

Newport Hills Community Association

DATE: NOVEMBER 1, 2025

TO: NEWPORT HILLS COMMUNITY ASSOCIATION MEMBERS

FROM: THE BOARD OF DIRECTORS
NEWPORT HILLS COMMUNITY ASSOCIATION

SUBJECT: 2026 FISCAL YEAR BUDGET & ATTACHMENTS

In compliance with California Civil Code requirements, attached please find the Association's Annual Policy Statement and following information:

- a) **2026 Fiscal Year Budget**
- b) **Reserve Study as of August 29, 2025**
- c) **2026 Assessment Collection Policy**
- d) **Notice of Summary of Alternative Dispute Resolution Procedures**
- e) **Current Insurance Notification**
- f) **Assessment & Reserve Funding Disclosure Summary**
- g) **Notice of Summary of Architectural Control Procedures & ADU Policy**
- h) **Notice of the Discipline Policy including any schedule of penalties for violations of the governing documents pursuant to Civil Code section 5850.**
- i) **The name and address of the person designated to receive official communications to the association, pursuant to Civil Code section 4035.**
- j) **A statement explaining that a member may submit a request to have notices sent to up to two different specified addresses, pursuant to subdivision (b) of Civil Code section 4040.**
- k) **The location, if any, designated for posting of a general notice, pursuant to paragraph (3) of subdivision (a) of Civil Code section 4045.**
- l) **Notice of a member's option to receive general notices by individual delivery, pursuant to subdivision (b) of Civil Code section 4045.**
- m) **Notice of a member's right to receive copies of meeting minutes, pursuant to subdivision (b) of Civil Code section 4950.**
- n) **The mailing address for overnight payment of assessments, pursuant to Civil Code section 5655.**

The Budget reflects the efforts of the Newport Hills Community Association Board of Directors to preserve, protect, and enhance the facilities and common area, while keeping expenditures in line.

After reviewing the Association's fiscal responsibilities the Board of Directors has determined an approximate 4% increase or \$70.00 in Association assessments is necessary to help cover operating overhead, increased minimum wage expenses, patrol service, and reserve funding requirements. Therefore, effective January 1, 2026, the assessment rate will increase and will be \$895.00 per home, semi-annually, due on

January 1st and July 1st of each year. Owners may also pay the entire annual assessment on January 1st in the amount of \$1,790.00.

On August 29, 2025, Advanced Reserve Solutions an independent reserve analyst reviewed the funding program for the association and provided recommendations for future reserve funding. A copy of the Reserve Study Summary is enclosed for your review. The Board will fund reserves to repair or replace major components by way of assessments; no borrowing, use of other assets, deferral of selected replacements or repairs, or alternative mechanisms is anticipated at this time.

The board has not determined to defer or not undertake repairs or replacement of any major component with a remaining life of 30 years or less.

The Board does not anticipate that the levy of one or more special assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefore. However, in the event of an emergency or should unforeseen circumstances arise which require funds, in excess of those currently available, a Special Assessment may be required to fulfill the Association's obligations.

The association does not have any outstanding loans.

If you would like to receive copies of the minutes of the Board of Directors meetings, and/or a complete copy of the Reserve Study for a nominal fee, or should you have any questions regarding the 2026 fiscal year budget, please contact the Association at (949) 721-1929.

**NEWPORT HILLS COMMUNITY ASSOCIATION
2026 APPROVED BUDGET**

GL CODE	DESCRIPTION	2025 APPROVED BUDGET	2026 APPROVED BUDGET	COST PER UNIT SEMI-ANNUALLY
<u>INCOME</u>				
1010	Homeowners Dues	\$ 915,040.00	\$ 952,280.00	\$ 895.00
1020	Key Income	\$ 1,000.00	\$ 1,000.00	\$ 0.94
1030	Late Charges	\$ 3,500.00	\$ 3,500.00	\$ 3.29
1050	Legal/Lien Income	\$ 1,000.00	\$ -	\$ -
1060	Architectural Escrow Inspections	\$ 2,000.00	\$ 2,000.00	\$ 1.88
1080	Recreation Center Rental	\$ 15,000.00	\$ 20,000.00	\$ 18.80
1171	Interest Reserves	\$ 17,500.00	\$ 50,000.00	\$ 46.99
1172	Interest Operating	\$ -	\$ -	\$ -
1180	Swim Program Income	\$ 6,000.00	\$ 6,000.00	\$ 5.64
1189	Non- Resident Swim Team	\$ 4,000.00	\$ 4,000.00	\$ 3.76
TOTAL INCOME:		\$ 965,040.00	\$ 1,038,780.00	\$ 976.30
<u>EXPENSES- UTILITIES</u>				
2010	Electric	\$ 35,000.00	\$ 30,000.00	\$ 28.20
2020	Gas	\$ 73,000.00	\$ 60,000.00	\$ 56.39
2030	Water	\$ 51,500.00	\$ 55,000.00	\$ 51.69
2040	Phone	\$ 4,000.00	\$ 4,000.00	\$ 3.76
2041	Cable	\$ -	\$ -	\$ -
2042	Internet	\$ 2,520.00	\$ 2,520.00	\$ 2.37
2050	Alarm	\$ 1,300.00	\$ 1,300.00	\$ 1.22
2055	Brivo Hosting- Keri System	\$ 1,440.00	\$ 1,440.00	\$ 1.35
2060	Cameras- Clubhouse	\$ 2,220.00	\$ 2,220.00	\$ 2.09
2070	Trash	\$ 9,000.00	\$ 9,800.00	\$ 9.21
TOTAL EXPENSES:		\$ 179,980.00	\$ 166,280.00	\$ 156.28
<u>EXPENSES- MAINTENANCE</u>				
3010	Landscape Maintenance	\$ 87,600.00	\$ 98,048.00	\$ 92.15
3011	Landscape Materials/Supplies	\$ 7,000.00	\$ 7,000.00	\$ 6.58
3016	Landscape Trees & Shrubs	\$ 15,000.00	\$ 15,000.00	\$ 14.10
3018	Landscape Irrigation	\$ 6,000.00	\$ 12,000.00	\$ 11.28
3020	Landscape Upgrade Project	\$ -	\$ -	\$ -
3069	Guard Shack/Clubhouse Maint.	\$ 300.00	\$ 1,000.00	\$ 0.94
3070	Custodial Contract	\$ 30,000.00	\$ 30,000.00	\$ 28.20
3071	Custodial Supplies	\$ 3,000.00	\$ 3,600.00	\$ 3.38
3072	Carpet Cleaning	\$ 200.00	\$ 200.00	\$ 0.19
3075	Clubhouse Security/Patrol Service	\$ 100,000.00	\$ 100,000.00	\$ 93.98
3130	Pool Service	\$ 13,200.00	\$ 13,200.00	\$ 12.41
3135	Pool Repairs & Supplies	\$ 4,000.00	\$ 1,000.00	\$ 0.94
3136	Pool Chemicals	\$ 24,000.00	\$ 24,000.00	\$ 22.56
3170	Pest Control	\$ 1,200.00	\$ 1,200.00	\$ 1.13
3200	Dog Bag Dispensers	\$ 3,240.00	\$ 3,240.00	\$ 3.05
3205	Pool Monitor Supplies	\$ 1,000.00	\$ 1,000.00	\$ 0.94
3210	Common Area Repairs & Supplies	\$ 9,000.00	\$ 9,000.00	\$ 8.46
3215	BBQ Maintenance	\$ 4,800.00	\$ 5,500.00	\$ 5.17
3320	Locks & Keys	\$ 300.00	\$ 350.00	\$ 0.33
3330	Signs	\$ -	\$ -	\$ -

