10	\$15,400	\$20,696
503	Iron Rail - Replace (Partial)	20	11	\$7,865	\$10,887
702	Patio Utility Doors - Replace (Par)	1	0	\$1,435	\$1,478
703	Utility Doors - Replace	25	4	\$29,450	\$33,146
1107	Iron Rail - Repaint	5	1	\$5,080	\$5,232
1115	Ext. Bldg. Surfaces - Repaint	10	6	\$64,000	\$76,419
1116	Wood Surfaces - Repaint	5	1	\$21,750	\$22,403
1121	Ext. Bldg. Surfaces - Repair	5	1	\$13,850	\$14,266
1303	Comp Shingle Roof - Replace	30	29	\$352,000	\$829,511
1310	Gutters/Downspouts - Replace	30	29	\$24,900	\$58,678
1804	Fire Ext. Cabinets - Replace	15	1	\$8,435	\$8,688
General Common Areas					
103	Concrete Deck/Walk - Repair	5	4	\$14,000	\$15,757
201	Asphalt - Resurface	30	10	\$156,500	\$210,323
202	Asphalt - Seal/Repair	5	0	\$12,500	\$14,491
320	Pole Lights - Replace	25	3	\$9,000	\$9,835
321	Monument Lights - Replace	24	19	\$1,575	\$2,762
322	Walkway Lights - Replace	25	1	\$18,850	\$19,416
326	Carport Lights - Replace (Old)	28	3	\$9,000	\$9,835
327	Carport Lights - Replace (2015/16)	28	27	\$1,800	\$3,998
403	Mailboxes - Replace	25	24	\$12,400	\$25,207
502	Chain Link Fence - Replace (East)	30	11	\$10,310	\$14,271
502	Chain Link Fence - Replace (North)	30	11	\$20,600	\$28,515
708	Trash Enclosures/Gates - Replace	22	6	\$1,875	\$2,239
1001	Backflow Device - Replace	28	1	\$2,000	\$2,060
1003	Irrigation Controller - Replace	12	0	\$1,410	\$2,010
1008	Tree Trimming/Removal	1	0	\$15,000	\$15,450
1009	Landscaping - Replenish	5	3	\$8,830	\$9,649
1401	Maps - Replace	15	1	\$4,000	\$4,120
1402	Association Signs - Replace	24	19	\$3,825	\$6,707
1811	Plumbing - Repairs	1	0	\$2,500	\$2,575
1885	CC&Rs - Update	10	1	\$11,000	\$11,330
Pool Area					
401	Pool Canopy - Replace	18	13	\$2,250	\$3,304

Exhibit "C"

Table 1: Executive Summary

798-3

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
404	Pool Furniture - Replace	8	2	\$3,380	\$3,586
411	Drinking Fountain - Replace	20	4	\$1,690	\$1,902
515	Pool Rail/Gate - Replace	30	11	\$10,535	\$14,583
803	Water Heater - Replace	12	0	\$5,000	\$7,129
909	Bathrooms - Refurbish	15	3	\$11,750	\$12,840
910	Shower - Remodel	12	3	\$3,500	\$3,825
1201	Pool Deck - Repair/Replace	24	14	\$27,700	\$41,899
1202	Pool - Resurface	12	2	\$17,700	\$18,778
1206	Pool Filter - Replace	12	0	\$1,665	\$2,374
1208	Pool Heater - Replace	10	0	\$4,680	\$6,290
1210	Pool Pump - Replace	10	0	\$1,525	\$2,049

53 Total Funded Components

Note 1: Yellow highlighted line items are expected to require attention in initial year.

Note 2: a Useful Life of "N/A" means a one-time expense, not expected to repeat.

Exhibit "C"

Table 5: 30-Year Income/Expense Detail (yrs 0 through 4)

798-3

Fiscal Year	2016	2017	2018	2019	2020
Starting Reserve Balance	\$440,215	\$519,155	\$550,528	\$534,332	\$600,987
Annual Reserve Contribution	\$128,000	\$135,450	\$142,223	\$149,334	\$156,800
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$4,795	\$5,347	\$5,422	\$5,674	\$6,337
Total Income	\$672,010	\$659,952	\$698,273	\$689,339	\$764,124
# Component					
Buildings					
104 Entry Decks - Reseal/Repaint (Par)	\$2,240	\$2,307	\$2,376	\$2,448	\$2,521
105 Entry Decks - Repairs/Overlay (Par)	\$0	\$0	\$54,686	\$0	\$0
106 Entry Decks - Resurface	\$0	\$0	\$0	\$0	\$0
107 Stairs/Stringers - Repairs (Par)	\$0	\$0	\$41,959	\$0	\$0
108 Patio Decks - Repair	\$0	\$0	\$1,989	\$0	\$0
109 Balconies - Reseal/Repaint (2016)	\$0	\$0	\$0	\$0	\$22,510
109 Balconies - Reseal/Repaint (Old)	\$6,900	\$0	\$0	\$0	\$0
110 Balconies - Repair/Overlay (Par)	\$0	\$0	\$20,528	\$0	\$0
111 Balconies - Resurface	\$0	\$0	\$0	\$0	\$0
324 Exterior Wall Lights - Replace	\$0	\$0	\$0	\$19,232	\$0
329 Patio/Spot Lights - Replace	\$0	\$0	\$0	\$0	\$0
503 Iron Rail - Replace (Partial)	\$0	\$0	\$0	\$0	\$0
702 Patio Utility Doors - Replace (Par)	\$1,455	\$1,478	\$1,622	\$1,568	\$1,615
703 Utility Doors - Replace	\$0	\$0	\$0	\$0	\$33,140
1107 Iron Rail - Repaint	\$0	\$5,232	\$0	\$0	\$0
1115 Ext. Bldg. Surfaces - Repaint	\$0	\$0	\$0	\$0	\$0
1116 Wood Surfaces - Repaint	\$0	\$22,403	\$0	\$0	\$0
1121 Ext. Bldg. Surfaces - Repair	\$0	\$14,266	\$0	\$0	\$0
1303 Comp Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
1310 Gutters/Downspouts - Replace	\$0	\$0	\$0	\$0	\$0
1804 Fire Ext. Cabinets - Replace	\$0	\$8,688	\$0	\$0	\$0
General Common Areas					
103 Concrete Deck/Walk - Repair	\$0	\$0	\$0	\$0	\$15,757
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$12,500	\$0	\$0	\$0	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$9,835	\$0
321 Monument Lights - Replace	\$0	\$0	\$0	\$0	\$0
322 Walkway Lights - Replace	\$0	\$19,416	\$0	\$0	\$0
326 Carport Lights - Replace (Old)	\$0	\$0	\$0	\$9,835	\$0
327 Carport Lights - Replace (2015/16)	\$0	\$0	\$0	\$0	\$0
403 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
502 Chain Link Fence - Replace (East)	\$0	\$0	\$0	\$0	\$0
502 Chain Link Fence - Replace (North)	\$0	\$0	\$0	\$0	\$0
708 Trash Enclosures/Gates - Replace	\$0	\$0	\$0	\$0	\$0
1001 Backflow Device - Replace	\$0	\$2,060	\$0	\$0	\$0
1003 Irrigation Controller - Replace	\$1,410	\$0	\$0	\$0	\$0
1008 Tree Trimming/Removal	\$15,000	\$15,450	\$15,314	\$16,391	\$16,883
1009 Landscaping - Replenish	\$0	\$0	\$0	\$9,649	\$0

Exhibit "C"

Table 5: 30-Year Income/Expense Detail (yrs 0 through 4)

798-3

Fiscal Year	2016	2017	2018	2019	2020
1401 Maps - Replace	\$0	\$4,120	\$0	\$0	\$0
1402 Association Signs - Replace	\$0	\$0	\$0	\$0	\$0
1811 Plumbing - Repairs	\$2,500	\$2,575	\$2,652	\$2,732	\$2,814
1885 CC&Rs - Update	\$0	\$11,330	\$0	\$0	\$0
Pool Area					
401 Pool Canopy - Replace	\$0	\$0	\$0	\$0	\$0
404 Pool Furniture - Replace	\$0	\$0	\$2,588	\$0	\$0
411 Drinking Fountain - Replace	\$0	\$0	\$0	\$0	\$1,902
515 Pool Rail/Gate - Replace	\$0	\$0	\$0	\$0	\$0
803 Water Heater - Replace	\$3,000	\$0	\$0	\$0	\$0
909 Bathrooms - Refurbish	\$0	\$0	\$0	\$12,840	\$0
910 Shower - Remodel	\$0	\$0	\$0	\$3,825	\$0
1201 Pool Deck - Repair/Replace	\$0	\$0	\$0	\$0	\$0
1202 Pool - Resurface	\$0	\$0	\$18,778	\$0	\$0
1206 Pool Filter - Replace	\$1,665	\$0	\$0	\$0	\$0
1208 Pool Heater - Replace	\$4,680	\$0	\$0	\$0	\$0
1210 Pool Pump - Replace	\$4,525	\$0	\$0	\$0	\$0
Total Expenses	\$64,669	\$109,324	\$163,941	\$88,352	\$97,146
Ending Reserve Balance:	\$619,155	\$550,628	\$534,382	\$600,987	\$666,976

Reserve Fund Status

The starting point for our financial analysis is your Reserve Fund balance, projected to be \$440,215 as-of the start of your Fiscal Year on October 1, 2016. This is based on your actual balance on 04/30/2016 of \$641,403 and anticipated Reserve contributions and expenses projected through the end of your Fiscal Year. As of October 1, 2016, your Fully Funded Balance is computed to be \$628,305 (see Table 3). This figure represents the deteriorated value of your common area components. Comparing your Reserve Balance to your Fully Funded Balance indicates your Reserves are 70% Funded.

Recommended Funding Plan

Based on your current Percent Funded and your projected cash flow requirements, we are recommending Reserve contributions of \$10,750/month this Fiscal Year. This represents the first year of the 30-year Funding Plan shown below. This same information is shown numerically in both Table 4 and Table 5.

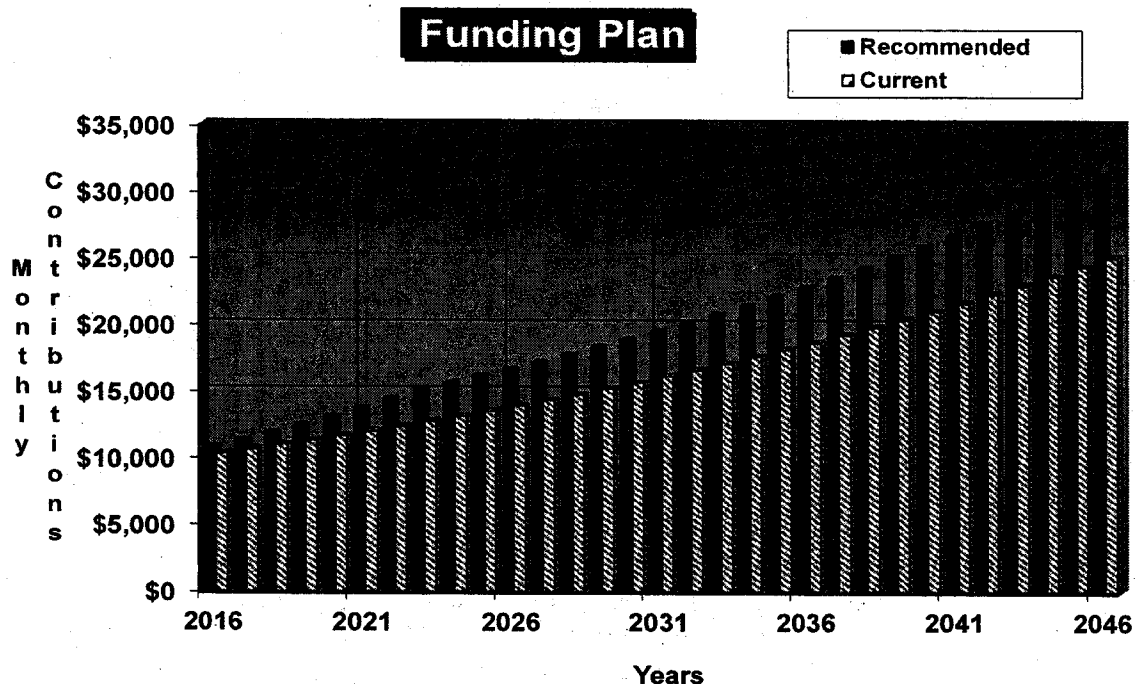


Figure 2

The following chart shows your Reserve balance under our recommended Funding Plan and your current Funding Plan, and your always-changing Fully Funded Balance target.

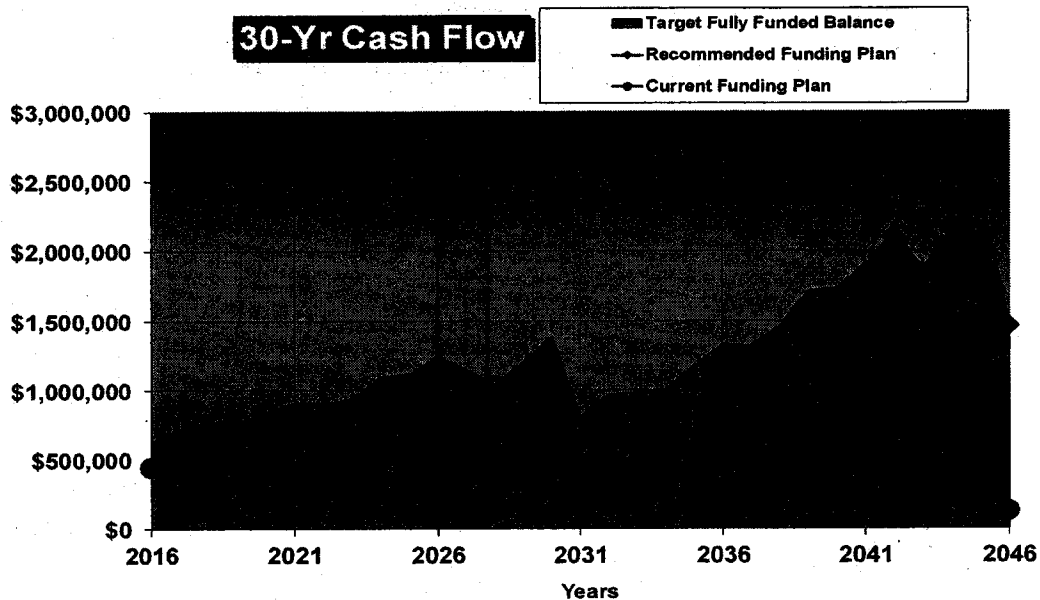


Figure 3

In this figure it is easy to see how your Reserve Fund gradually draws closer to the Fully Funded (100%) level.