**NEWPORT HILLS COMMUNITY ASSOCIATION
2026 APPROVED BUDGET**

GL CODE	DESCRIPTION	2025 APPROVED BUDGET	2026 APPROVED BUDGET	COST PER UNIT SEMI-ANNUALLY
3365	Holiday Decorations	\$ 3,200.00	\$ 3,400.00	\$ 3.20
3366	Lighting Maintenance	\$ 1,200.00	\$ 1,200.00	\$ 1.13
3600	Halloween Security	\$ 1,000.00	\$ -	\$ -
3700	Storm Drain Maintenance	\$ 2,500.00	\$ 2,600.00	\$ 2.44
3701	Air Conditioning/Vent Maintenance	\$ 1,400.00	\$ 1,000.00	\$ 0.94
3990	Miscellaneous	\$ 250.00	\$ 250.00	\$ 0.23
TOTAL MAINTENANCE EXPENSES:		\$ 319,390.00	\$ 333,788.00	\$ 313.71

EXPENSES- ADMINISTRATIVE

4021	California Franchise Tax	\$ 4,000.00	\$ 4,000.00	\$ 3.76
4022	Federal Income Tax	\$ 13,000.00	\$ 20,000.00	\$ 18.80
4030	Insurance Liability/Property	\$ 19,000.00	\$ 37,000.00	\$ 34.77
4033	Workmans Comp Insurance	\$ 6,000.00	\$ 8,000.00	\$ 7.52
4035	Earthquake Insurance	\$ 5,000.00	\$ 5,000.00	\$ 4.70
4040	Licenses- Permits & Fees	\$ 2,000.00	\$ 3,000.00	\$ 2.82
4045	Pool Key Deposit Reimbursement	\$ 500.00	\$ 400.00	\$ 0.38
4050	Legal/Lien Expense	\$ 1,000.00	\$ 1,000.00	\$ 0.94
4090	Employers Payroll Tax	\$ 10,000.00	\$ 10,000.00	\$ 9.40
4092	Payroll Administrative Overhead	\$ 4,200.00	\$ 2,100.00	\$ 1.97
4100	Bank Charges	\$ 200.00	\$ 3,442.00	\$ 3.23
4140	Audit & Tax Preparation	\$ 2,750.00	\$ 2,800.00	\$ 2.63
4142	Reserve Study	\$ 1,500.00	\$ 1,200.00	\$ 1.13
4150	Legal	\$ 29,701.00	\$ 20,000.00	\$ 18.80
4220	Management Contract	\$ 85,000.00	\$ 115,000.00	\$ 108.08
4225	Clubhouse/Pool Management	\$ 32,000.00	\$ 40,000.00	\$ 37.59
4251	Storage	\$ 1,500.00	\$ 1,800.00	\$ 1.69
4260	Courier Service	\$ 500.00	\$ 500.00	\$ 0.47
4270	Newsletter	\$ -	\$ -	\$ -
4283	Office Supplies	\$ 13,000.00	\$ 10,000.00	\$ 9.40
4290	Social/Welcome	\$ 1,500.00	\$ 1,500.00	\$ 1.41
4330	Payroll- Pool Monitors	\$ 14,000.00	\$ 14,000.00	\$ 13.16
4500	Spring Clean Up	\$ -	\$ -	\$ -
4990	Miscellaneous	\$ 250.00	\$ 250.00	\$ 0.23
TOTAL ADMINISTRATIVE:		\$ 246,601.00	\$ 300,992.00	\$ 282.89

RESERVES

8010	Member Contribution	\$ 219,069.00	\$ 237,720.00	\$ 223.42
8993	Reserve Interest	\$ -	\$ -	
8994	Pool Deck Replacement	\$ -	\$ -	
TOTAL RESERVES:		\$ 219,069.00	\$ 219,069.00	\$ 205.89

TOTAL INCOME:	\$ 902,200.00	\$ 1,038,780.00	
TOTAL EXPENSES:	\$ 902,200.00	\$ 1,038,780.00	
NET SURPLUS/(DEFICIT)	\$ -	\$ -	

Newport Hills Community Association

Executive Summary Directed Cash Flow Method

Client Information

Account Number	03892
Version Number	1
Analysis Date	8/29/2025
Fiscal Year	1/1/2026 to 12/31/2026
Number of Units	532

Global Parameters

Inflation Rate	2.50%
Annual Contribution Increase	2.50%
Investment Rate	2.50%
Taxes on Investments	30.00%
Contingency	3.00%

Community Profile

The original construction date of this facility was approximately 1971. The clubhouse was completely rebuilt in approximately July 2004. For budgeting purposes, unless otherwise indicated, we have used July 1971 as the average placed-in-service date for aging any original components, and July 2004 for aging all components associated with the clubhouse.

ARS site visits conducted: August 28, 2025, August 24, 2022, September 12, 2019, August 10, 2016, July 24, 2013, August 15, 2012, May 26, 2009, July 13, 2006, September 16, 2004, April 2002 & April 1999

Adequacy of Reserves as of January 1, 2026

Anticipated Reserve Balance		\$1,554,161.00
Fully Funded Reserve Balance		\$1,636,353.64
Percent Funded	0 25 50 75 100	94.98%
Deficit per Unit		\$154.50

Funding for the 2026 Fiscal Year	Per Unit	
	Annual	Monthly
Member Contribution	\$237,720	\$19,810.03
Interest Contribution	\$18,016	\$1,501.30
Total Contribution	\$255,736	\$21,311.33

	Per Month
Member Contribution	\$37.24
Interest Contribution	\$2.82
Total Contribution	\$40.06

Newport Hills Community Association

Membership Disclosure Summary

Sorted by Category

Major Reserve Components	Current Cost	Assigned Reserves	Remaining Life Range	Useful Life Range
010 Roofs	\$199,101	\$199,101	0	20
020 Painting	\$147,815	\$41,637	0-5	3-5
030 Lighting	\$56,225	\$23,541	3-19	10-25
040 Fencing	\$476,994	\$145,760	0-19	16-30
050 Pool Area	\$651,853	\$351,672	0-12	4-30
060 Clubhouse	\$656,972	\$344,347	1-15	4-30
100 Grounds	\$1,035,010	\$400,837	0-20	10-20
120 Guardhouse	\$5,000	\$2,000	0-4	4-10
Contingency	n.a.	\$45,267	n.a.	n.a.
Total	\$3,228,970	\$1,554,161	0-20	3-30

Newport Hills Community Association
Projections
Directed Cash Flow Method

Fiscal Year	Beginning Balance	Member Contribution	Interest Contribution	Expenses	Ending Balance	Fully Funded Balance	Percent Funded
2026	\$1,554,161	\$237,720	\$18,016	\$641,538	\$1,168,359	\$1,231,614	95%
2027	\$1,168,359	\$243,663	\$22,360	\$12,198	\$1,422,185	\$1,487,165	96%
2028	\$1,422,185	\$249,755	\$23,924	\$180,122	\$1,515,742	\$1,578,816	96%
2029	\$1,515,742	\$255,999	\$27,545	\$71,306	\$1,727,979	\$1,793,880	96%
2030	\$1,727,979	\$262,399	\$30,174	\$137,434	\$1,883,118	\$1,951,168	97%
2031	\$1,883,118	\$268,959	\$31,275	\$233,149	\$1,950,202	\$2,017,380	97%
2032	\$1,950,202	\$275,683	\$33,591	\$172,002	\$2,087,474	\$2,156,605	97%
2033	\$2,087,474	\$282,575	\$35,643	\$196,133	\$2,209,558	\$2,280,594	97%
2034	\$2,209,558	\$289,639	\$36,327	\$282,676	\$2,252,848	\$2,322,859	97%
2035	\$2,252,848	\$296,880	\$37,022	\$289,859	\$2,296,891	\$2,365,943	97%
2036	\$2,296,891	\$304,302	\$39,958	\$170,844	\$2,470,307	\$2,543,018	97%
2037	\$2,470,307	\$311,910	\$45,047	\$59,306	\$2,767,957	\$2,849,732	97%
2038	\$2,767,957	\$319,707	\$27,297	\$1,366,697	\$1,748,264	\$1,791,425	98%
2039	\$1,748,264	\$327,700	\$33,175	\$17,438	\$2,091,701	\$2,138,971	98%
2040	\$2,091,701	\$335,893	\$38,760	\$48,041	\$2,418,312	\$2,470,919	98%
2041	\$2,418,312	\$344,290	\$39,363	\$344,282	\$2,457,683	\$2,506,624	98%
2042	\$2,457,683	\$352,897	\$41,639	\$258,550	\$2,593,670	\$2,642,169	98%
2043	\$2,593,670	\$361,720	\$47,060	\$91,297	\$2,911,152	\$2,966,325	98%
2044	\$2,911,152	\$370,763	\$51,978	\$134,112	\$3,199,782	\$3,262,246	98%
2045	\$3,199,782	\$380,032	\$57,063	\$138,743	\$3,498,134	\$3,569,574	98%
2046	\$3,498,134	\$389,532	\$35,825	\$1,645,318	\$2,278,173	\$2,303,324	99%
2047	\$2,278,173	\$399,271	\$42,696	\$40,352	\$2,679,788	\$2,709,399	99%
2048	\$2,679,788	\$409,253	\$46,477	\$232,154	\$2,903,364	\$2,932,909	99%
2049	\$2,903,364	\$419,484	\$54,431	\$9,529	\$3,367,750	\$3,407,065	99%
2050	\$3,367,750	\$429,971	\$46,499	\$928,336	\$2,915,884	\$2,933,316	99%
2051	\$2,915,884	\$440,720	\$47,696	\$413,559	\$2,990,741	\$3,001,728	100%
2052	\$2,990,741	\$451,738	\$54,544	\$105,263	\$3,391,761	\$3,408,127	100%
2053	\$3,391,761	\$463,032	\$54,754	\$499,504	\$3,410,043	\$3,419,529	100%
2054	\$3,410,043	\$474,608	\$50,908	\$741,106	\$3,194,453	\$3,187,482	100%
2055	\$3,194,453	\$486,473	\$59,127	\$65,065	\$3,674,987	\$3,674,987	100%

Newport Hills Community Association

2026 Assessment Collection Policy

The Board of Directors of your Association, Newport Hills Community Association (“Association”) has the obligation to oversee the collection of all Association regular and special assessments in a timely manner. Based upon the Association's Governing Documents and in compliance with California Civil Code requirements, the Board of Directors has enacted the following policies and procedures concerning the collection of delinquent assessment accounts. All collection costs incurred are charged to the account of the delinquent homeowner and are subject to change.

Regular Assessment Due Date

First day of each and every Semi-Annual period: January 1st and July 1st. **Association statements are sent to homeowners as a courtesy reminder. Courtesy statements are emailed to the primary email address for each lot. If an email address is not on file with the Association, you will not receive a statement. Owners will have the option to pay the entire annual assessment amount in January if they wish.** Funds should be made payable to Newport Hills Community Association and mailed to 1900 Port Carlow Place, Newport Beach, California 92660.

Special Assessment Due Date

On date specified by Board of Directors in notice imposing the assessment. (Due date: Minimum thirty (30) days after assessment imposed.)

Courtesy Invoices and Homeowner's Responsibility

The Association Semi-Annual Statements are a **courtesy only**. It is the homeowner's responsibility to pay **each Semi-Annual** Assessment on the **first day of January and July of each year**, regardless of the receipt of the Semi-Annual Statement. **Owners will have the option to pay the entire annual assessment amount of \$1,790.00 in January of each year if they wish.** It is also the homeowner's responsibility to provide **written** notice of any changes in the billing address, and/or change(s) in ownership of the property. This written notice(s) needs to be mailed to Newport Hills Community Association, 1900 Port Carlow Place, Newport Beach, California 92660.

Payment Receipts/Overnight Payment Location

Owners can request a receipt from the Association which shall indicate the date of payment and the person who received it. Any request for a receipt of payment must be submitted directly to the Association, 1900 Port Carlow Place, Newport Beach, California 92660.

Overnight payments may be sent to Newport Hills Community Association, 1900 Port Carlow Place, Newport Beach, California 92660. Correspondence and/or payments may also be left in the mail box located in the front of the clubhouse, 1900 Port Carlow Place, Newport Beach, California 92660.

Returned Bank Items

All returned bank items will be subject to a \$50.00 Returned Bank Item Fee. All returned bank items that remain unpaid will be referred to the District Attorney's Office.

At 15 Days Past Due Date

A late charge of **\$10.00 or 10% of the delinquent amount, whichever is greater**, will be assessed on the delinquent assessment.

Newport Hills Community Association
2026 Assessment Collection Policy
At 30 Days Past Due Date

Interest shall be imposed on all sums due, including assessments, collection costs, and late charges, at an annual rate of 12%.

Special assessments payable in installments which are delinquent more than thirty (30) days will be accelerated and the entire unpaid balance of the special assessment is due and payable immediately. Remaining balance subject to late charges and interest as provided above.

At 45 Days Past Due Date

Pre-lien letter via first class mail and certified mail, must be sent to each individual owner of record and their authorized agent, if any, itemizing all amounts due, along with a copy of this Assessment collection policy.

Pre-Lien Notification fees are a minimum of \$515.00 which will be assessed to the owner's account.

Prior to the recording of a lien, homeowners that are delinquent will be sent a "pre-lien" letter. The pre-lien letter will include an offer by the Association to engage in informal dispute resolution upon receipt of a written request from the homeowners of record within thirty (30) days of the pre-lien letter, pursuant to the Association's meet and confer program required by *Civil Code* Section 5900, et seq.

"IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT INTERVENTION."

You have the right to inspect the Association's records pursuant to Civil Code section 5205. You have the right to request a meeting before the Board of Directors to discuss a payment plan. If it is determined that your assessments were paid on time to the Association, you will not be liable to pay the charges, interest, and costs of collection.

Any payments made by you toward the debt set forth in your statement shall first be applied to the assessments owed, and only after assessments owed are paid in full, shall payments be applied to the fees and costs of collection, attorney's fees, late charges or interest.

If it is determined that your assessments were in fact paid on time to the Association, you will not be liable to pay the various charges, interests and costs of collection.