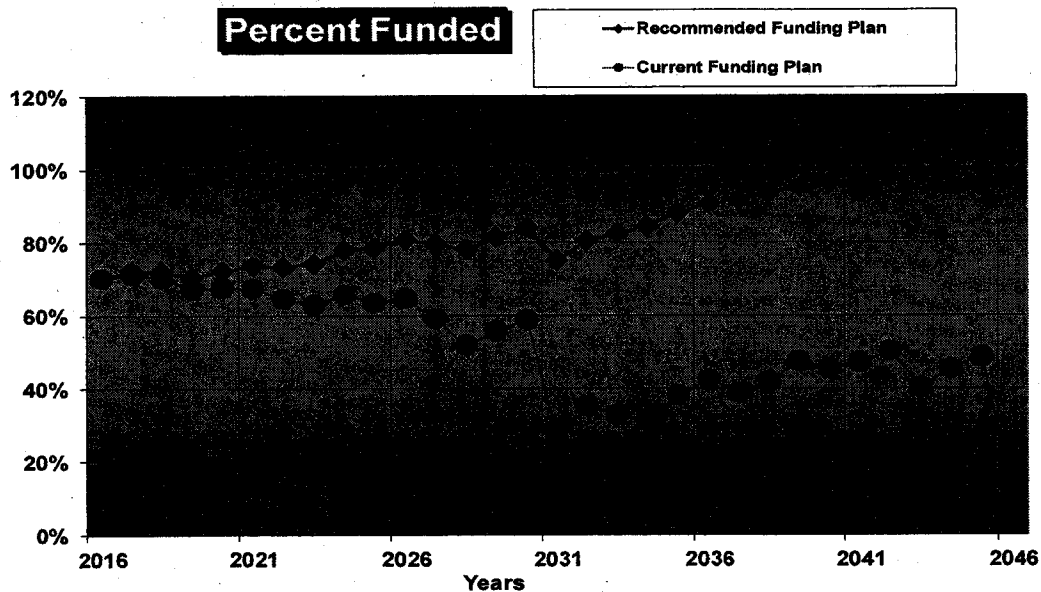


Figure 4

Assessment and Reserve Funding Disclosure Summary

Jefferson Square HOA

For Fiscal Year Beginning: 10/1/2016

of Units: 86

1) Budgeted Amounts:	Total	Average Per unit*
Reserve Contributions:	\$10,967.00	\$127.52
Total Assessment Income:	\$27,198.00	\$316.26

per: Month

- 2) Additional assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:

Date Due	Total Amount Per Unit*	Purpose
N/A		
N/A		

Total: \$0.00

- 3) Based on 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**
- 4) If the answer to #3 is no, what additional assessments or other contributions/loans to Reserves would be necessary to ensure that sufficient Reserve Funds will be available each year during the next 30 years?

Approximate Fiscal Year Assessment Will Be Due	Average Total Amount Per Unit*
N/A	
N/A	
N/A	
N/A	

Total: \$0

- 5) All major components appropriate for Reserve Funding (components that are a common area maintenance responsibility with a limited life expectancy and predictable remaining useful life, above a minimum threshold cost of significance) are included in this Reserve Funding Plan: **Yes**
- 6) All computations/disclosures are based on the fiscal year start date of: 10/1/2016
- | | |
|--|--------------|
| Fully Funded Balance (based on formula defined in 5570(b)4): | \$628,305.00 |
| Projected Reserve Fund Balance: | \$440,215.00 |
| Percent Funded: | 70.1% |
| Reserve Deficit (surplus) on a mathematical avg-per-unit* basis: | \$2,187.09 |

From the 8/24/2016 Reserve Study by Association Reserves, Inc. and any minor changes since that date.

* If assessments vary by the size or type of unit, allocate per unit per the attached. See Exhibit "A"

- 7) See attached 30-yr Summary Table, showing the projected Reserve Funding Plan, Reserve Balance, Percent Funded, and assumptions for interest and inflation.

Prepared by: Association Reserves (May Angelica Leano)

Date: 8/24/2016

The financial representations at the time of preparation are based on the Reserve Study for the fiscal year shown at the top of this page and the best estimates of the preparer. These estimates should be expected to change from year to year. Some information on this form has been provided to Association Reserves, and has not been independently verified.

Exhibit "E"

Table 4: 30-Year Reserve Plan Summary Based on BOD Decision

798-3

Fiscal Year Beginning: 10/01/16

Interest: 1.00% Inflation: 3.0%

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Rating	% Increase In Annual Reserve Contribs.	Annual Reserve Contribs.	Loans or Special Assmts	Interest Income	Projected Reserve Expenses
2016	\$440,215	\$628,305	70.1%	Strong	6.27%	\$131,604	\$0	\$4,808	\$54,855
2017	\$521,772	\$721,969	72.3%	Strong	5.00%	\$138,184	\$0	\$5,387	\$109,324
2018	\$556,019	\$766,280	72.6%	Strong	5.00%	\$145,093	\$0	\$5,491	\$163,941
2019	\$542,662	\$759,722	71.4%	Strong	5.00%	\$152,348	\$0	\$5,773	\$88,352
2020	\$612,431	\$835,003	73.3%	Strong	5.00%	\$159,965	\$0	\$6,468	\$97,148
2021	\$681,716	\$907,787	75.1%	Strong	5.00%	\$167,964	\$0	\$6,813	\$175,021
2022	\$681,472	\$906,980	75.1%	Strong	5.00%	\$176,362	\$0	\$6,966	\$152,516
2023	\$712,283	\$933,896	76.3%	Strong	5.00%	\$185,180	\$0	\$7,955	\$26,043
2024	\$879,375	\$1,096,591	80.2%	Strong	3.20%	\$191,106	\$0	\$8,901	\$177,861
2025	\$901,521	\$1,112,639	81.0%	Strong	3.20%	\$197,221	\$0	\$9,686	\$71,991
2026	\$1,036,437	\$1,243,205	83.4%	Strong	3.20%	\$203,532	\$0	\$9,935	\$298,430
2027	\$951,475	\$1,149,595	82.8%	Strong	3.20%	\$210,045	\$0	\$8,997	\$321,924
2028	\$848,592	\$1,034,273	82.0%	Strong	3.20%	\$216,767	\$0	\$9,391	\$44,377
2029	\$1,030,373	\$1,206,818	85.4%	Strong	3.20%	\$223,703	\$0	\$11,237	\$47,368
2030	\$1,217,945	\$1,387,076	87.8%	Strong	3.20%	\$230,862	\$0	\$9,414	\$792,559
2031	\$665,662	\$810,979	82.1%	Strong	3.20%	\$238,249	\$0	\$7,539	\$68,667
2032	\$842,783	\$969,167	87.0%	Strong	3.20%	\$245,873	\$0	\$8,587	\$221,915
2033	\$875,328	\$980,393	89.3%	Strong	3.20%	\$253,741	\$0	\$8,976	\$217,473
2034	\$920,572	\$1,002,852	91.8%	Strong	3.20%	\$261,861	\$0	\$10,177	\$76,839
2035	\$1,115,771	\$1,177,349	94.8%	Strong	3.20%	\$270,241	\$0	\$12,033	\$106,219
2036	\$1,291,826	\$1,333,528	96.9%	Strong	3.20%	\$278,888	\$0	\$12,953	\$283,885
2037	\$1,299,782	\$1,318,304	98.6%	Strong	3.20%	\$287,813	\$0	\$13,822	\$135,532
2038	\$1,465,886	\$1,462,541	100.2%	Strong	3.20%	\$297,023	\$0	\$15,996	\$44,166
2039	\$1,734,738	\$1,712,541	101.3%	Strong	3.20%	\$306,527	\$0	\$17,575	\$277,101
2040	\$1,781,739	\$1,737,666	102.5%	Strong	3.20%	\$316,336	\$0	\$18,699	\$157,216
2041	\$1,959,558	\$1,894,801	103.4%	Strong	3.20%	\$326,459	\$0	\$20,899	\$84,955
2042	\$2,221,961	\$2,139,088	103.9%	Strong	3.20%	\$336,906	\$0	\$21,022	\$595,618
2043	\$1,984,270	\$1,872,968	105.9%	Strong	3.20%	\$347,687	\$0	\$21,385	\$58,809
2044	\$2,294,534	\$2,160,275	106.2%	Strong	3.20%	\$358,813	\$0	\$24,383	\$93,530
2045	\$2,584,199	\$2,429,188	106.4%	Strong	3.20%	\$370,295	\$0	\$21,027	\$1,352,492

Exhibit "F"

Jefferson Square Homeowners Association
4/8/2016 to 4/8/2017

To all Jefferson Square Owners:

California Civil Code Section 5300 requires that your Association provide annual notice of the following information regarding the Association's insurance coverage, as well as the disclosure below:

Earthquake Insurance:

Insurance Company: QBE Specialty Insurance Co

Total Insured Value: \$15,629,810

Deductible: 15% per unit subject to \$50,000 Minimum per occurrence

General Liability and Property: No Coverage

Fidelity (Crime) Coverage No Coverage

Flood Insurance No Coverage

Directors and Officers Liability: No Coverage

Umbrella Liability: No Coverage

"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."

ALLANSON INSURANCE AGENCY, License #0620908
9500 SOQUEL DRIVE, APTOS, CA 95003


Allstate.

You're in good hands.

Civil Code 1365 Insurance Disclosure

[REDACTED]
 JEFFERSON SQUARE HOA
 12/19/2015 TO 12/19/2016

This summary of the association's policies of insurance provides only certain information, as required by subdivision (e) of Section 1365 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. Even if a loss is covered, you will be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual broker or agent for appropriate additional coverage.

A. Property Insurance:	Allstate Insurance Company
Property Insurance Limits:	\$15,629,810.
Property Deductible:	\$5,000
Glass Deductible:	\$100
B. Liability Insurance and Directors & Officers Liability	Allstate Insurance Company
Limits of Liability:	\$4,000,000
General Liability Deductible:	No deductible
C. Fidelity Bond	Allstate Insurance Company
Limit:	\$1,000,000
Deductible:	\$250
D. Earthquake Insurance	N/A

**Jefferson Square Homeowners Association
Annual Policy Statement– 2016-2017 Fiscal Year
Table of Contents**

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Section 2: Specified Addresses

Section 3: Posting of General Notices

Section 4: Receipt of General Notices

Section 5: Meeting Minutes

Section 6: Assessment Collection Policies

Section 7: Statement of Policies and Practices in Enforcing Lien Rights

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Section 10: Requirements for Physical Changes to Property

Section 11: Address for Overnight Payment of Assessments

Section 12: Board Disclosures and Notice of Any Pending Litigation

Section 13: Fair Housing Policy

Section 14: Right to Receive Annual Report

Section 15: Security

Section 16: Emergency Common Area Conditions

Section 17: Additional Association Rules

Section 18: FHA Project Disclosure

Section 19: VA Project Disclosure

Exhibit "A": Assessment Collection Policy

Exhibit "B": Violation Enforcement Procedure

Exhibit "C": Procedure for Approval of Physical Changes

Exhibit "D": Additional Association Rules

**Jefferson Square Homeowners Association
c/o Archway, The Management Company
P.O. Box 320819
Los Gatos, California 95032-0113**

1. Official Communications. Civil Code Section 5310(a)(1).

The name and address of the person designated to receive official communications to the Association, pursuant to Section 4035 is: Coleen Colla, Archway, The Management Company, P.O. Box 320819, Los Gatos, California 95032-0113.

2. Specified Addresses. Civil Code Section 5310(a)(2).

Upon receipt of a written request by an owner identifying a secondary address for the purpose of assessment collection notices, the Association shall send additional copies of the following documents to that secondary address: (1) those included in the Annual Budget Report; (2) the documents to be delivered to an owner pertaining to delinquent assessments in Civil Code Section 5300 and following; (3) the documents to be delivered to an owner pertaining to the foreclosure of a lien in Civil Code Section 5650 and following. The written request must be made by first-class mail, postage prepaid, registered or certified mail or overnight delivery by an express mail service. The Association does not consent to service by email, facsimile or other electronic means, nor by personal service. The owner may change his/her secondary address at any time, provided that the Association is required to send notices to the indicated secondary address only from the time the Association receives the request.

Pursuant to Civil Code Section 5220, a member of the Association may opt out of the sharing of that member's name, property address, mailing address, email and telephone information by notifying the Association in writing that the member prefers to be contacted via the alternative process described in subdivision (c) of Section 8330 of the Corporations Code. This opt out shall remain in effect until changed by the member.

3. Posting of General Notices. Civil Code Section 5310(a)(3).

The location, if any, designated for posting of a general notice, pursuant to paragraph (3) of subdivision (a) of Section 4045 is as follows: Meeting Notices/Agendas are posted at the community bulletin boards.

4. Receipt of General Notices. Civil Code Section 5310(a)(4).

The Association may give certain legal notices to the members through "general delivery" in the newsletter, in billing statements, by posting and in other ways. You have the right to request that such notices be sent to you by the Association by "individual delivery", which includes first-class mail, postage prepaid registered or certified mail or overnight delivery by an express mail

service. Such a request should be sent in writing by first-class mail, postage prepaid to Archway, The Management Company at the address provided.

5. Meeting Minutes. Civil Code Section 5310(a)(5).

Please be advised that members of the Association have a right to obtain copies of the minutes of meetings of the Board of Directors. Those minutes may be secured by contacting the Association's property management representatives, at the address provided, through a written request and payment of the reasonable costs of copying. Minutes proposed for adoption that are marked to indicate draft status are also available to members under the same procedure, within thirty (30) days of the meeting. Minutes of executive session meetings of the Board of Directors are not available for distribution.

6. Notice of Assessment Collection Rights. Civil Code Section 5310(a)(6).

Please see Exhibit "A-3", as updated by A.S.A.P. Collection Service regarding Notice of Assessments and Foreclosure procedures.

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. (Section 5655 of the Civil Code). The address for overnight payments is:

Jefferson Square Homeowners Association
c/o Archway, The Management Company
251 E. Hacienda Avenue, Suite B
Campbell, CA 95008

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.

7. Statement of Policies and Practices in Enforcing Lien Rights.
Civil Code Section 5310(a)(7).

A statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in the payment of assessments is attached as Exhibit "A-1".

8. Association Discipline Policy. Civil Code Section 5310(a)(8).

A statement describing the Association's discipline policy, including any schedule of penalties for violations of the governing documents pursuant to Section 5850 is attached as Exhibit "B" and entitled Violation Enforcement Procedure.

9. Dispute Resolution Procedures. Civil Code Section 5310(a)(9).

A summary of dispute resolution procedures, pursuant to Sections 5920 and 5965 are included with the Assessment Collection policy attached as Exhibit "A-2".