You have the right to request a meeting with the Board of Directors, if you dispute the debt set forth in your statement. To do this you must submit to the Board of Directors a written explanation of the reasons for your dispute. The Board of Directors will respond to you within fifteen (15) days of the postmark of your explanation.

You also have the right to submit a written request to meet with the Board of Directors to discuss a payment plan for the debt set forth in your statement. The Board of Directors will meet with you in executive session within forty-five (45) days of the postmark of your request, if your request is mailed within fifteen (15) days of the date of the postmark of your Pre-Lien Notice.

Newport Hills Community Association

2026 Assessment Collection Policy

Payment Plan Policy

Request by homeowners for payment plans to cure assessment delinquencies will be considered by the Association on a case-by-case basis. There is no guarantee written or implied that a payment plan will be granted. The Association has sole discretion whether to approve a requested payment plan. The submission of a payment plan request to the Association does not delay collection proceedings, does not constitute a waiver by the Association of any default, and does not relieve the owner of the obligation to pay all assessments, late charges, collection costs, and interest when due. The homeowner must submit the request in writing, and not later than fifteen (15) days of receipt of a Pre-Lien letter. The homeowner should describe in the request any circumstances, which the owner wishes the Association to consider. The homeowner should also attach to the proposed payment plan a check for the amount of the first payment as proposed in the payment plan. If the owner wishes to submit a payment plan request after the owner has been contacted by the Association's attorney regarding the delinquent account, the request for a payment plan with all attachments should be remitted by the owner directly to the attorney. Owners are reminded that the regular monthly assessment themselves constitute a "payment plan," and the best plan is to pay all assessments when due so the Association will at all times have proper funding to maintain the common area.

Should a Payment Plan be entered into and monitored by the Association's collection agency, a Payment Plan Monitoring Fee of **\$220.00** will be due and payable.

At 75 Days Past Due Date

Prior to recording of a lien, the Board of Directors will approve the recording of the lien in open session at a regular or special board meeting.

Title search will be conducted, Request for Notice of Sale and a Notice of Delinquent Assessment covering all delinquent sums, late charges, and reasonable collection fees will be recorded in the County of Orange Records Office. Recording this notice creates a lien, which is subject to foreclosure, against the delinquent owner's property. A copy of the Lien Notice will be sent via first class mail and certified mail to all owners of record.

The following cost and expenses will be charged to the Homeowner's account, upon the recording of a Notice of Delinquent Assessment:

- 1) All recording fees, as charged by the Orange County Recorder's Office.
- 2) Title Search fee/bankruptcy investigation and research as charged by the Title Company.
- 3) The Request for Notice (\$40.00 for each loan of record, plus recording cost as stated in item #1).
- 4) Preparing and process, Notice of Delinquent Assessment is \$375.00

Foreclosure

The Association may not foreclose unless delinquent assessments are greater than \$1,800 or greater than one year in arrears.

Prior to commencing foreclosure, the Association will offer to engage in informal dispute resolution upon receipt of a written request from the homeowner of record within thirty (30) days of the offer of such informal dispute resolution, pursuant to the Association's meet and confer program required by *Civil Code* Section 5900, et seq. and will also offer to engage in formal alternative dispute resolution with a neutral third party pursuant to *Civil Code* section 5925, et seq.

Newport Hills Community Association

2026 Assessment Collection Policy

Prior to commencement of foreclosure, the Board of Directors will approve the foreclosure in executive session and note the approval in the regular minutes of the Association without identification of the name of the individual.

All foreclosures shall be subject to a ninety (90) day right of redemption.

At 105 Days Past Due Date

The Association's attorney or trustee will initiate foreclosure proceedings and/or an action for personal judgment. The property owner is responsible for all costs, including attorney's fees and collection costs once the delinquent account is turned over to the collection agency. Once a matter is turned over to the Association attorney, you will receive notification from them regarding the amounts owed. At this point, the amount listed on the Association generated assessment statement will not be fully accurate because it will not contain the additional fees and costs. Once legal collection proceedings have begun, all correspondence/payments or telephone communications will be referred to the Association attorney's office.

All costs incurred by the foregoing actions are a charge to the account of the delinquent property owner and are subject to change. Collection proceedings will be terminated only after both Association assessments and all collection and legal fees have been received.

If a lawsuit or foreclosure procedure is initiated by the Association to recover delinquent assessments, or if the Association is forced to defend an action brought by an owner to contest assessments and/or related charges, the Association is entitled, by its CC&Rs and by law (Civil Code Section 5650), to recover from the homeowner not only the amount in default, plus late charges, but also reasonable costs of collection, including title company charges and attorney fees.

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, the 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, the Association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the Association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. **(Sections 5700 through**

Newport Hills Community Association

2026 Assessment Collection Policy

5720 of the Civil Code)

In a judicial or nonjudicial foreclosure, the Association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The Association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged

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

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

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

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

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

PAYMENTS

When an owner makes a payment, 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),**

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

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

Newport Hills Community Association
2026 Assessment Collection Policy

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 timeshare may request the Association to consider a payment plan to satisfy a delinquent assessment. The Association must inform owners of the standards for payment plans, if any exist. **(Section 5665 of the Civil Code)**

The board of directors must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the Association, as may be applicable. **(Section 5666 of the Civil Code)**

Newport Hills Community Association Internal Dispute Resolution Policy

Adopted: October 14, 2025

In accordance with Civil Code section 5900 et seq., the Newport Hills Community Association (“Association”) has adopted the following Dispute Resolution Policy (“Policy”). A copy of this Policy shall be distributed annually to members as required by Civil Code sections 5310(a)(9), 5920, and 6965.

1. Internal Dispute Resolution

The following procedures are adopted to provide a fair, reasonable, and expeditious procedure for resolving disputes between the Association and members involving said parties’ rights, duties and/or liabilities under the Association’s governing documents, the Davis-Stirling Common Interest Development Act, or the nonprofit mutual benefit corporation law (collectively a “Dispute”). Either party to a Dispute may invoke Internal Dispute Resolution (“IDR”) by following the below procedures.

1.1 A party may request the other party to meet and confer in an effort to resolve the Dispute. The request shall be in writing and shall state the specific Dispute at issue.

1.2 A member may refuse a request to meet and confer. The Association may not refuse a member’s request to meet and confer.

1.3 In response to a request to meet and confer by a member, the Board will designate one or more directors (“Board Designee” or “Board Designees”) to represent the Association and meet and confer with the member. The Board shall have complete discretion in choosing the Board Designees. The Board shall also have the right to request, in its sole discretion, that any other individual or individuals (be it management, committee member(s), or legal counsel) assist the Association and attend the meet and confer session with the member.

1.4 A member participating in IDR may be assisted by an attorney or another person in explaining their position at the member’s cost. If a member desires to bring member’s attorney to the IDR, the member shall give at least ten (10) business days’ advance written notice to the Association, so that the Board may determine if Association legal counsel should attend. Failure of a member to provide timely notice of the attendance at the IDR by their legal counsel will require a postponement of the IDR. If a member appears at the IDR meeting with previously unannounced counsel, the Association reserves the right to postpone the IDR to a future date to allow Association counsel to attend. The meeting shall be rescheduled within a reasonable time thereafter.

1.5 Unless both parties agree in writing to extend the timeframe for completing IDR, the parties shall meet within forty-five (45) days of receipt of the request, at a mutually convenient time and place, explain their relative positions to one another, and confer in good faith in an effort to resolve the dispute. A member who fails to attend a previously confirmed IDR without rescheduling the same and without sufficient justification, may, at the discretion of the Board, be deemed to have waived their right to meet and confer with the Association concerning the Dispute.

1.6 The Board Designee(s) participating in the IDR on behalf of the Association shall not have authority to bind the Board or Association to any agreement or resolution unless such authority has been expressly granted by the Board in advance. Any proposed resolution reached at an IDR that exceeds the Board Designees' delegated authority must be ratified by the Board at a duly noticed meeting.

1.7 A resolution of the Dispute agreed to by the parties shall be memorialized in writing, following ratification by the Board if applicable, and signed by the parties, including a Board Designee or other director on behalf of the Association. A written agreement reached as a result of IDR binds the parties and is judicially enforceable if it is signed by both parties and if both of the following conditions are met:

- a. The agreement is not in conflict with law or the Association's governing documents.
- b. The agreement is either (i) within the authority granted to the Board Designees in advance or (ii) ratified by the Board at a duly noticed meeting.

1.8 A member may not be charged a fee to participate in the IDR process.

1.9 If an IDR does not result in a resolution of the Dispute, the Board may, but is not required to, memorialize in writing to the members that an IDR occurred with respect to the subject Dispute. An owner is not entitled to more than one (1) IDR with respect to any Dispute. Any additional IDR meetings concerning the same Dispute are at the sole discretion of the Board.

1.10 A copy of this Policy shall be included in the Annual Policy Statement distributed to members annually pursuant to Civil Code section 5310.

2. Alternative Dispute Resolution

Civil Code section 5925 et seq. (the "Statute") requires that the Association and owners endeavor to submit certain Disputes to Alternative Dispute Resolution ("ADR") prior to initiating a lawsuit. This Policy merely provides a summary of the statute. If there is a Dispute which may require ADR pursuant to Civil Code section 5925 et seq., please review all of the provisions of the statute and/or seek independent legal counsel.

2.1 Parties Bound by the Statute: The parties required to comply with the ADR Statute are the Association and any owners of record.

2.2 Disputes Subject to the Statute: Civil Code section 5930 provides that the Association or an owner may not file an enforcement action in the Superior Court unless the parties have endeavored to submit their dispute to ADR. An “enforcement action” is defined as a civil action or proceeding, other than a cross-complaint, for any of the following purposes: (i) enforcement of the Davis-Stirling Common Interest Development Act (Civil Code section 4000 et seq.); (ii) enforcement of the California Nonprofit Mutual Benefit Corporation law (Corporations Code section 7110 et seq.); or (iii) enforcement of the Governing Documents.

2.3 Disputes Not Subject to the Statute: The ADR Statute applies only to an enforcement action that is solely for declaratory, injunctive or writ relief, or for that relief in conjunction with a claim for monetary damages not in excess of the jurisdictional limits of the Small Claims Courts. The following types of disputes are specifically excluded from the Statute: (i) a Small Claims Court action; and (ii) an assessment dispute, except as otherwise provided by law.

2.4 Procedure for Invoking ADR: The party wishing to invoke the ADR process must serve on the other party a written request for ADR including the following information and language: (i) a brief description of the dispute; (ii) a request that the matter be submitted to ADR, specifying the type of ADR (e.g., arbitration) requested; (iii) notice that the party receiving the request for ADR (“Responding Party”) is required to respond thereto within thirty (30) days or the request will be deemed rejected; and (iv) if the Responding Party is an Owner, a copy of Civil Code section 5925 et seq.

2.5 Service of Request for ADR: A Request for ADR may be served by personal delivery, first-class mail, express mail, facsimile transmission, or other means reasonably calculated to provide the Responding Party with actual notice of the request.

2.6 Responding Party’s Obligation: Upon receipt of a request for ADR, the Responding Party, whether the Association or an Owner, has thirty (30) days from receipt in which to either accept or reject the request. If no such response is received, the request is deemed rejected.

2.7 Timeline for Completion of ADR: If the request for ADR is accepted, the parties shall complete the ADR within ninety (90) days of receipt of the acceptance, unless this period is extended by a written stipulation signed by both parties.

2.8 Cost of ADR: The cost of ADR shall be borne equally by the parties, subject to reallocation by the arbitrator if arbitration is sought or by a court in awarding prevailing party attorney’s fees in subsequent litigation.

2.9 Tolling of Statute of Limitations: If a request for ADR is served before the end of the applicable statute of limitations, the limitation is tolled for certain periods as specified in Civil Code section 5945.

2.10 Certificate: In the event that a lawsuit is eventually commenced, the party filing the lawsuit must file with the initial pleading a certificate stating that one or more of the following conditions is satisfied: (i) ADR has been completed; (ii) one of the parties to the dispute did not accept the terms of the request for ADR; or (iii) preliminary and/or temporary injunctive relief is necessary.

2.11 Consequences for Failure to Comply: The failure to file the aforesaid certificate with the court is grounds for a demurrer or motion to strike unless the Court finds that dismissal of the action for failure to comply would result in substantial prejudice to one of the parties. Additionally, in awarding attorney's fees, a court may consider whether a party's refusal to participate in ADR before commencement of the enforcement action was reasonable. As a result, it is important to seek independent legal counsel in the event that you have legal questions. Failure of a member of the Association to comply with the ADR statute may result in the loss of certain rights to sue the Association or another member (see below disclosure).

2.12 Mandatory Disclosure (Civil Code section 5965):

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 of the applicable law.

[END OF DOCUMENT]

NEWPORT HILLS COMMUNITY ASSOCIATION

INSURANCE NOTIFICATION

NOVEMBER 2025

The Association carries the following Insurance Policies for the common area.

PROPERTY INSURANCE

The Association maintains a blanket policy of fire and casualty insurance with Philadelphia Indemnity Insurance Company for the common area property owned by the Association. The policy limits are \$1,535,000.00 There is a \$2,500.00 (twenty-five hundred dollar) deductible.

GENERAL LIABILITY POLICY

The Association maintains a policy of public liability and property damage insurance with Philadelphia Indemnity Insurance Company, which insures the Association and each member of the Association against liability incident to the ownership and use of the Common Area. The policy limits are \$1,000,000.00 (one million dollars) per occurrence and \$2,000,000.00 (two million dollars) annual aggregate for claims of death, personal injury and property damage arising out of a single occurrence. There is no deductible. There is a \$10,000,000.00 (ten million dollar) umbrella liability policy with Homesite Insurance Company with no deductible.

FIDELITY COVERAGE

The Association does maintain a fidelity bond with PMA Insurance Company/Ace American Insurance Company. The policy limits are \$3,000,000.00 (three million dollars) with a deductible of \$5,000.00 (five thousand dollars).

DIRECTORS AND OFFICERS COVERAGE

The Association does maintain Directors and Officers insurance with Philadelphia Indemnity Insurance Company. The policy limits are \$1,000,000.00 (one million dollars) with a deductible of \$5,000.00 (five thousand dollars). There is a \$10,000,000.00 (ten million dollar) umbrella policy with Homesite Insurance Company for Directors and Officers insurance with no deductible.

EARTHQUAKE AND FLOOD COVERAGE

The Association does maintain earthquake insurance for the clubhouse with Palomar Specialty Insurance. The policy limits are \$1,518,703. There is a 5% deductible for the clubhouse and other covered items.