10. Physical Changes to Property. Civil Code Section 5310(a)(10).

A summary of any requirements for Association approval of a physical change to property, pursuant to Section 4765, is as follows:

Pursuant to Article VII, Section 7.9 of Jefferson Square HOA Enabling Declaration Establishing a Plan of Condominium Ownership, prior written approval of a physical change to the property is required.

A copy of the procedure used to review and approve or disapprove a proposed change is attached hereto as Exhibit "C".

11. Overnight Payment of Assessments. Civil Code Section 5310(a)(11).

The mailing address for overnight payment of assessments, pursuant to Section 5655, is: Jefferson Square Homeowners Association, c/o Archway, The Management Company, 251 E. Hacienda Avenue, Suite B, Campbell, CA 95008.

12. Other Disclosures. Civil Code Section 5310.

The Association is not a party to any litigation at this time.

13. Fair Housing Policy. Government Code Section 12956.1

It is the policy of the Association to not discriminate in the exercise of its powers or duties based on age, race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, medical condition, genetic information, national origin, source of income, ancestry or any other factors which are illegal under California or federal law.

14. Right to Receive Annual Report. Corporations Code Section 8321.

Pursuant to Corporations Code Section 8321, you are hereby notified that you have the right to receive a copy of the annual report upon written request. The report is completed no later than one hundred twenty (120) days after the close of the corporation's fiscal year and contains detail concerning the balance sheet at the end of the fiscal year, the income statement and statement of changes and financial position for the fiscal year, a statement of the place where the names and addresses of the current members are located (Archway, The Management Company), together with an accompanying report by the Association's independent accountant if the gross annual income exceeds Seventy-Five Thousand Dollars (\$75,000).

15. Security

Please be advised that Jefferson Square Homeowners Association does not provide security services on the common area. Owners, their Tenants and Guests should exercise reasonable precautions to ensure the safety of their property and persons. Neither the Association Volunteers nor the Association's Management personnel are trained in law enforcement. In the event of an emergency, please call 911.

16. Emergency Common Area Conditions

In the event of an emergency affecting the common area such as a roof or pipe leak, please contact the Management Company at 408-866-4537.

17. Additional Association Rules

Included are the existing Association rules for information and review. Please see Exhibit "D" which includes the Rental Policy, Parking Policy, Pool Rules and Reserved Parking Space Policy for the Association.

18. FHA Project Disclosure Civil Code Section 5300 (b) (10)

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.

The common interest development is a condominium project. As of August 24, 2016, according to the FHA website <https://entp.hud.gov/idapp/html/condolook.cfm>, the Association of this common interest development is not certified by the Federal Housing Administration. Please visit the website noted for up to date information.

**As per Civil Code, this disclosure is provided on a separate page.*

19. VA Project Disclosure Civil Code Section 5300 (b) (11)

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. As of August 24, 2016, according to the VA website <https://vip.vba.va.gov/portal/VB/VBAH/VBAHome/condopudsearch/> the Association of this common interest development is not certified by the federal Department of Veterans Affairs. Please visit the website noted for up to date information.

**As per Civil Code, this disclosure is provided on a separate page.*

Exhibit "A-1"

1733 - Jefferson Square Homeowners Association

Changes to the 2015 Assessment Collection Policy and the Meet and Confer Policy

In order to conform to current law the *Assessment Collection Policy* and the *Meet and Confer Policy* have been revised. As of January 1, 2015, these revised policies are in effect. The changes are outlined below:

ASSESSMENT COLLECTION POLICY

(The following ONLY applies to the Collection Policy.)

10.0 Collection Charges.

ADDED, as last sentence: "Incurred" means as the services are provided they are added to the owner's account.

11.0 Application of Payments.

Currently reads:

Neither the Association nor its designated agent has any obligation to accept partial payments on an assessment account. Unless stated otherwise in writing, partial payments accepted will be applied first to the oldest assessments owed, and, only after the assessments owed are paid in full will the payments be applied to the fees and costs of collection, attorney's fees, late charges, or interest. Owners may request a receipt and the association shall provide it. The receipt shall indicate the date of payment and the person who received it. Payments may be required to be made in certified funds, e.g. cashier's check or money order.

Rewritten:

If partial payments are accepted, they must be applied pursuant to Civil Code 5655: first to assessments owed, then when those are paid in full, payments shall be applied to the fees and costs of collection, then attorney's fees, then late charges, or interest. Owners may request a receipt and the association shall provide it. The receipt shall indicate the date of payments and the person who received it. Payments may be required to be made in certified funds, i.e. cashier's check or money order.

ADDENDUM TO ASSESSMENT COLLECTION POLICY: OFFER FOR INTERNAL DISPUTE RESOLUTION (IDR), MEET AND CONFER AND ADR

(The following ONLY applies to the Addendum to the Assessment Collection Policy: Offer for Internal Dispute Resolution.)

IF THE OWNER PARTICIPATES, THEN THE MEET AND CONFER TAKES PLACE:

Currently reads:

A. Both parties shall meet and confer to resolve the dispute within forty-five (45) days of receipt of the written request by the other party.

Rewritten:

A. The Association will act on a request by the owner within 45 days of receipt of the written request to meet.

Currently reads:

B. The meeting shall take place promptly at a mutually convenient time and place. Each party shall explain their position and shall confer in good faith to resolve the dispute.

Rewritten:

B. The meeting shall be established in good faith, take place promptly at a mutually convenient date, time and location. Each party shall explain their position and shall confer in good faith to resolve the dispute. If an attorney or other person will be present to assist the owner, the Association must be notified in writing 10 days prior to the established date. If notice is not given 10 days prior, the Association can request a continuance. Each party to pay for their own costs.

Currently reads:

TIME: The maximum time to act on a request by the owner is forty-five (45) days. Initiation to termination of the dispute will take no more than one hundred eighty (180) days.

Rewritten:

TIME: The maximum time to act on a written request by the owner is forty-five (45) days. Initiation to completion of the dispute will take no more than one hundred eighty (180) days, unless extended by both parties.

Jefferson Square Homeowners Association

ASSESSMENT COLLECTION POLICY

Notice to Members:

This document sets forth the Association's policy regarding the collection of assessments pursuant to the Association's Governing Documents and California Civil Code Sections 5600 - 5740.

1.0 Assessments in General.

The Association has a duty to levy regular and special assessments sufficient to perform its obligations under the governing documents and California law. Regular assessments are determined at least once annually and are payable during the year in Monthly installments or at such other intervals as the Board of Directors shall designate. The Association shall distribute the written notice described in Civil Code Section 5730 to each member of the Association during the 60-day period immediately preceding the beginning of the Association's fiscal year.

2.0 Obligation to Pay Assessments.

A regular or special assessment and any late charges, reasonable fees and costs of collection, reasonable attorney's fees, if any, and interest, if any, as determined in accordance with Civil Code Section 5650, shall be a debt of the owner of the separate interest at the time the assessment or other sums are levied. Each assessment or charge is also a lien on the owner's property from and after the time the Association causes a Notice of Delinquent Assessment (Lien) to be recorded with the County Recorder's Office of the County in which the property is located.

3.0 Monetary Charge for Reimbursement to Association for Damage to Common Areas and Facilities.

A monetary charge imposed by the Association as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to common areas and facilities for which the member or the member's guests or tenants were responsible may become a lien against the member's separate interest enforceable by the sale of the interest under Sections 2924, 2924b, and 2924c, provided the authority to impose a lien is set forth in the governing documents.

4.0 Monetary Penalty Imposed by the Association as a Disciplinary Measure.

A monetary penalty imposed by the Association as a disciplinary measure for failure of a member to comply with the governing instruments, except for the late payments, may not be characterized nor treated in the governing instruments as an assessment that may become a lien against the member's subdivision separate interest enforceable by the sale of the interest under Sections 2924, 2924b, and 2924c.

5.0 Notice of Assessments.

Not less than 30 days nor more than 60 days before any increase in the regular assessment or any special assessment becomes due, the Association will give the owners notice of the assessment. Notice will be sent by first-class mail to addresses on the membership register as of the date of notice. The Association can deliver notice of change of assessments via e-mail, if the owner has agreed in writing to accept Association documents via e-mail. The Board of Directors may elect from time to time to provide additional periodic statements of assessments and charges, but lack of such statements does not relieve the owners of the obligation to pay assessments.

6.0 Designation of Agent.

The Board of Directors may designate an agent or agents to collect assessment payments and administer this Assessment Collection Policy. Such designated agent may be an officer of the Association, manager, collection service, banking institution, law firm, attorney or other appropriate agent. A.S.A.P. Collection Services at 331 Piercy Road, San Jose, CA 95138 (408) 363-9600 is one of the designated agents authorized to administer this policy.

7.0 Association Cannot Voluntarily Assign or Pledge the Association's Right to Collect.

An Association may not voluntarily assign or pledge the Association's right to collect payments or assessments, or to enforce or foreclose a lien to a third party, except when the assignment or pledge is made to a financial institution or lender chartered or licensed under federal or state law, when acting within the scope of that charter or license, as security for a loan obtained by the Association; however, the foregoing provision may not restrict the right or ability of an Association to assign any unpaid obligations of a former member to a third party for purposes of collection. After the expiration of 30 days following the recording of a lien per the Covenants, Conditions and Restrictions (CC&R's), the lien may be enforced in any manner permitted by law, including sale by the court, sale by the trustee designated in the notice of delinquent assessment, or sale by a trustee substituted pursuant to Section 2934a. Any sale by the trustee shall be conducted in accordance with Sections 2924, 2924b, and 2924c applicable to the exercise of powers of sale in mortgages and deeds of trusts. The fees of a trustee may not exceed the amounts prescribed in Sections 2924c and 2924d.

8.0 Due Date/ Delinquency Date of Assessments.

Unless otherwise specified by the Board or the governing documents, an assessment is due on the first of each month. An assessment, or any portion thereof, is delinquent if it has not been received as directed by the Board or its designated agent 15 days after it is due.

Exhibit "A-1"

9.0 Late Charges and Interest on Delinquent Amounts.

Delinquent accounts become subject to the following additional charges as contained in Civil Code section 5650 and the governing documents: costs of collection including reasonable attorney's fees; a late charge of \$10 or 10% of the delinquent assessment, whichever is greater and interest on all sums (including the delinquent assessment, collection fees and costs, and reasonable attorney's fees) at an annual interest rate not to exceed 12.00% commencing 30 days after the assessment becomes due; whether or not charged prior to collection. If it is determined the assessment was paid on time to the association the owner will not be liable to pay the charges, interest, and costs of collection.

10.0 Collection Charges.

Any costs and fees *incurred in setting up, processing and collecting delinquent amounts, including, without limitation, late charges, statement charges, monthly administrative charges, charges for preparation of delinquency notices or forward to collection charges, or request for a payment plan as well as the recordation of a lien or initiation of foreclosure proceedings, postage, copies, envelopes, labels, filing and recordation charges, delivery charges, and attorney's fees and costs, title searches, bankruptcy searches, pulling copies of grant deeds or property ownership history, address and or phone number verification searches, in addition to any other charges necessary to collect a delinquent assessment shall become an additional charge against the owner and the owner's property and shall be subject to collection action pursuant to this Policy.

*Incurred means as the services are provided, they are added to the owner's account.

11.0 Application of Payments.

If partial payments are accepted, they must be applied pursuant to Civil Code 5655: first to assessments owed, then when those are paid in full, payments shall be applied to the fees and costs of collection, then attorney's fees, then late charges, or interest. Owners may request a receipt and the association shall provide it. The receipt shall indicate the date of payments and the person who received it. Payments may be required to be made in certified funds, i.e. cashier's check or money order.

12.0 Initial Delinquency Notice.

Once an assessment, or any portion thereof, has become delinquent, the owner may receive an initial delinquency notice stating all amounts past due and any known collection charges imposed as of the date of the notice, which may be in the form of a letter, monthly statement, past due notice, or any other form of writing or notice from the Association or its designated agent.

13.0 Notice of Intent to Record a Lien.

If an assessment account remains unpaid for 45 days after it is due, the Association or its designated agent shall, at least 30 days prior to recording a lien upon the separate interest of the owner of record, notify the owner in writing by certified mail all of the notice requirements pursuant to Civil Code Section 5660. Prior to recording a lien for delinquent assessments, the owner has the right to request to participate in dispute resolution pursuant to the Association's "Meet and Confer" program required in Civil Code Sections 5900 - 5920. A copy of the "Meet and Confer" Offer and Procedure is attached to this collection policy as an ADDENDUM titled "ADDENDUM TO ASSESSMENT COLLECTION POLICY: OFFER FOR INTERNAL DISPUTE RESOLUTION (IDR), MEET AND CONFER, AND ADR."

14.0 Recording of Lien.

At the expiration of 30 days following the Notice of Intent to Record a Lien, the Association or its designated agent will without further notice to the owner, record a lien against the owner's property. The notice of delinquent assessment shall be mailed in the manner set forth in Section 2924b, to all record owners of the owner's interest in the common interest development no later than 10 calendar days after recordation.

15.0 Association Lien Subordination.

A lien created pursuant to 14.0 Recording of Lien shall be prior to all other liens recorded subsequent to the notice of assessment, except that the declaration may provide for the subordination thereof to any other liens and encumbrances.

16.0 Recording of Release of Lien.

A release of lien will not be recorded until the entire balance of the owner's account is paid in full. All charges incurred in recording a Release of Lien, including reasonable attorney or agent fees and costs, will be charged to the account. Within 21 days of payment in full the Association shall record or cause to be recorded in the office of the county recorder a release of lien or notice of rescission and provide the owner of the separate interest a copy of the recorded release of lien.

17.0 Lien Recorded In Error.

If it is determined that a lien previously recorded against a separate interest was recorded in error, the party who recorded the lien shall, within 21 calendar days, record or cause to be recorded in the office of the county recorder, a release of lien or notice of rescission and provide the owner of the separate interest a copy of the recorded document with a declaration stating that the recording was in error.

Exhibit "A-1"

18.0 Foreclosure.

Judicial or Non Judicial foreclosure proceedings may not begin until the amount of the delinquent assessments secured by the lien, exclusive of any accelerated assessments, late charges, fees and costs of collection, attorney's fees, or interest, equals or exceeds one thousand eight hundred dollars (\$1,800) or the assessments are more than 12 months delinquent. Prior to initiating a foreclosure for delinquent assessments, the association will offer the owner and, if so requested by the owner, shall participate in dispute resolution pursuant to the association's "Meet and Confer" program required in Civil Code Sections 5900 - 5920 or alternative dispute resolution with a neutral third party pursuant to Civil Code Sections 5925 - 5965. The decision to pursue dispute resolution or a particular type of alternative dispute resolution shall be the choice of the owner, except that binding arbitration shall not be available if the association intends to initiate a judicial foreclosure. A copy of the "Meet and Confer" Offer and Procedure is attached to this collection policy as an ADDENDUM titled "ADDENDUM TO ASSESSMENT COLLECTION POLICY: OFFER FOR INTERNAL DISPUTE RESOLUTION (IDR), MEET AND CONFER, AND ADR."

19.0 Deed in Lieu of Foreclosure.

Nothing in this section or in subdivision (a) of Section 726 of the Code of Civil Procedure prohibits actions against the owner of a separate interest to recover sums for which a lien is created or prohibits an association from taking a deed in lieu of foreclosure.

20.0 Payment Plan Agreement.

An owner of a separate interest may submit a written request to meet with the Board of Directors, in executive session, to discuss a payment plan agreement to allow the owner to make periodic partial payments on the entire balance of the assessment account in addition to assessments that will accrue during the payment plan period. The Association has no obligation to enter into such a payment agreement. If the Association accepts an agreement with the owner it shall be reasonable, as determined by the Board in its sole discretion, and in accordance with the standards for payment plans, if any exist. The payment agreement shall be in writing and will include a provision that additional late fees shall not accrue during the payment plan period if the owner is in compliance with the terms of the payment plan. Interest and administrative charges will accrue until the account is paid in full. The agreement will also include a provision that in the event of a default on the payment plan, the Association may resume its efforts to collect the delinquent assessments from the time prior to entering into the payment plan. A lien will be recorded against the property to secure debt for the Association. The owner will be charged for the additional collection fees and costs to administer the payment plan. Payment plan requests outside of the Association's payment plan standards require Board approval. The board may designate a committee of one or more members to meet with an owner.

21.0 Validation of Debt.

Unless an owner disputes the validity of the debt, or any portion thereof, within thirty (30) days after receipt of the notice pursuant to 13.0 Notice of Intent to Record a Lien, the debt will be assumed to be valid. Validation of the debt will be provided in writing, at no additional cost to the owner and will include 1) an itemized statement of the charges owed by the owner, including items on the statement which indicate the amount of any delinquent assessments, the fees and reasonable costs of collection, reasonable attorney's fees, any late charges, and interest, if any 2) the Association's name and 3) the Association's mailing address.

22.0 Disputes.

Federal law states that initial dispute can be either oral or in writing. State law requires disputes to be in writing. It is therefore recommended that all disputes be put in writing to avoid misunderstanding.

23.0 Internal Dispute Resolution (IDR) Procedure, Meet And Confer.

An owner has 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 Sections 5900 - 5920. A copy of the "Meet and Confer" Offer and Procedure is attached to this collection policy and serves as an official offer to the owner. See attached ADDENDUM titled "ADDENDUM TO ASSESSMENT COLLECTION POLICY: OFFER FOR INTERNAL DISPUTE RESOLUTION (IDR), MEET AND CONFER, AND ADR."

24.0 ADR - Alternative Dispute Resolution.

An owner has the right to request alternative dispute resolution with a neutral third party pursuant to Civil Code Sections 5925 - 5965 before the Association may initiate foreclosure against the owner's separate interest, except that binding arbitration shall not be available if the Association intends to initiate judicial foreclosure. A summary of the ADR - Alternative Dispute Resolution Civil Code 5965 is attached as an ADDENDUM to this policy titled "ADDENDUM TO ASSESSMENT COLLECTION POLICY: OFFER FOR INTERNAL DISPUTE RESOLUTION (IDR), MEET AND CONFER, AND ADR."

25.0 Owner has Right to Request Meeting with Board.

An owner has the right to request a meeting with the board. The board shall meet with the owner in executive session within 45 days of the postmark of the request, if the request is mailed within 15 days of the date of the postmark of the notice 13.0 Notice of Intent to Record a Lien, unless there is no regularly scheduled board meeting within that period, in which case the board may designate a committee of one or more members to meet with the owner.

Exhibit "A-1"

26.0 Owner has Right to Review Association Records.

Owner has the right to review the Association records, pursuant to Civil Code Section 5205. Owner should contact the Association's managing agent for the policies and procedures set forth to inspect the records.

27.0 Dispute Resolution, Meet And Confer Procedure Civil Code Section § 5920. See attached Addendum titled "ADDENDUM TO ASSESSMENT COLLECTION POLICY: OFFER FOR INTERNAL DISPUTE RESOLUTION (IDR), MEET AND CONFER, AND ADR."

28.0 Other Remedies.

The Association reserves the right to avail itself of any other remedy permitted by law and the Association's governing documents to collect assessments and related costs and charges, including but not limited to bringing an action in Small Claims or Superior Court. Such remedies may be taken in addition to, or in lieu of, any action already taken, and commencement of one remedy shall not prevent the Association from electing at a later date to pursue another remedy.

29.0 Address of the Association and the Board of Directors.

For the purpose of OVERNIGHT PAYMENTS owners are directed to use the same mailing address that is used for mailing routine assessment payments, unless otherwise directed by the designated agent. For the purpose of CORRESPONDENCE owners are directed to use the mailing addresses of the designated agent, unless otherwise directed. These addresses are subject to change after the distribution of this policy. Notification of a change will be in writing to the membership through normal day-to-day correspondence from the association or its designated managing agent. It is the owners' responsibility to note any changes for their records.

30.0 Returned Payments.

Payments returned for insufficient funds, closed account, stop payment or for any other reason will be charged back to the owners account in addition to any administrative fee, bank fee or collection fees and costs incurred to handle the returned payment. Personal checks will not be accepted if two payments are "Returned" by the bank for any reason.

31.0 Sufficiency of Notice.

Except for notice that under California law must be sent by certified mail, notice is sufficient if either hand delivered or mailed first class, postage prepaid, to the owner at the address on the membership register at the time of notice. Notice is presumed received (3) three days after notice was mailed.

32.0 Owner's Change of Address.

Owner is required to notify the Association of any change in the owner's name or mailing 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 required by this section 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.

33.0 Void Provisions.

If any provision of this Policy is determined to be null and void, all other provisions of the Policy shall remain in full force and effect.

**ADDENDUM TO ASSESSMENT COLLECTION POLICY: OFFER FOR
INTERNAL DISPUTE RESOLUTION (IDR), MEET AND CONFER, AND ADR**

DISPUTE RESOLUTION, MEET AND CONFER PROCEDURE CC §5920

WHO MAY START: This procedure may be invoked by the Association or an Owner. Either party may make a written request to meet and confer to resolve a dispute. The Board shall designate a member of the Board to meet and confer.

WHO PARTICIPATES: When a written request for Dispute Resolution is received from an owner, the Association shall participate. If the Association makes a written request for an owner to participate, the owner may elect not to participate.

NON-PARTICIPATION BY THE OWNER: If the owner declines to participate, the Association may begin Alternative Dispute Resolution, pursuant to Civil Code § 5930.

IF THE OWNER PARTICIPATES, THEN THE MEET AND CONFER TAKES PLACE:

A. The Association will act on a request by the owner within 45 days of receipt of the written request to meet.

B. The meeting shall be established in good faith, take place promptly at a mutually convenient date, time and location. Each party shall explain their position and shall confer in good faith to resolve the dispute. If an attorney or other person will be present to assist the owner, the Association must be notified in writing 10 days prior to the established date. If notice is not given 10 days prior, the Association can request a continuance. Each party to pay for their own costs.

C. An agreement resolving the dispute by the parties shall be made in writing and dated and signed by the parties, including the Board designee on behalf of the Association.

D. A written decision shall be made by the designated Board Member and delivered or received by the owner within ten (10) days after the meet and confer.

E. If the owner participates, but the dispute is resolved other than by agreement of the owner, the owner shall have the right to appeal to the Association's Board of Directors.

APPEAL:

A. If the owner disputes the resolution, an appeal must be taken to the Board of Directors within thirty (30) days of the date of the decision by the designated Board member.

B. If there is an appeal, the Board must hear the Appeal at its next regularly scheduled meeting in executive session, then issue a written decision within ten (10) days.

NO CONFLICT:

A. The resolution must not be in conflict with the law or the governing documents.

B. The agreement must be consistent with the authority granted to the Board of Directors or the Board must ratify the agreement.

C. The written agreement, which is dated and signed by the parties, will bind both parties and be judicially enforceable.

NO FEE: No fee will be charged to the owner during this process.

EXCEPTIONS: Reasonable exceptions may be made to the time deadlines, in the discretion of the Board. Any exceptions will be made on a case-by-case basis.

TIME: The maximum time to act on a written request by the owner is forty-five (45) days. Initiation to completion of the dispute will take no more than one hundred eighty (180) days, unless extended by both parties.

ADR - ALTERNATIVE DISPUTE RESOLUTION CC §5925 - 5965 [SUMMARY] As of January 1, 2006

1. If an association, owner or member of an association seeks either:

A. Declaratory or injunctive relief; or

B. Declaratory or injunctive relief and a claim for monetary damages not in excess of the jurisdictional limits of small claims court (as of January 1, 2012: \$10,000 for individuals or \$5,000 for homeowner association), other than for association assessments, concerning the enforcement of the governing documents; the parties shall submit their dispute to Alternative Dispute Resolution (ADR), such as mediation or arbitration. A Request for Resolution ("Request") begins the process and it shall include:

1) A description of the dispute;

2) A request for ADR

3) Notice that the party receiving the Request is required to respond within thirty (30) days or the Request will be deemed rejected.

C. This does not apply to small claims action.

D. Except as required by law, this does not apply to an assessment dispute.

2. 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.

3. If the Request is accepted, ADR shall be completed within ninety (90) days from the date of acceptance, or it can be extended by a written stipulation signed by both parties.

"FAILURE OF A MEMBER OF THE ASSOCIATION TO COMPLY WITH THE ALTERNATIVE DISPUTE RESOLUTION REQUIREMENTS OF SECTION 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."

Unless otherwise stated by the Association, this document serves as the Association's OFFER FOR INTERNAL DISPUTE RESOLUTION (IDR), MEET AND CONFER, AND ADR and it serves as its procedure for the same.

Required Notice Regarding Assessments And Foreclosure

***Civil Code §5730 – Effective January 1, 2006**

NOTICE ASSESSMENTS AND FORECLOSURE

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

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure, or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700 - 5740) 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 5740 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 Civil Code Sections 5650 – 5740 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)

Required Notice Regarding Assessments And Foreclosure

***Civil Code §5730 – Effective January 1, 2006**

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 Civil Code Section 5900 – 5965. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth Civil Code Sections 5935 - 5965, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

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

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share interest may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exists. (Section 5665 of the Civil Code)

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

(b) An association distributing the notice required by this section to an owner of an interest that is described in Section 11212 of the Business and Professions Code that is not otherwise exempt from this section pursuant to subdivision (a) of Section 11211.7 of the Business and Professions Code may delete from the notice described in subdivision (a) the portion regarding meetings and payment plans.

Exhibit "B"

**JEFFERSON SQUARE HOMEOWNERS ASSOCIATION
RESOLUTION
VIOLATION ENFORCEMENT PROCEDURE**

Adopted by the Board: July 6, 2010

Effective Date: July 6, 2010

WHEREAS, Section 5.2F, of the Jefferson Square Homeowners Association ENABLING DECLARATION states, "The Association shall have the power to levy and collect assessments in accordance with the provisions of Article IV hereof. The Association may impose fines or take disciplinary action against any Owner for failure to pay assessments or for violation of any provision of the condominium governing documents. Penalties may include but are not limited to: fines, temporary suspension of voting rights, rights to use the recreational facilities or appropriate discipline, provided the member is given notice and a hearing as provided in the By-Laws and California Corporations Code 7341 before the imposition of any fine or disciplinary action. The Board shall have the power to adopt a schedule of reasonable fines and penalties for violations of the terms of this Declaration, and for violations of any Rules adopted pursuant to Section 5.2D. The penalties prescribed may include suspension of all rights and privileges of membership; provided, however, that suspension for failure to pay assessments shall be for a maximum period of thirty (30) days, renewable by the Board for an additional (30) day period or periods until paid; and provided further that suspension for infraction of Rules or violation of this Declaration, other than failure to pay assessments, shall be limited to a maximum period of thirty (30) days per infraction or violation and shall be imposed only after a hearing before the Board. The Board may extend the period for an additional period or periods in the case of continuing infraction or violation, and no hearing need be held for such extension. Written copies of Rules and the schedules penalties shall be furnished to Owners. The Board shall assess fines and penalties and shall enforce such assessments as appropriate under applicable law.

The Association shall have the authority to enforce this Declaration as provided in Section 9.1 hereof.

WHEREAS, Article IX, Section 9.1 Enforcement: The Association, or any Owner shall have the right to enforce, pursuant to this Declaration, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration, or decisions made by the Association pursuant to the provisions of this Declaration and in such action shall be entitled to recover reasonable Attorney's fees. Failure by the Association or by any Owner to enforce any covenant or restriction contained herein shall in no event be deemed a waiver of the rights to so do thereafter.

THEREFORE BE IT RESOLVED that the Board of Directors (hereinafter the "Board") of the Jefferson Square Homeowners Association, as governed by the By-Laws and CC&Rs, has adopted the following Violation Enforcement Procedure:

STANDARDS, DEFINITIONS, INSTRUCTIONS & GUIDELINES:

Definition of an infraction

An infraction of an Association Rule or Regulation may be either an act of failing to do what is required or doing what is not permitted. "Owners are responsible for infractions by their tenants and guests."

Reporting an infraction

Infractions are reported by contacting the Management Company. The reporter must supply all available information regarding the evidence of the infraction (date/time, location, photos, documentation, witnesses) if available.

Warnings

Warnings are only provided once to violators for each type of infraction; warnings are provided at the discretion of the Board of Directors.

Responding to an infraction

The Management Company will notify the Owner, in writing, of the nature of the infraction, giving all information necessary to identify the infraction and the violator. The Owner will have thirty (30) business days from receipt of the notice to rectify the infraction.

The Owner will have thirty (30) days to respond, in writing, to the Management Company regarding the violation. The response must include evidence of correction if the violation was "fixed". Otherwise, the response must either agree to pay the associated penalty or request a hearing with the Board of Directors to dispute the allegation. Failure to respond, in writing, within thirty (30) days is seen as an agreement to pay the penalty.

Repeat offenders

If an Owner has received an infraction within the previous 12 months, the Association will escalate the fine schedule by a factor of 2 for each additional infraction of a similar nature. For example, if an Owner is levied a fine of \$100 in February for a violation, and again has the same violation in August, the fine assessed will increase to \$200 (\$100x2). If this same Owner again received the same violation in September, the fine assessed will be \$400 (\$200x2). If however, the Owner has a different violation than before, the factor is not applied; the standard penalty in this case \$150, is applied. Penalties are capped at \$500/occurrence.