CAUTIONARY NOTE

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.

Newport Hills Community Association
Assessment and Reserve Funding Disclosure Summary
For the fiscal year ending 12/31/26
(“Disclosure Summary”)

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

(1) The regular assessment for the 2026 fiscal year per ownership interest is \$1,790.00 annually or \$895.00 semi-annually and is due on January 1st and July 1st.

(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the association’s Board of Directors (the “Board”) and/or members:

Date assessment will be due:	Amount per ownership interest per month or year (If assessments are variable, see note immediately below):	Purpose of the assessment:
N.A.		

Total:_____

(3) Based upon the most recent reserve study, dated 8/29/25, and other information available to the Board of Directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Yes X No _____

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

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

Total:_____

Newport Hills Community Association
Assessment and Reserve Funding Disclosure Summary
For the fiscal year ending 12/31/26
("Disclosure Summary")

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

Major asset:	Reason this major asset was not included:
N.A.	

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is **\$1,636,354** based in whole or in part on the last reserve study or update prepared by Advanced Reserve Solutions, Inc. as of 1/1/26. The projected reserve fund cash balance at the end of the current fiscal year is **\$1,554,161**, resulting in reserves being **94.98%** funded at this date. The current deficiency in the reserve fund represents **\$155** per ownership interest.

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the Civil Code, a reserve funding plan has been developed – see the attached projections. The assumed long-term before-tax interest rate earned on reserve funds is **2.5%** per year and the assumed long-term inflation rate applied to major component repair and replacement costs is **2.5%** per year. Full reserve study available upon request.

NOTES:

(A) The financial representations set forth in this summary are based on the best estimates of the preparer and the Board at that time. The estimates are subject to change. (B) For the purposes of understanding this Disclosure Summary: (1) "Estimated remaining useful life" means the time reasonably calculated to remain before a major component will require replacement. (2) "Major component" has the meaning used in Section 5550. Components with an estimated remaining useful life of more than 30 years may be included in the study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary. (3) The form set out in subdivision (a) shall accompany each annual budget report or summary thereof that is delivered pursuant to Section 5300. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in subdivision (a) is provided. (4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. This shall not be construed to require the Board to fund reserves in accordance with this calculation. (5) Based on reserve studies or the occurrence of one or more unanticipated events, the Board could increase regular assessments and/or levy special assessments, consistent with the provisions of the CC&Rs and applicable law, to fund additional reserves as it deems necessary. For example, the information contained in this Disclosure Summary includes (i) estimates of replacement value and life expectancies of the components and (ii) assumptions regarding future events. Estimates are projections of a future event based on information currently available and are not necessarily indicative of the actual future outcome. The longer the time period between the estimate and the estimated event, the more likely the possibility of error and/or discrepancy. For example, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the preparation of this Disclosure Summary. Therefore, the actual replacement cost and remaining life may vary from this report and summary and the variation may be significant. Additionally, inflation and other economic events may impact this report and summary, particularly over an extended period of time (such as thirty (30) years) and those events could have a significant and negative impact on the accuracy of this Disclosure Summary and, further, the funds available to meet the association's obligation for repair and/or replacement of major components during their estimated useful life.

Newport Hills Community Association

Notice of Summary of Architectural Control Procedures (Civil Code Section 4765)

The California Civil Code requires the Association to publish a notice annually that describes the types of architectural changes that require Association approval. This Summary of Architectural Control Procedures has been prepared for that purpose. This is only a summary, and Owners are therefore requested to refer to the Association's Amended and Restated Declaration of Covenants, Conditions and Restrictions ("CC&Rs") and to the Association's Rules and Regulations, Architectural and Landscape Standards and Policies ("Architectural Standards"), and the Association's other governing documents for additional and more detailed architectural improvement related information. If you have questions about whether Association approval is required for what you have planned, or about whether there are any standards, guidelines, or requirements for the type of improvement you wish to construct or install, please contact management *before* you start work.

A. No Exterior Additions and Changes without Prior Approval. No construction, installation, demolition, grading, excavation, import of fill dirt, or alteration of an Improvement (as defined in the CC&Rs) to (a) the exterior of a Dwelling Unit, (b) the front yard portions of a Lot, including landscaping, or (c) the rear yard of a Lot if the Improvement as constructed, installed, or altered would generate excessive or annoying odors or noises (e.g., air conditioning compressors, pool or spa equipment, sports courts) or exceeds (or in the case of landscaping Improvements, at maturity would exceed) six feet (6') in height above finished grade level, may be commenced or maintained until the plans and specifications therefore showing the nature, kind, shape, height, width, color, materials and location thereof have been submitted to and approved in writing by the Architectural Review Committee ("ARC"). (CC&Rs Article VIII, Section 8.2.)

The CC&Rs and Architectural Guidelines broadly define the term "Improvement" as including any structure or appurtenance thereto, including, but not limited to, buildings, accessory buildings, garage, pool houses, outbuildings, outdoor fireplaces, outdoor kitchens, built-in barbecues, swimming pool, spa or hot tub, recreational apparatus, walkways, sprinkler pipes, carports, recreational facilities, roads, driveways, parking areas, fences, screening walls, block walls, retaining walls, stairs, decks, landscaping, antennae, satellite dish, the paint on all exterior surfaces, hedges, windbreaks, windscreens, patio covers, gazebo, deck, trellis, railings, plantings, planted trees and shrubs, poles, signs, storage areas, exterior lighting, mailbox, fountains, exterior air conditioning and water softening fixtures or equipment, solar energy system, mechanical equipment, or sound system.

B. Board Approval Requirement. In addition to ARC approval, modifications or additions affecting the Common Area (including, without limitation, improvements requiring access over Common Area for construction purposes or otherwise impacting Common Area) also require prior written approval from the Board of Directors.

C. Submission Procedures/Plan Requirements. An Owner's architectural application shall be submitted only on the Association's Application for Architectural Committee Approval form ("Application") and shall be submitted only to the Association's managing agent at the Association's management office located in the Association's Clubhouse, 1900 Port Carlow Place, Newport Beach.

Architectural Application forms and documents shall not be submitted directly to any Association Director, Officer, or Committee member. The Application shall include all the information required under the Architectural Guidelines, including, without limitation, the following: (i) Original Application and Agreement form signed by the Owner (not an agent), (ii) PDF version of the plans and specifications emailed to the association office (iii) one (1) complete printed full size set of the Owner's plans and specifications, (iv) a sample of non-pre-approved materials, color samples, and/or catalog sheets describing non-pre-approved materials, finishes, and/or colors, (v) a completed and signed Neighbor Awareness Form identifying all facing, adjacent, and impacted neighbors; (vi) the applicable application fee and deposit as set forth in the Architectural Guidelines, (vii) for any improvements requiring City approval, a copy of City approval or evidence that City approval has been applied for regarding any improvements requiring City approval, and (ix) an estimated completion date.