Additional Costs

The Owner may incur additional costs if an infraction results in damage to the common area of the community. Assessment of such damage will be at the discretion of the Board of Directors.

Procedure

- Violation is reported to the Management Company
- Management notifies the Board of Directors, and determines if it is the first infraction, if so determines whether the infraction merits a warning or immediate penalty and issues appropriate written notice. If a repeat violator, assigns appropriate penalty value in the written notice.
- Owner responds to the written notice in one of three ways:
 1. Evidence that the infraction was "fixed"
 2. Acknowledgement of the violation and associated fine
 3. Request for a hearing with the Board of Directors to dispute the allegation
- If necessary, the hearing with the Board of Directors is scheduled in accordance with Section 5.2F of the Association's governing documents.

Penalties

- Notification Penalty: The notification penalty is \$100. This penalty applies when an Owner fails to notify the Management Company of an activity requiring notification as set forth in Jefferson Square's governing documents. This penalty applies, for example, to Owners who lease their unit and fail to notify and provide to the Management Company current tenant information/rental agreement.
- Security Penalty: The security penalty is \$150. This penalty applies, for example, failing to close and lock the pool gate when leaving the pool. The Association could be sued if any liability occurs because the gate to the pool was left open.
- General Infractions Penalty: The general infractions penalty is \$50. This penalty applies to any other infraction of Jefferson Squares' HOA governing documents not specifically identified above, for example, having a pet off leash, or using your parking space or guest parking space for storage of a vehicle.

JEFFERSON SQUARE HOA

ARCHITECTURAL VARIANCE REQUEST FORM

Name: _____

Address: _____

Home Phone: _____

Work Phone: _____

Description of work proposed: (Attach any drawings, photos, etc.)

Who will perform the work? (Include qualifications)

ARCHITECTURAL VARIANCE REQUEST FORM

1. Applicant agrees and understands that submission of this form alone does not fulfill all requirements for approval. Committee and/or Board may require additional information in order to make a decision. Until all information has been received, the application stands disapproved.
2. Applicant understands that if the Committee requires modifications to plans, that special conditions may be placed on the completion of work.
3. Applicant understands that failure to receive City approval where necessary, and/or committee approval, constitutes automatic authorization by the applicant to the Association to have the work brought into conformance with the approved plans, specifications, and special requirements at the complete expense of the applicant/homeowner.

Exhibit "C"

Submissions Checklist

Complete and submit this form to the Manager. The Manager will submit this form to the Architectural Control Committee who will then review your request and notify you of its decision. Additionally submit those items as required in the attached Architectural Modifications Procedures Policies. The submission is not considered complete or submitted to the Committee until all items outlined in this application and/or the Architectural Modifications Procedure has been provided to the Committee.

Your project may, at the discretion of the Committee, be inspected at its conclusion. Direct replacement of carpet or vinyl flooring does not require a "Request for Architectural Variance" form or Architectural Control Committee approval.

ARCHITECTURAL VARIANCE REQUEST FORM

Project Checklist

Pre-Project:

- ✓ Please notify your neighbors, two units deep in all directions, if applicable, of the dates and times of your construction project. Just a simple note on their door will suffice. Provide this same notice to the Manager. Notice of this nature should be given one (1) week in advance of the start of the work. At the same time, Owner must advise Manager of the contractor's name, business address, and telephone number in the event of an emergency.
- ✓ Notify your vendor that concussive or vibration inducing hand or power tools may only be operated between 9:00am and 6:00pm daily.

Project Day:

- ✓ We recommend that you are present during all phases of your construction project. You will be charged for any damage to the building or any extra cleaning that may be necessary, and has been identified or attributed to your vendor.

Flooring Specific Items:

- ✓ Your Architectural Control Committee must approve all flooring changes, other than direct replacement of carpet, vinyl, tile or stone.
- ✓ Make sure your vendor knows that carpet or vinyl cutting MAY NOT OCCUR in any common area. Cutting may occur in your home, parking space(s) or if by prior arrangement with Manager. All construction debris from the Contractor must be removed every day.

Exhibit "C"

Applicants Signature: _____

Date: _____

Committee's Application Reviewer: _____

Recommended to Board:

Approved: _____

Denied: _____

Would reconsider if following items were submitted:

Date: _____

Board of Directors reviewed on: _____

Approved: _____

Denied: _____

Submit to the Association by Fax or Mail to:

Jefferson Square HOA

C/O Archway, The Management Company

P.O. Box 320819

Los Gatos, CA 95032

408-866-4537 - office

408-866-4619 - fax

Jefferson Square Homeowner's Association

Architectural Committee Procedures for Applications

1. Complete architectural application with all pertinent information and submit to Management 1-2 weeks before next Board Meeting. Please be sure to include the Contractor's current license number and current insurance information.
2. The Architectural Committee will review application and set appointment, prior to the Board meeting, with Homeowner to view construction plans.
3. From that appointment, The Committee will then give recommendations to the Board for approval or denial of application.

Jefferson Square Homeowners Association

RENTAL POLICY

Adopted by the Board: April 25, 2016

PURPOSE OF THIS POLICY:

The purpose of the Rental Policy is to set forth general rules for the Homeowners of Jefferson Square to rent their units. This policy follows the CC&R's Article VII, Section 7.8 Right to Lease. Failure to comply with this Rental Policy will result in a hearing with the Board and monetary fine(s). Please refer to Section 7.8 Right to Lease (D) "Any violation of the Association's governing documents shall be a breach of the lease or rental agreement, allowing termination thereof by Owner or Board.

Guidelines:

- Owners will be deemed ineligible to be added to the rental list if they are more than two (2) months in arrears with their HOA dues:
- Owners that are currently on the rental list and are two (2) months in arrears will be removed from the rental list. Other Homeowners in good standing will be given priority to be added to the rental list.
- Owners, who fail to provide a current rental agreement, as per the CC&R's, will be subject to a hearing, monetary fine(s) and loss of rental rights.
- When two (2) requests to rent a unit are received by Management at the same time, the Homeowner that has held ownership in the property the longest at Jefferson Square will be added to the rental list.

Waiting List for Rental Units:

1. Once the number of rental units falls below the 30% threshold the HOA management firm will notify the Homeowner at the top of the waiting list within 30 days.
2. The Homeowner has 30 days to respond to the HOA management firm as to whether they plan to rent their unit or not.
3. The Homeowner has four options:
 - a. Reply that they will rent out their unit. Once they reply 'yes', the HOA management firm will inform them they are required to rent their unit out within 60 days. If they do not rent it in 60 days the Homeowner must request an extension from the Board or they will move to the end of the rental waiting list and lose their top place on the list. The Board has discretion whether to grant the extension, and if so, for how long.
 - b. Respond that they do not wish to rent their unit at this time, but would like to remain on the rental list. At which point they will be moved to the bottom of the list.
 - c. Respond that they no longer wish to rent their unit and then the HOA Management firm will remove them from the list.
 - d. If the HOA management firm receives no response within 30 days then the Homeowner will be removed from the list, unless the HOA management firm was notified previously from the homeowner that they will be out of contact for an extended period of time.
4. If any Homeowner falls out of good standing then they will be removed from the waiting list.
5. If a Homeowner is approved to rent, then the rental approval will remain with that Homeowner until they notify the Board that they no longer plan to rent their unit, the unit is sold or they fall out of good standing.

JEFFERSON SQUARE HOMEOWNERS ASSOCIATION

PARKING POLICY

Adopted by the Board: July 6, 2010

Effective Date: July 6, 2010

PURPOSE OF THIS POLICY:

The purpose of the Parking Policy is to set forth general rules for Jefferson Square Resident parking. Additional parking area restrictions and regulations can be reviewed in the CC&R's in Article II, Section 2.3 Parking and the California Vehicle Code, Article I, Authority to Remove Vehicles. Failure to comply with this Parking Policy will result in a fine(s) and/or towing to the OWNER.

Guidelines:

- NO PARKING on the private driveway (the internal private driveway at Jefferson Square) at any time; the street is a fire lane. Parked vehicles are subject to be towed at the Owner's expense.
- No unlicensed vehicles shall be operated on the property.
- The following are not permitted in the Jefferson Square parking lot other than on a temporary basis: trailer, camper, mobile home, house car, commercial vehicle*, truck (other than a standard size pickup truck or standard size van), boat or an inoperable vehicle.
 - *NOTE: Commercial vehicles do not include sedans or standard size vans and pickup trucks which are used both for personal and business as long as any commercial signs or markings are unobtrusive and inoffensive as determined by the Board of Directors.
- OWNERS are responsible for ensuring their guests, tenants and tenants' guests conform to the Jefferson Square Parking Policy.
- Vehicles stored in any common area parking space for longer than 5 days may be towed; vehicles parked in an assigned space where the space holder advises that said vehicle is not theirs may be immediately towed. An exception is that a vehicle which is attended or is associated with an activity such as unloading will not be towed. The towing company is given clear instructions to pass by such vehicles, and particularly to pass by vehicles whose flashers are on. Vehicles will be towed at Owner's expense. If possible, prior to removal of the vehicle, a photograph will be taken as evidence.
- The Jefferson Square HOA is not responsible for damage or theft to any vehicles parked in the assigned parking spaces or common area parking spaces.

**JEFFERSON SQUARE HOMEOWNERS ASSOCIATION
POOL RULES**

Adopted by the Board: July 6, 2010

Effective Date: July 6, 2010

1. **NO LIFEGUARD ON DUTY** – All persons using the Pool do so at their own risk.
2. Pool area is to be used by Residents of Jefferson Square and their guest only.
An adult Resident must accompany children (under the age of 14) at all times.
3. The Pool hours are seven (7) days a week:
9:00AM –10:00PM Sunday through Thursday
9:00AM–10:00PM Friday, Saturday and Holidays
4. Please be quiet and courteous to your neighbors. No loud noise while in the Pool.
5. Residents must remain with your guests at all times when they are in the Pool. You are solely responsible for your guests.
6. Keys distributed to non-residents and repeated breaking of these rules by you or your guests will result in loss of Pool privileges and/or fines.
7. Lifesaving equipment is not to be used for play. Water games, running and unnecessary noise are not permitted.
8. No food or drink allowed in the Pool. No glass or glassware allowed in the Pool area.
9. The Pool area is for the quiet enjoyment of the Residents of Jefferson Square. Any other use such as parties, meals, meetings, etc. must receive prior approval of the Board of Directors.
10. Bathing suits only are required at all times while in the Pool. Persons with long hair must wear bathing caps. Children still in diapers must wear protective swim pants; this is a City Health Code mandate.
11. No pets allowed in the Pool area (except certified service animals).
12. Help keep the Pool area clean.
13. Please make sure the Pool gate is closed and locked when exiting the Pool area.
14. The Jefferson Square HOA is not responsible for lost, stolen or damaged items.
15. If someone has an accident, please call 911 and then report the incident to Archway, The Management Company 408-866-4537.

All questions and concerns about the Pool Rules should be sent in writing to:
Archway, The Management Company
P.O. Box 320819
Los Gatos, CA 95032

Please make sure you include your name, unit number and contact number, along with the details of the infraction.

Exhibit "D"

JEFFERSON SQUARE HOMEOWNERS ASSOCIATION

RESERVED PARKING SPACE POLICY

Adopted by the Board: March 29, 2011

Effective Date: March 29, 2011

PURPOSE OF THIS POLICY:

The purpose of the Parking Policy is to set forth general rules for Jefferson Square Reserved Parking Space Policy. This policy follows the California Vehicle Code, Article I: Authority to Remove Vehicles. Failure to comply with the Reserve Parking Space Policy will result in a fine(s) and/or towing of the illegally parked vehicle.

Guidelines:

- OWNERS are responsible for ensuring their guests, tenants and tenants' guest conform to the Jefferson Square Homeowners Association Reserved Parking Space Policy.
- Reserved parking spaces are assigned to specific units for their exclusive use, and each monthly rented reserved parking space has towing privileges.
- Reserved parking spaces may be rescinded by the Board, if Owner's become delinquent in their HOA financial obligations.
- The Association will not be responsible for any damage to person or property arising out of the reserved parking rental. Articles left in vehicles will be at the vehicle owner's risk. The Association is not responsible for loss or damage to any vehicle or its contents by fire, vandalism, theft or other cause. The Association does not assume any obligation for security of the parking area from criminal activities.

Please contact Archway, The Management Company at 408-866-4537, fax to 408-866-4619 or email to Jeffersonsquare@archwaytmc.biz if you would like to place your name on the waiting list for a reserved parking space.

I HAVE READ AND I AGREE TO THE GUIDELINES IN ORDER TO RENT AND RETAIN MY RESERVE PARKING SPACE.
I AGREE TO PAY \$20.00 A MONTH UNTIL I CANCEL MY OPTION TO RENT THE RESERVE PARKING SPACE.

Signature

Address

Reserved Parking Space Number: _____

Jefferson Square Homeowners Association

TO: All Jefferson Square Homeowners
FROM: Board of Directors
DATE: August 28, 2015
RE: Approved 2015-2016 Budget

Living in a planned community development offers many advantages. An attractive appearance of the units, harmonious relations with your neighbors, and property values are all important qualities needed in your community. In this regard, the Association is operated pursuant to the governing documents, which include the First Restated Declaration of CC&Rs of Jefferson Square Homeowners Association a Condominium Project, as well as the Articles of Incorporation, the Bylaws, rules and regulations, and policies of the Association as adopted from time to time by the Board of Directors to implement these goals and restrictions.

Common Interest Developments, such as Jefferson Square Homeowners Association are regulated and governed in California by the Davis Stirling Common Interest Development Act established in 1985. There was a major revision to the Act which took effect January 1, 2014 to simplify and reorganize the laws as they pertain to common interest developments. The revisions affected the manner in which annual budgets are done and the disclosures which must be presented to Association members.

We now have two separate disclosure reports to present to Members: the Annual Budget Report (Pages1-17) and the Annual Policy Statement (Pages18-40). Each report has its own section designations and exhibits.

The Board approved the annual 2015-2016 budget for the Jefferson Square Homeowners Association on August 26, 2015. The new 2015-2016 assessment rates range from \$280.00 to \$320.00 per unit, per month and are effective beginning October 1, 2015. The new assessment figures represent an overall average increase of 2.9%. The major impacts to the budget are the water expenses and the increase in reserve contribution for the Association.

The Board of Directors reviewed the reserve study, as prepared by Association Reserves, and taking into consideration several factors, including acceleration of funding for the Association, estimates of component maintenance, repairs and remaining lives, together with the effect on the monthly assessment amounts, determined that a monthly contribution of \$10,320.00 is prudent. Please read the Annual Budget Report for complete details.