The plans and specifications should be submitted both by hard copies and in digital form (all plans shall be to scale and presented on sheets at least 24" x 36") shall show the nature, kind, shape, color, size, materials, and location of the proposed Improvements or alterations, shall be prepared in accordance with applicable building codes, and shall provide all information required in the Architectural Guidelines, including, without limitation: (i) a plot plan (including, without limitation, depictions of existing Improvements and locations of proposed Improvements), (ii) grading plan, (iii) roof plan, (iv) floor plan, (v) elevations, (vi) fence and wall plans, (vii) landscaping and hardscape plans, (viii) pool plan, (ix) mechanical and solar energy plans, (x) exterior colors and finishes, and (xi) such additional documents and/or information as the ARC may reasonably request. In the case of construction projects, the plans and specifications shall be prepared and signed by an architect licensed in California, and, in the case of landscaping and patio cover improvements, the plans shall be prepared and signed by a landscape architect licensed in California, unless the ARC waives this requirement in writing. The ARC may require such detail in plans and specifications submitted for its review as the ARC deems proper. In addition, the ARC may require the Owner to submit an application fee and/or advance deposit, which may be applied, if necessary, to any expenses the Association incurs in connection with reviewing the application and the work performed.

Applicants for new home construction or a major remodel must schedule an initial design meeting with the ARC to discuss the Owner's conceptual objectives before submitting Preliminary Plans. All Applicants must submit Preliminary Plans, which, if acceptable, will be given a Tentative Acceptance which is valid for one year, during which time the Applicant must submit fulfill all contract and construction deposit requirements, and thereafter, the Applicant may submit the Final Plan Submittal and project schedule, all as described in the Architectural Standards.

D. Approval Criteria. Approval may be based upon, among other things, the following factors: (i) that the installation, construction, or alterations contemplated thereby in the locations indicated will not be detrimental to the appearance of the surrounding area or the Properties as a whole, (ii) the appearance of any structure affected thereby will be in harmony with the surrounding structures, (iii) the installation, construction, or alteration thereof will not detract from the beauty, wholesomeness, and attractiveness of the Common Area and Association Maintenance Areas or the enjoyment thereof by the Members, (iv) the maintenance thereof will not become a burden on the Association, (v) aesthetic considerations, (vi) consistency with the CC&Rs, (vii) the overall benefit or detriment which would result to the immediate vicinity and the Properties generally, (viii) consideration of the aesthetic

aspects of the design, placement, landscaping, color schemes, exterior finishes, materials, and similar features, (ix) limitations on maximum square footage of structures, (x) limitations on height of structures, (xi) minimum setback requirements from property lines, (xii) prohibition against use of artificial turf and artificial plants, (xiii) custom homes shall be designed carefully and as “whole buildings,” (xiv) massing, form, context, composition, neighborhood scale, (xv) homes abutting Newport Hills Drive must be either entirely one story or have an elevation that steps down to one story on the major portion of the side of the dwelling facing Newport Hills Drive; (xvi) consideration may be given to design features so as to reduce unnecessary intrusion on the privacy of neighbors; provided, however, this factor shall not be deemed to create a right of privacy for neighbors with respect to any architectural Improvements; and (xvii) conformity with such rules, regulations, and guidelines the ARC and/or Board have adopted or may adopt. (CC&Rs, Article VIII, Sections 8.2 & 8.7.) Variances may be requested in cases of unusual hardship, in accordance with the Architectural Standards. The ARC may retain the services of a consulting architect to assist with its review, and in such cases the Applicant shall be responsible for the costs of the consulting architect, which may be deducted from the architectural review deposit.

Pursuant to Civil Code Section 4765, a proposed architectural change may not violate any governing provision of law, including, but not limited to, the Fair Employment and Housing Act (Part 2.8 (commencing with Section 12900) of Division 3 of Title 2 of the Government Code), or a building code or other applicable law governing land use or public safety (collectively, “Laws and Codes”). Neither the Association’s managing agent, the Board, nor the ARC and Consulting Architect reviewing an architectural application is knowledgeable of the Laws and Codes that may be applicable to the subject Improvement(s), and, therefore, neither the ARC, the Consulting Architect, the Board, nor management shall confirm compliance or noncompliance with any of the Laws and Codes as part of the review process. Accordingly, each Owner is responsible for confirming compliance with the Laws and Codes, and any approval by the ARC or the Board shall not be deemed a statement, representation, or warranty that any plans and specifications are in compliance with the Laws and Codes.

E. Decision Timing. The ARC shall notify the Owner of its decision on the Application within thirty (30) days after the first regularly scheduled and held ARC meeting following the date the ARC receives all materials required; provided, however, until the ARC receives all required information, complete plans and specifications, and other Application documents, fees, and deposits, the Application is not deemed complete, and the time period for the ARC’s review of the Application does not commence. (CC&Rs, Article VIII, Section 8.2, Architectural Standards Section 2.3.1.) No purported oral or verbal approval of the ARC or the Board shall be permitted or effective, and any approval, to be binding upon the ARC and the Association, must be in writing. (CC&Rs, Article VIII, Section 8.2; Civil Code Section 4765.) Unless the ARC authorizes a longer period of time in writing, (i) construction must commence within six months from the date Final Approval is given; otherwise all approvals shall automatically terminate and become void, and (ii) construction shall be completed within eighteen months after receipt of ARC approval. If a project is not completed within the foregoing time period, the Board may levy a fine for the violation.

F. Disapproval/ Request for Reconsideration. If plans and specifications submitted to the ARC are disapproved, the Owner shall be advised in writing of the reason(s) for the disapproval and of the Owner’s ability to appeal to/request reconsideration by the Board of Directors. The Owner is entitled to request the Board of Directors to reconsider the ARC’s disapproval at an open meeting. The

appeal/request for reconsideration shall be in writing, shall be addressed to the Board of Directors of the Association, shall be delivered to the Association's managing agent, and must be received by the Association's managing agent not more than forty-five days (45) days following delivery to the Owner of the ARC's notice of disapproval. The term "delivery" as used herein is defined in Civil Code Section 4035.

G. Board Decision on Request for Reconsideration. The Request for Reconsideration shall be heard not more than sixty (60) days after Association's receipt of the request. Notice of the date, time, and location of the Board of Directors meeting at which the Owner's appeal/request for reconsideration shall be heard, shall be delivered to the applicant at least ten (10) days prior to the meeting. The ARC may submit evidence and recommendations concerning the application to the Board, and the Owner may submit any relevant oral or written evidence in support of his/her position. The Board of Directors shall render its decision on the appeal/request for reconsideration and transmit its decision to the Owner within a reasonable period following the Board meeting where the appeal/request for reconsideration is heard. The Board's failure to transmit its decision to the Owner shall be deemed a decision to uphold and affirm the ARC's determination.

Newport Hills Community Association

Architectural Review Policy for Accessory Dwelling Units and Junior Accessory Dwelling Units

[Adopted on October 11, 2023]

I. INTRODUCTION

Newport Hills Community Association (“Association”) recognizes the benefits of providing affordable housing options, and is committed to working with Owners¹ interested in installing Accessory Dwelling Units (“ADU”) or Junior Accessory Dwelling Units (“Junior-ADU”) on the Owner’s Lot.

The Association recognizes that in order to fulfill its responsibilities, it must impose reasonable restrictions on installations of ADUs and Junior-ADUs. On January 1, 2020, California Civil Code section 4751 went into effect voiding any provision in a planned development’s governing documents that prevented or unreasonably restricted members from constructing additional housing on their lots. In furtherance of California’s recent emphasis on additional housing within common interest developments, and pursuant to Civil Code section 4340 et seq. and the authority previously stated, Association has adopted this *Architectural Review Policy for Accessory Dwelling Units and Junior Accessory Dwelling Units* (“Policy”), which places reasonable restrictions that do not unreasonably increase the cost to construct, effectively prohibit the construction of, or extinguish the ability to otherwise construct, an ADU or Junior-ADU. This Policy is based on, and designed to comply with, California Civil Code § 4751, effective January 1, 2020, and as they may be amended from time to time.