If you have any questions regarding this budget, please plan to attend one of the regular meetings of the Board of Directors. At this time, the Board meetings are scheduled for the fourth Tuesday of every month at 6:00PM. Meeting dates and location may vary. During the summer months, the Board meets at the pool area and during the winter months, they meet at the Trinity Cathedral. We post the meeting notices and agendas for the Association at each bulletin board at the complex. You may also call Archway, The Management Company in advance of any Board meeting to verify the date and location for the meeting.

P. O. Box 320819, Los Gatos, CA 95032
251 E. Hacienda Avenue, Suite B, Campbell, CA 95008
408-866-4537 / Fax 408-866-4619
jeffersonsquare@archwaytmc.biz

**Jefferson Square Homeowners Association
Annual Budget Report – 2015-2016 Fiscal Year**

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Section 4: Major Component Repairs

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Exhibit "A": Pro Forma Budget

Exhibit "B": Operating Budget Pie Chart

Exhibit "C": Summary of Reserves and Reserve components

Exhibit "D": Reserve Funding Plan

Exhibit "E": Assessment and Reserve Funding Disclosure Summary

Exhibit "F": Insurance Summary

Note: A complete copy of the reports summarized or referred to herein may be requested by you and will be provided to you without cost. Please provide your written request to Archway, The Management Company, P.O. Box 320819, Los Gatos, CA 95032-0113.

**Jefferson Square Homeowners Association
c/o Archway, The Management Company
P.O. Box 320819
Los Gatos, California 95032-0113**

**Annual Budget Report
August, 2015**

The Annual Budget Report includes the requirements of the California Civil Code and other applicable law to provide the disclosures for the operation of the Association as follows:

1. Pro Forma Operating Budget. Civil Code Section 5300(b)(1).

This disclosure statement is being distributed to you together with a copy of the pro forma operating budget which includes an estimate of the revenue and expenses of the Association on an accrual basis.

Pursuant to the enclosed budget there will be an increase in the regular monthly assessment for the fiscal year 2015-2016. The assessments vary per unit; please see the 2015-2016 Budget Summary attached as Exhibit "A" with this budget report. Should the 2015-2016 budget call for an assessment increase, you will receive not less than thirty (30) nor more than ninety (90) days notice prior to the increased assessment becoming due.

<u>Unit Group</u>	<u>OLD Assessment</u>	<u>NEW Assessment</u>
Plan 1	\$276.00	\$283.00
Plan 2	\$295.00	\$303.00
Plan 3	\$311.00	\$320.00
Plan 4	\$273.00	\$280.00

Please see the 2015-2016 Budget Summary attached as Exhibit "A".

The budget for the Association is based on a variety of expense lines for the operation of the Association. The budget includes operating and reserve components for expenses. We have also prepared a pie chart of the expenses to facilitate the budget review, attached as Exhibit "B".

2. Summary of Association Reserves. Civil Code Section 5300(b)(2).

A summary of the Association's reserves and reserve components, prepared pursuant to Section 5565, is attached as Exhibit "C". It is based upon the most recent review or study concerning the major components the Association is obligated to repair, replace, restore or maintain. Exhibit "C" also includes projections of expenses and estimated reserve balances for the next five years.

The Association's most recent complete reserve study was done in August 2013 with an update provided in August of this year.

3. Reserve Funding Plan. Civil Code Section 5300(b)(3).

A summary of the reserve funding plan adopted by the Board, as specified in paragraph (5) of subdivision (b) of Section 5550, is attached as Exhibit "D". The full reserve study plan is available upon request. Please see the table of contents for the Annual Budget Report for full instructions.

The reserve account funding is reviewed on an annual basis by the Board of Directors and is adjusted by the rate of inflation, construction cost variations and updated evaluations of the life expectancy for repair or replacement of each major component. For the current year, the Board has elected to analyze the reserve account requirements on a "pooled cash flow" method. The reserve funding process involves estimates of component maintenance, repair and replacement costs and estimates of the remaining life of the components. Reserve funding requirements can change over time based upon revised estimates and evaluations.

For the 2015-2016 fiscal year, the reserve study for the Association recommends a monthly reserve contribution of \$10,320.00 to meet the full funding contribution for the Association. The Board reviewed the reserve study, and taking into consideration several factors, including acceleration of the funding for the Association, estimates of components maintenance, repairs and remaining lives, together with the effect on the monthly assessment amounts, determined that a monthly contribution of \$10,320.00 would be approved.

Please see the Assessment and Reserve Funding Disclosure Summary attached as Exhibit "E".

4. Major Component Repairs. Civil Code Section 5300(b)(4).

The Board has not determined to defer or not undertake repairs or replacement of any major component with a remaining life of thirty (30) years or less, except as follows:

For Fiscal year 2014-2015, the reserve study called for either repair or replacement of component items as follows:

- 103 Concrete Deck/Walk repairs
- 202 Asphalt – Seal/repair
- 702 Patio Utility Doors – replace
- 803 Water Heater – pool replace
- 1208 Pool Heater replace

Items 103 and 202 were deferred pending review of proposals from vendors.

Item 702 was deferred as there were no doors that were damaged by Association projects requiring repair or replacement.

Items 803 and 1208 were not done because the items are still functioning and will be addressed as they fail.

5. Special Assessment. Civil Code Section 5300(b)(5).

The Board does not anticipate that the levy of one or more special assessments will be required to repair, replace, restore or maintain any major component or to provide adequate reserves therefore. However,

estimates and evaluations can be revised over time. Should there be an unanticipated expense to repair, replace, restore or maintain one or more of the major components, a special assessment to the Membership may be required. Certain special assessments require voting approval by the Members.

6. Reserve Funding Mechanism. Civil Code Section 5300(b)(6).

At this time, the Board plans to fund reserves to repair or replace major components from assessments only, not by borrowing, use of other assets, deferral of selected replacements or repairs or alternative mechanisms.

7. Procedures for Calculation of Reserves. Civil Code Section 5300(b)(7).

Please see Section 3, above for further detail.

8. Outstanding Loans. Civil Code Section 5300(b)(8).

The Association has no outstanding loans at this time.

9. Insurance Summary. Civil Code Section 5300(b)(9).

A summary of the Association's property, general liability, earthquake, Directors & Officers, workers compensation and fidelity insurance policies is attached as Exhibit "F". Please note the earthquake insurance renews annually in April and the master policy renews annually in December. The most current disclosures are included for your review.

"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."

Jefferson Square Homeowners Association has the following policies for the Association:

Association Policy on Deductible payment: If a claim is made by a Homeowner to the Association's insurance company and the claim originates as a result of an element that is the Homeowner's

responsibility, the Homeowner will be responsible for the deductible. Homeowners are encouraged to review the enclosed disclosure information, and discuss their individual unit policy with their insurance broker.

Association policy on Mold damage: If a Homeowner does not report water damage claims within twenty-four (24) hours from the time of discovery, the Association cannot be held responsible for any resulting mold because the Association was not given a timely opportunity to remediate the water damage before mold developed.

Exhibit "A"

Jefferson Square Homeowners Association

Approved Budget
FY: Oct through Sept

As approved by the Board of Directors
at their meeting on August 25, 2015

10 Months						at their meeting on August 25, 2015				
EXPENDITURES	2014-2015	2014-2015	2014-2015		2015-2016	2015-2016		2015-2016	COST	% OF
	MONTHLY	MONTHLY	MONTHLY VARIANCE			MTHLY	BUDGET VAR.	FULL YEAR		
	BUDGET	AVERAGE	\$	%	BUDGET	\$	%	BUDGET	UNIT	BUDGET
Corporate										
4100 Insurance	\$4,281.00	\$4,284.58	\$3.58	0.08%	\$4,075.00	(\$206.00)	-4.81%	\$48,900.00	\$47.38	15.50%
4110 Legal	125.00	53.50	(71.50)	-57.20%	125.00	0.00	0.00%	1,500.00	1.45	0.48%
4120 Audit	150.00	140.00	(10.00)	-6.67%	125.00	(25.00)	-16.67%	1,500.00	1.45	0.48%
4140 Taxes	3.75	1.00	(2.75)	-73.33%	3.75	0.00	0.00%	45.00	0.04	0.01%
4160 Printing & Postage	246.00	171.58	(74.42)	-30.25%	200.00	(46.00)	-18.70%	2,400.00	2.33	0.76%
4130 Dues & Subscriptions	33.33	30.00	(3.33)	-10.00%	33.33	(0.00)	-0.01%	399.96	0.39	0.13%
4300 Management	1,676.00	1,676.00	0.00	0.00%	1,676.00	0.00	0.00%	20,112.00	19.49	6.37%
Sub-Total	\$6,515.08	\$6,356.66	(\$158.42)	-2.43%	\$6,238.08	(\$277.00)	-4.25%	\$74,856.96	\$72.54	23.73%
Utilities										
5400 Electricity	\$416.67	\$356.68	(\$59.99)	-14.40%	\$416.00	(\$0.67)	-0.16%	\$4,992.00	\$4.84	1.58%
5405 Gas	100.00	93.09	(6.91)	-6.91%	100.00	0.00	0.00%	1,200.00	1.16	0.38%
5410 Water	2,500.00	2,396.87	(103.13)	-4.13%	3,000.00	500.00	20.00%	36,000.00	34.88	11.41%
5420 Refuse	1,525.00	1,331.33	(193.67)	-12.70%	1,525.00	0.00	0.00%	18,300.00	17.73	5.80%
Sub-Total	\$4,541.67	\$4,177.97	(\$363.70)	-8.01%	\$5,041.00	\$499.33	10.99%	\$60,492.00	\$58.62	19.17%
Maintenance										
6505 Pest Control	\$200.00	\$280.00	\$80.00	40.00%	\$200.00	\$0.00	0.00%	\$2,400.00	\$2.33	0.76%
6510 Landscape	1,213.00	1,213.00	0.00	0.00%	1,213.00	0.00	0.00%	14,556.00	14.10	4.61%
6520 Additional Landscape	167.00	42.50	(124.50)	-74.55%	167.00	0.00	0.00%	2,004.00	1.94	0.64%
6542 Fire Extinguishers	46.00	53.10	7.10	15.43%	46.00	0.00	0.00%	552.00	0.53	0.17%
6550 Pool Servicing	248.00	212.09	(35.91)	-14.48%	248.00	0.00	0.00%	2,976.00	2.88	0.94%
6560 Pool Supplies & Repairs	75.00	61.54	(13.46)	-17.95%	75.00	0.00	0.00%	900.00	0.87	0.29%
6565 Pool Health License	65.00	64.60	(0.40)	-0.62%	65.00	0.00	0.00%	780.00	0.76	0.25%
6600 Janitorial	570.00	641.03	71.03	12.46%	570.00	0.00	0.00%	6,840.00	6.63	2.17%
Sub-Total	\$2,584.00	\$2,567.86	(\$16.14)	-0.62%	\$2,584.00	\$0.00	0.00%	\$31,008.00	\$30.05	9.83%
Repairs/Supplies										
7730 Irrigation	\$41.00	\$11.50	(\$29.50)	-71.95%	\$41.00	\$0.00	0.00%	\$492.00	\$0.48	0.16%
7740 Roof Repairs	417.00	33.30	(383.70)	-92.01%	417.00	0.00	0.00%	5,004.00	4.85	1.59%
7747 Water Damage	416.00	137.00	(279.00)	-67.07%	416.00	0.00	0.00%	4,992.00	4.84	1.58%
7750 Electrical	100.00	75.29	(24.71)	-24.71%	100.00	0.00	0.00%	1,200.00	1.16	0.38%
7760 Plumbing	175.00	320.50	145.50	83.14%	175.00	0.00	0.00%	2,100.00	2.03	0.67%
7780 Contingency	185.00	0.00	(185.00)	-100.00%	185.00	0.00	0.00%	2,220.00	2.15	0.70%
7790 Gutter Cleaning	214.00	236.50	22.50	10.51%	300.00	86.00	40.19%	3,600.00	3.49	1.14%
7800 General Repairs	475.00	(23.57)	(498.57)	-104.96%	475.00	0.00	0.00%	5,700.00	5.52	1.81%
Sub-Total	\$2,023.00	\$790.52	(\$1,232.48)	-60.92%	\$2,109.00	\$86.00	4.25%	\$25,308.00	\$24.52	8.02%
TOTAL OPERATING	\$15,663.75	\$13,893.01	(\$1,770.74)	-11.30%	\$15,972.08	\$308.33	1.97%	\$191,664.96	\$185.72	60.75%
Reserves										
8200 Reserve Contribution	\$9,890.00	\$8,901.00	(\$989.00)	-10.00%	\$10,320.00	\$430.00	4.35%	\$123,840.00	\$120.00	39.25%
8210 Interest Allocation										
TOTAL RESERVES	\$9,890.00	\$8,901.00	(\$989.00)	-10.00%	\$10,320.00	\$430.00	4.35%	\$123,840.00	\$120.00	39.25%
TOTAL EXPENSES	\$25,553.75	\$22,794.01	(\$2,759.74)	-10.80%	\$26,292.08	\$738.33	2.89%	\$315,504.96	\$305.72	100.00%

Exhibit "A"

**Jefferson Square Homeowners Association
2015-2016 Budget Summary**

ASSESSMENT CALCULATIONS

Unit	Number Of Units	Square Feet	Total Sq Footage	Variable Factor	Variable Assessment Per Unit	Base Assessment Per Unit	Total Assessment Per Unit	Rounded Assessment Per Unit	Total Income
1	8	734	5,872	0.0092909	\$89.24	\$194.04	\$283.28	\$283.00	\$2,264.00
2	52	899	46,748	0.0113795	\$109.30	\$194.04	\$303.34	\$303.00	\$15,756.00
3	24	1,040	24,960	0.0131642	\$126.44	\$194.04	\$320.48	\$320.00	\$7,680.00
4	2	711	1,422	0.0089998	\$86.44	\$194.04	\$280.48	\$280.00	\$560.00
	<u>86</u>		<u>79,002</u>						\$26,260.00

PRORATED EXPENSES

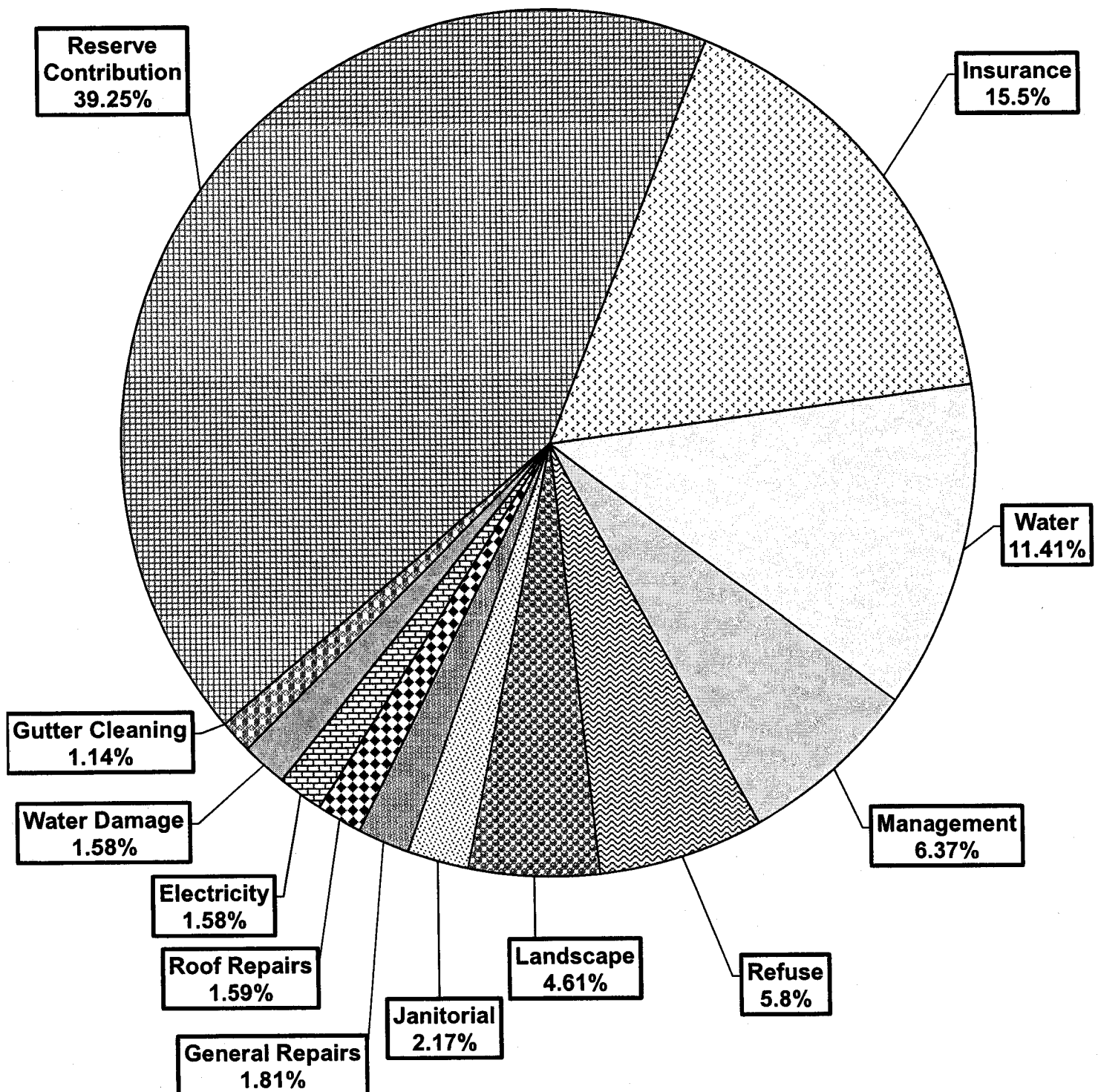
Insurance	\$4,075.00
Water	3,000.00
Reserves - Painting	1,118.72
Reserves - Roof	1,411.18
Total Variable Expenses	<u>\$9,604.90</u>
Total Budgeted Expenses	\$26,292.08
Less Variable Expenses	<u>(9,604.90)</u>
Base Expenses (Equally Shared)	\$16,687.18

ASSESSMENT PER UNIT PER MONTH:

CHANGE IN ASSESSMENT RATES

Unit	2014-2015 Assessment	2015-2016 Assessment	Variance	
			\$	%
1	\$276.00	\$283.00	\$7.00	2.5%
2	\$295.00	\$303.00	\$8.00	2.7%
3	\$311.00	\$320.00	\$9.00	2.9%
4	\$273.00	\$280.00	\$7.00	2.6%

2015-2016 Expenses Greater than 1% of Total Budget



The budget items shown in this graph are items that are more than 1% of the total 2015-2016 Fiscal Year Budget. These items represent 92.8% of the total 2015-2016 Fiscal Year Budget. The remaining 7.2% includes items such as pool service, pest control, irrigation, etc.

3-Minute Executive Summary

Association: Jefferson Square HOA **Assoc. #: 798-2**
Location: San Jose, CA
of Units: 86
Report Period: October 1, 2015 through September 30, 2016

Results as-of 10/1/2015:

Projected Starting Reserve Balance:	\$606,062
Fully Funded Reserve Balance:	\$999,307
Average Reserve Deficit (Surplus) Per Unit:	\$4,573
Percent Funded:	60.6%
Recommended 2015/2016 monthly Reserve Contribution:	\$10,320
Recommended 2015/2016 Special Assessment for Reserves:	\$0
Most Recent Reserve Contribution Rate:	\$9,890

Economic Assumptions:

Net Annual "After Tax" Interest Earnings Accruing to Reserves..... 1.00%
Annual Inflation Rate..... 3.00%

- This is an "Update No-Site-Visit" Reserve Study, based on a prior Report prepared by Association Reserves for your 2014/2015 Fiscal Year. No site inspection was performed as part of this Reserve Study.
- This Reserve Study was prepared by a credentialed Reserve Specialist (RS).
- Because your Reserve Fund is at 60.6% Funded, this means the association's special assessment & deferred maintenance risk is currently medium.
- The objective of your multi-year Funding Plan is to Fully Fund your Reserves, where associations enjoy a low risk of such Reserve cash flow problems.
- Based on this starting point, your anticipated future expenses, and your historical Reserve contribution rate, our recommendation is to increase your Reserve contributions.
- No assets appropriate for Reserve designation were excluded.

Exhibit "C"

Table 1: Executive Summary

798-2

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
103	Concrete Deck/Walk - Repair	5	4	\$8,400	\$9,454
104	Entry Decks - Reseal (Par.)	1	0	\$5,775	\$5,948
105	Entry Decks - Resurface/Recoat	15	7	\$53,950	\$66,352
106	Entry Decks - Repairs	3	0	\$49,500	\$54,090
107	Stairs/Stringers - Repairs (Par)	3	2	\$38,000	\$40,314
108	Patio Decks - Repair	10	0	\$1,730	\$2,325
109	Balconies - Reseal/Repair	5	0	\$10,500	\$12,172
110	Balconies - Resurface	15	5	\$52,350	\$60,688
201	Asphalt - Resurface	30	9	\$149,000	\$194,411
202	Asphalt - Seal/Repair	5	0	\$11,950	\$13,853
320	Pole Lights - Replace	25	2	\$8,660	\$9,187
321	Monument Lights - Replace	24	20	\$1,485	\$2,682
322	Walkway Lights - Replace	25	2	\$18,150	\$19,255
324	Exterior Wall Lights - Replace	28	4	\$16,900	\$19,021
326	Carport Lights - Replace	28	4	\$4,730	\$5,324
329	Patio/Spot Lights - Replace	25	11	\$14,300	\$19,795
401	Pool Canopy - Replace	18	14	\$1,895	\$2,866
403	Mailboxes - Replace	25	0	\$13,600	\$28,475
404	Pool Furniture - Replace	8	1	\$3,250	\$3,348
411	Drinking Fountain - Replace	20	5	\$1,625	\$1,884
502	Chain Link Fence - Replace (East)	30	12	\$9,925	\$14,151
502	Chain Link Fence - Replace (North)	30	12	\$19,850	\$28,301
503	Iron Rail - Replace (Partial)	30	11	\$5,805	\$8,035
515	Pool Rail/Gate - Replace	30	11	\$10,000	\$13,842
702	Patio Utility Doors - Replace (Par)	1	0	\$1,380	\$1,421
703	Utility Doors - Replace	25	5	\$28,300	\$32,807
708	Trash Enclosures/Gates - Replace	22	7	\$1,790	\$2,201
803	Water Heater - Replace	12	0	\$4,870	\$6,943
909	Bathrooms - Refurbish	15	4	\$10,825	\$12,184
910	Shower - Remodel	12	4	\$3,250	\$3,658
1001	Backflow Device - Replace	28	2	\$1,790	\$1,899
1003	Irrigation Controller - Replace	12	0	\$1,355	\$1,932
1008	Tree Trimming/Removal	3	1	\$17,000	\$17,510
1009	Landscaping - Replenish	5	4	\$8,500	\$9,567
1107	Iron Rail - Repaint	5	1	\$4,875	\$5,021
1115	Ext. Bldg. Surfaces - Repaint	10	6	\$61,550	\$73,494
1116	Wood Surfaces - Repaint	5	1	\$20,900	\$21,527
1121	Ext. Bldg. Surfaces - Repair	5	1	\$13,300	\$13,699
1202	Pool - Resurface	12	3	\$17,000	\$18,576
1206	Pool Filter - Replace	12	0	\$1,600	\$2,281
1208	Pool Heater - Replace	10	0	\$4,500	\$6,048
1210	Pool Pump - Replace	10	0	\$1,465	\$1,969
1303	Comp Shingle Roof - Replace	30	0	\$428,000	\$1,038,868
1310	Gutters/Downspouts - Replace	30	0	\$56,950	\$138,233
1401	Maps - Replace	15	1	\$3,785	\$3,899
1402	Association Signs - Replace	24	20	\$3,600	\$6,502
1804	Fire Ext. Cabinets - Replace	15	1	\$8,110	\$8,353
1885	CC&R's - Update	10	0	\$11,000	\$14,783
48	Total Funded Components				

Note 1: a Useful Life of "N/A" means a one-time expense, not expected to repeat.

Note 2: Yellow highlighted line items are expected to require attention in the initial year

Exhibit "C"

Table 5: 30-Year Income/Expense Detail (yrs 0 through 4)

798-2

Fiscal Year	2015	2016	2017	2018	2019
Starting Reserve Balance	\$606,062	\$129,403	\$179,012	\$236,788	\$298,281
Annual Reserve Contribution	\$123,840	\$128,794	\$133,945	\$139,303	\$144,876
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$3,676	\$1,541	\$2,078	\$2,674	\$3,290
Total Income	\$733,578	\$259,738	\$315,035	\$378,766	\$446,446
# Component					
103 Concrete Deck/Walk - Repair	\$0	\$0	\$0	\$0	\$9,454
104 Entry Decks - Reseal (Par.)	\$5,775	\$5,948	\$6,127	\$6,310	\$6,500
105 Entry Decks - Resurface/Recoat	\$0	\$0	\$0	\$0	\$0
106 Entry Decks - Repairs	\$49,500	\$0	\$0	\$54,090	\$0
107 Stairs/Stringers - Repairs (Par)	\$0	\$0	\$40,314	\$0	\$0
108 Patio Decks - Repair	\$1,730	\$0	\$0	\$0	\$0
109 Balconies - Reseal/Repair	\$10,500	\$0	\$0	\$0	\$0
110 Balconies - Resurface	\$0	\$0	\$0	\$0	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$11,950	\$0	\$0	\$0	\$0
320 Pole Lights - Replace	\$0	\$0	\$9,187	\$0	\$0
321 Monument Lights - Replace	\$0	\$0	\$0	\$0	\$0
322 Walkway Lights - Replace	\$0	\$0	\$19,255	\$0	\$0
324 Exterior Wall Lights - Replace	\$0	\$0	\$0	\$0	\$19,021
326 Carport Lights - Replace	\$0	\$0	\$0	\$0	\$5,324
329 Patio/Spot Lights - Replace	\$0	\$0	\$0	\$0	\$0
401 Pool Canopy - Replace	\$0	\$0	\$0	\$0	\$0
403 Mailboxes - Replace	\$13,800	\$0	\$0	\$0	\$0
404 Pool Furniture - Replace	\$0	\$3,348	\$0	\$0	\$0
411 Drinking Fountain - Replace	\$0	\$0	\$0	\$0	\$0
502 Chain Link Fence - Replace (East)	\$0	\$0	\$0	\$0	\$0
502 Chain Link Fence - Replace (North)	\$0	\$0	\$0	\$0	\$0
503 Iron Rail - Replace (Partial)	\$0	\$0	\$0	\$0	\$0
515 Pool Rail/Gate - Replace	\$0	\$0	\$0	\$0	\$0
702 Patio Utility Doors - Replace (Par)	\$1,380	\$1,421	\$1,464	\$1,508	\$1,553
703 Utility Doors - Replace	\$0	\$0	\$0	\$0	\$0
708 Trash Enclosures/Gates - Replace	\$0	\$0	\$0	\$0	\$0
803 Water Heater - Replace	\$4,870	\$0	\$0	\$0	\$0
909 Bathrooms - Refurbish	\$0	\$0	\$0	\$0	\$12,184
910 Shower - Remodel	\$0	\$0	\$0	\$0	\$3,658
1001 Backflow Device - Replace	\$0	\$0	\$1,899	\$0	\$0
1003 Irrigation Controller - Replace	\$1,355	\$0	\$0	\$0	\$0
1008 Tree Trimming/Removal	\$0	\$17,510	\$0	\$0	\$19,134
1009 Landscaping - Replenish	\$0	\$0	\$0	\$0	\$9,567
1107 Iron Rail - Repaint	\$0	\$5,021	\$0	\$0	\$0
1115 Ext. Bldg. Surfaces - Repaint	\$0	\$0	\$0	\$0	\$0
1116 Wood Surfaces - Repaint	\$0	\$21,527	\$0	\$0	\$0
1121 Ext. Bldg. Surfaces - Repair	\$0	\$13,699	\$0	\$0	\$0
1202 Pool - Resurface	\$0	\$0	\$0	\$18,576	\$0
1206 Pool Filter - Replace	\$1,600	\$0	\$0	\$0	\$0
1208 Pool Heater - Replace	\$4,500	\$0	\$0	\$0	\$0
1210 Pool Pump - Replace	\$1,465	\$0	\$0	\$0	\$0
1303 Comp Shingle Roof - Replace	\$428,000	\$0	\$0	\$0	\$0
1310 Gutters/Downspouts - Replace	\$56,950	\$0	\$0	\$0	\$0
1401 Maps - Replace	\$0	\$3,899	\$0	\$0	\$0
1402 Association Signs - Replace	\$0	\$0	\$0	\$0	\$0
1804 Fire Ext. Cabinets - Replace	\$0	\$8,353	\$0	\$0	\$0
1885 CC&R's - Update	\$11,000	\$0	\$0	\$0	\$0
Total Expenses	\$604,175	\$80,726	\$78,247	\$80,485	\$86,394
Ending Reserve Balance:	\$129,403	\$179,012	\$236,788	\$298,281	\$360,052

Association Reserves – SF, LLC

Reserve Fund Status

The starting point for our financial analysis is your Reserve Fund balance, projected to be \$606,062 as-of the start of your Fiscal Year on October 1, 2015. As of October 1, 2015, your Fully Funded Balance is computed to be \$999,307 (see Table 3). This figure represents the deteriorated value of your common area components. Comparing your Reserve Balance to your Fully Funded Balance indicates your Reserves are 61% Funded.

Recommended Funding Plan

Based on your current Percent Funded and your projected cash flow requirements, we are recommending Reserve contributions of \$10,320/month this Fiscal Year. This represents the first year of a 30-year Funding Plan. This same information is shown numerically in both Table 4 and Table 5.

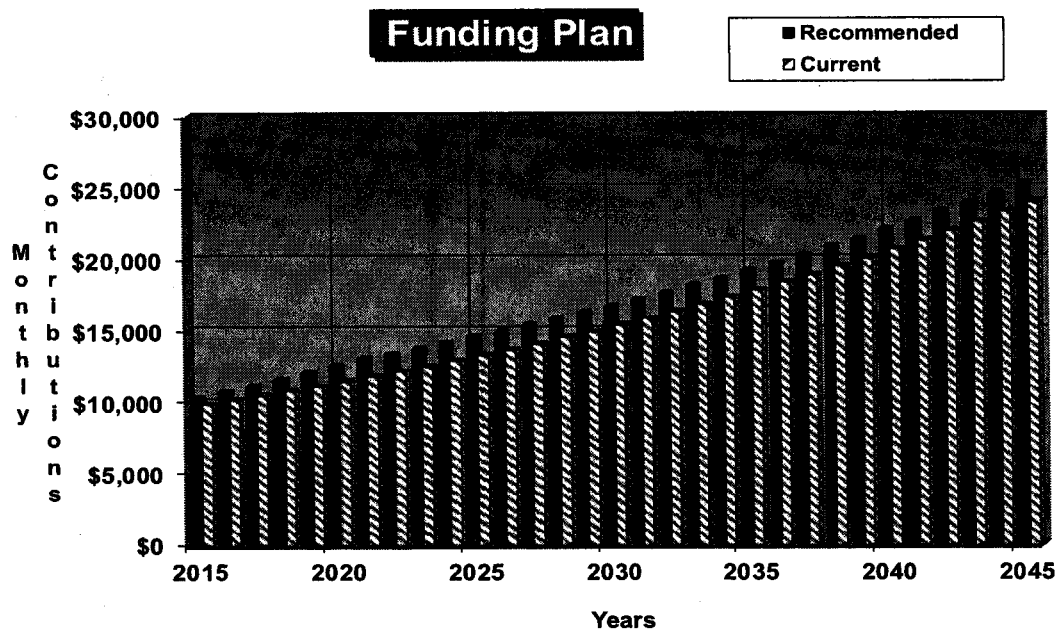


Figure 2

The following chart shows your Reserve Balance under our recommended Funding Plan and your current Funding Plan, and your always-changing Fully Funded Balance target.

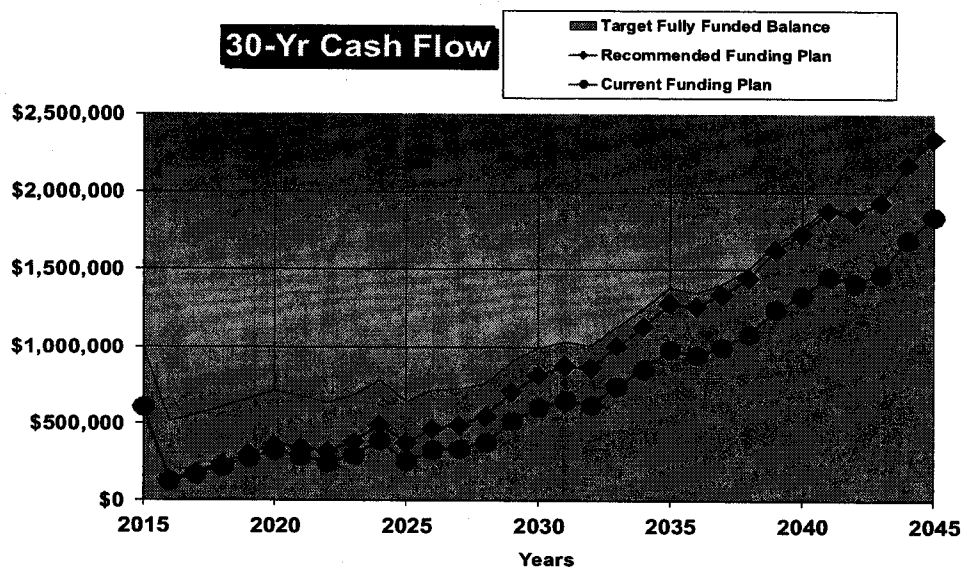


Figure 3

In this figure it is easy to see how your Reserve Fund gradually draws closer to the Fully Funded (100%) level.

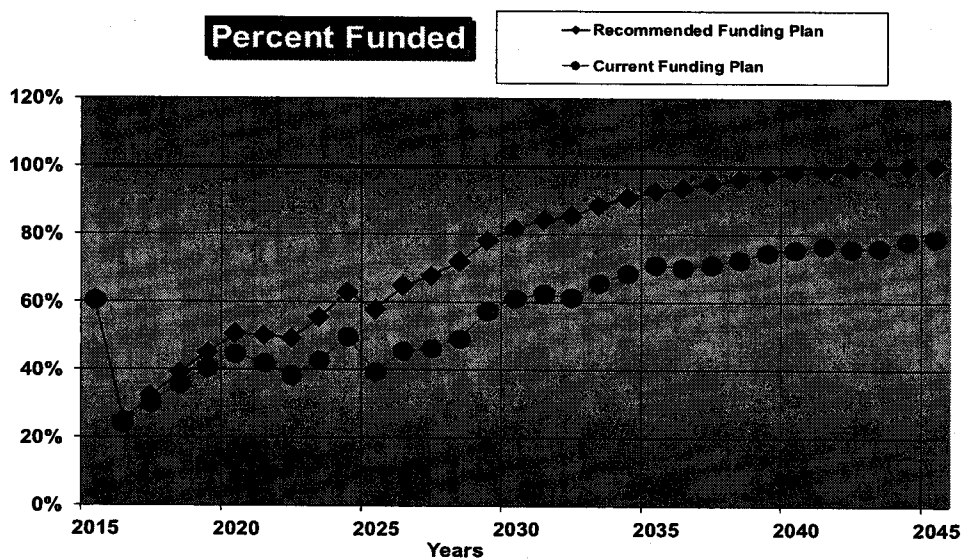


Figure 4

Exhibit "E"

Assessment and Reserve Funding Disclosure Summary
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Jefferson Square HOA

For Fiscal Year Beginning: 10/1/2015

of Units: 86

1) Budgeted Amounts:	Total	Average Per unit*
Reserve Contributions:	\$10,320.00	\$120.00
Total Assessment Income:	\$26,292.00	\$305.72

per: Month

- 2) Additional assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:

Date Due	Total Amount Per Unit*	Purpose
N/A		
N/A		

Total: \$0.00

- 3) Based on the most recent Reserve Study and other information available to the Board of Directors, at this point in time does it appear that currently projected Reserve account balances will 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**

- 4) If the answer to #3 is no, what additional assessments or other contributions/loans to Reserves would be necessary to ensure that sufficient Reserve Funds will be available each year during the next 30 years?

Approximate Fiscal Year Assessment Will Be Due	Average Total Amount Per Unit*
N/A	
N/A	
N/A	
N/A	

Total: \$0

- 5) All major components appropriate for Reserve Funding (components that are a common area maintenance responsibility with a limited life expectancy and predictable remaining useful life, above a minimum threshold cost of significance) are included in this Reserve Funding Plan: **Yes**

6) All computations/disclosures are based on the fiscal year start date of:	10/1/2015
Fully Funded Balance (based on formula defined in 5570(b)4):	\$999,307.00
Projected Reserve Fund Balance:	\$606,062.00
Percent Funded:	60.6%
Reserve Deficit (surplus) on a mathematical avg-per-unit* basis:	\$4,572.62

From the 8/28/2015 Reserve Study by Association Reserves and any minor changes since that date.

* If assessments vary by the size or type of unit, allocate per unit per the attached.

- 7) See attached 30-yr Summary Table, showing the projected Reserve Funding Plan, Reserve Balance, Percent Funded, and assumptions for interest and inflation.

Prepared by: Association Reserves (Anthony Liu)

Date: 8/28/2015

The financial representations at the time of preparation are based on the Reserve Study for the fiscal year shown at the top of this page and the best estimates of the preparer. These estimates should be expected to change from year to year. Some information on this form has been provided to Association Reserves, and has not been independently verified.

Exhibit "E"

Table 4: 30 Year Reserve Plan Summary Based on BoD Decision

798-2

Fiscal Year Beginning: 10/01/15

Interest: 1.00% Inflation: 3.0%

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Rating	% Increase In Annual Reserve Contribs.	Annual Reserve Contribs.	Loans or Special Assmts	Interest Income	Projected Reserve Expenses
2015	\$606,062	\$999,307	60.6%	Fair	4.35%	\$123,840	\$0	\$3,676	\$604,175
2016	\$129,403	\$514,449	25.2%	Weak	4.00%	\$128,794	\$0	\$1,541	\$80,726
2017	\$179,012	\$557,420	32.1%	Fair	4.00%	\$133,945	\$0	\$2,078	\$78,247
2018	\$236,788	\$607,556	39.0%	Fair	4.00%	\$139,303	\$0	\$2,674	\$80,485
2019	\$298,281	\$660,311	45.2%	Fair	4.00%	\$144,875	\$0	\$3,290	\$86,394
2020	\$360,052	\$712,084	50.6%	Fair	4.00%	\$150,670	\$0	\$3,501	\$173,752
2021	\$340,472	\$679,061	50.1%	Fair	4.00%	\$156,697	\$0	\$3,264	\$187,801
2022	\$312,632	\$634,314	49.3%	Fair	2.80%	\$161,085	\$0	\$3,456	\$98,261
2023	\$378,913	\$684,300	55.4%	Fair	2.80%	\$165,595	\$0	\$4,351	\$57,201
2024	\$491,658	\$782,042	62.9%	Fair	2.80%	\$170,232	\$0	\$4,314	\$294,624
2025	\$371,579	\$642,255	57.9%	Fair	2.80%	\$174,998	\$0	\$4,171	\$87,758
2026	\$462,991	\$715,553	64.7%	Fair	2.80%	\$179,898	\$0	\$4,760	\$158,266
2027	\$489,382	\$722,758	67.7%	Fair	2.80%	\$184,935	\$0	\$5,170	\$134,385
2028	\$545,103	\$759,240	71.8%	Strong	2.80%	\$190,113	\$0	\$6,253	\$35,472
2029	\$705,997	\$903,293	78.2%	Strong	2.80%	\$195,437	\$0	\$7,588	\$96,730
2030	\$812,291	\$993,307	81.8%	Strong	2.80%	\$200,909	\$0	\$8,417	\$149,728
2031	\$871,889	\$1,036,309	84.1%	Strong	2.80%	\$206,534	\$0	\$8,669	\$224,539
2032	\$862,553	\$1,008,570	85.5%	Strong	2.80%	\$212,317	\$0	\$9,330	\$80,006
2033	\$1,004,194	\$1,134,040	88.6%	Strong	2.80%	\$218,262	\$0	\$10,700	\$96,451
2034	\$1,136,705	\$1,251,664	90.8%	Strong	2.80%	\$224,373	\$0	\$12,089	\$90,972
2035	\$1,282,196	\$1,383,949	92.6%	Strong	2.80%	\$230,656	\$0	\$12,735	\$259,601
2036	\$1,265,986	\$1,352,167	93.6%	Strong	2.80%	\$237,114	\$0	\$13,015	\$178,086
2037	\$1,338,029	\$1,409,216	94.9%	Strong	2.80%	\$243,753	\$0	\$13,914	\$149,657
2038	\$1,446,039	\$1,503,255	96.2%	Strong	2.80%	\$250,579	\$0	\$15,338	\$89,117
2039	\$1,622,838	\$1,668,648	97.3%	Strong	2.80%	\$257,595	\$0	\$16,766	\$165,429
2040	\$1,731,770	\$1,766,765	98.0%	Strong	2.80%	\$264,807	\$0	\$18,043	\$136,263
2041	\$1,878,358	\$1,904,420	98.6%	Strong	2.80%	\$272,222	\$0	\$18,658	\$314,388
2042	\$1,854,850	\$1,869,486	99.2%	Strong	2.80%	\$279,844	\$0	\$18,918	\$223,162
2043	\$1,930,451	\$1,934,419	99.8%	Strong	2.80%	\$287,680	\$0	\$20,523	\$62,701
2044	\$2,175,953	\$2,173,737	100.1%	Strong	2.80%	\$295,735	\$0	\$22,589	\$150,455


Allstate.

You're in good hands.

Civil Code 1365 Insurance Disclosure

[REDACTED]
 JEFFERSON SQUARE HOA
 12/19/2014 TO 12/19/2015

This summary of the association's policies of insurance provides only certain information, as required by subdivision (e) of Section 1365 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. Even if a loss is covered, you will be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual broker or agent for appropriate additional coverage.

A. Property Insurance:	Allstate Insurance Company
Property Insurance Limits:	\$16,207,790.
Property Deductible:	\$5,000
Glass Deductible:	\$100
B. Liability Insurance and Directors & Officers Liability	Allstate Insurance Company
Limits of Liability:	\$4,000,000
General Liability Deductible:	No deductible
C. Fidelity Bond	Allstate Insurance Company
Limit:	\$500,000
Deductible:	\$250
D. Earthquake Insurance	N/A

Exhibit "F"

Jefferson Square Homeowners Association
4/8/2015 to 4/8/2016

To all Jefferson Square Owners:

California Civil Code Section 5300 requires that your Association provide annual notice of the following information regarding the Association's insurance coverage, as well as the disclosure below:

Earthquake Insurance:

Insurance Company: QBE Specialty Insurance Co

Total Insured Value: \$15,404,177

Deductible: 15% per unit subject to \$50,000 Minimum per occurrence

General Liability and Property: No Coverage

Fidelity (Crime) Coverage No Coverage

Flood Insurance No Coverage

Directors and Officers Liability: No Coverage

Umbrella Liability: No Coverage

"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."

**Jefferson Square Homeowners Association
Annual Policy Statement– 2015-2016 Fiscal Year**

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