This Policy binds all members/owners and their families, grantees, lessees, tenants, occupants, guests, invitees, successors, heirs and assigns. In addition, this Policy ensures that a uniform and reasonably high standard of attractiveness is maintained within the community, and that the Association is able to continue to meet its obligations to the other Owners and residents of the community. This Policy is designed to aid Owners in designing and constructing an ADU or Junior-ADU within Association expectations, thereby minimizing the time for review and approval by the Association’s Board of Directors (“Board”). Interpretation, variances, and implementation of the Amended and Restated Declaration of Covenants Conditions and Restrictions and Reservation of Easements for Newport Hills (Tract No. 7027) (“CC&Rs”), Amended and Restated Bylaws of Newport Hills Community Association, Newport Hills Architectural and Landscape

¹ All capitalized terms not defined herein shall have the meaning as described in the Association’s Amended and Restated Declaration of Covenants Conditions and Restrictions and Reservation of Easements for Newport Hills (Tract No. 7027).

Standards, and other rules and policies of the Association (collectively “Governing Documents”) are at the sole determination of the Board.

The Association’s Policy is intended to balance the public policy interests in providing affordable housing with the expectations of members who both contracted to purchase property and invested significant funds in a planned development. Association’s policy includes definitions, the application process, construction standards, inspection procedures, applicable restrictions, and the requirement for the execution of a Maintenance Agreement Affecting Real Property. The Policy places reasonable restrictions on the construction of an ADU or Junior-ADU that do not unreasonably increase the cost to construct, effectively prohibit the construction of, or extinguish the ability to otherwise construct a dwelling unit. In addition, this Policy ensures that the Association is able to satisfy the requirements of the Governing Documents as well as maintain a uniform and reasonably high standard of attractiveness within the community.

II. DEFINITIONS

2.1 An Accessory Dwelling Unit, as set forth in California Government Code section 65852.2 and meeting the requirements therein, is a separate living unit on a lot. It can either be detached or contained within the walls of the house on the lot. An ADU may not exceed 50 percent of the existing primary dwelling living area if attached to the existing primary dwelling area, or 1,200 square feet in size for a detached ADU. To be considered an ADU it must provide complete independent living facilities for one or more persons, including permanent provisions for living, sleeping, eating, cooking, and sanitation on the same parcel as the single-family dwelling is situated.

2.2 A Junior Accessory Dwelling Unit, as set forth in California Government Code section 65852.22 and meeting the requirements therein, means a unit that is no more than 500 square feet in size and contained entirely within an existing single-family structure. A Junior-ADU may include separate sanitation facilities or may share sanitation facilities with the existing structure. A Junior-ADU must include a separate entrance from the main entrance to the home and must include an efficiency kitchen containing a sink with a maximum waste line diameter of 1.5 inches, a cooking facility with appliances that do not require electrical service greater than 120 volts, and a food preparation counter and storage cabinets that are of reasonable size in relation to the size of the Junior-ADU.

III. APPLICATION FOR CONSTRUCTION OF AN ACCESSORY DWELLING UNIT OR JUNIOR ACCESSORY DWELLING UNIT

3.1 No member/owner (“Applicant”) shall proceed with the construction of an ADU or Junior-ADU, or any related improvement or infrastructure until the Applicant has obtained a permitted set of design and construction drawings, fully completed an architectural application on a specific form approved by the Board and provided by management, notified Applicant’s adjacent neighbors on a specific form approved by the Board and provided by management, and obtained the written approval of the Board of Directors. An Applicant who commences construction

without written approval shall be solely responsible for all costs incurred to remove, relocate, or modify the ADU or Junior-ADU. Unauthorized activity may or will, in the sole determination of the Board, subject the Applicant to discipline in accordance with the Governing Documents.

3.2 The Application shall specifically state (a) the square footage of the existing residence on the lot, (b) the number of parking spaces currently existing on the lot, (c) whether the proposed unit is an ADU or Junior-ADU, (d) whether the proposed unit is attached or detached from the existing residence, (e) the square footage of the proposed unit, (f) the number of bedrooms in the proposed unit, and (g) whether any additional parking spaces will be created during the construction of the proposed improvements and how many.

3.3 The Application shall include a site plan prepared and executed by a licensed architect, engineer, or design/build firm that accurately depicts all structures on the lot including but not limited to the proposed unit, set-back footage, changes to existing drainage, changes to existing grading, exterior HVAC equipment, parking areas, and any other exterior improvements.

3.4 The Application shall include a permitted set of plans prepared and executed by a licensed architect, engineer, and/or design build firm that includes elevation drawings; design of exterior cladding, roofing, and decking systems; structural drawings; and landscaping drawings. It shall be the Applicant's sole obligation to obtain any and all required permits, licenses, and approvals of any government agency, and such permits licenses, and approvals shall be a mandatory prerequisite to obtaining approval by the Board.

3.5 The Application shall include specifications setting forth the specific exterior products, materials, style, and colors.

3.6 The Application shall include acknowledgement forms from each adjacent neighbor setting forth the neighbor's approval of the unit or the specific reasons for neighbors' concern regarding construction of the unit.

3.7 The Application shall include the Review Deposit and Construction Deposit associated with the Type of Application "2. Additions & Major Remodels", the specific Review Deposit and Construction Deposit for which are included on the attached Newport Hills Community Association Fee Schedule.

3.8 The Board shall have forty-five days to review and approve or reject the application. If the application does not include all information required by this policy, it will be rejected by the Board.

3.9 The Board's review and response shall not in any way be interpreted as confirmation that the submitted plans or specifications complies with any applicable codes or with authority having jurisdiction. Rather, the Board is reviewing the documents to determine whether the design and construction is consistent with the standards in the community. The Board shall have the right to

deny an application based solely on aesthetics or for any other criteria. The Board's denial shall specifically set forth any matter resulting in the denial.

3.10 If the Board rejects an architectural application for any reason, the Applicant may resubmit the application once the reason(s) for the prior denial have been addressed.

3.11 Once the application has been approved, the Applicant has sixty (60) days to provide Association with (a) copies of any contracts entered into to complete construction of the improvements, and (b) certificates of insurance from each contractor demonstrating that the Association, the managing agent, and the Applicant have been named as additional insureds on each necessary policy of insurance.

IV. CONSTRUCTION STANDARDS

4.1 Applicant shall complete the construction of the ADU or Junior-ADU in strict compliance with the submitted and approved plans and specifications.

4.2 The design and construction shall be consistent with the architecture of the existing residence in terms of color, materials, and style. Exterior cladding shall be similar or the same as the existing residence. Roofing and windows shall be similar or the same as the existing residence.

4.3 Applicant's construction shall not negatively impact any sewer, drain, or water lines, nor shall it cause damage to any adjacent structure or improvement.

4.4 Only properly licensed and insured contractors shall be used for the construction of the ADU or Junior-ADU. Contractors shall maintain policies of insurance for public liability, workers compensation, and property damage insurance which does not contain any exclusions for work performed at community associations. The Association, the Association's managing agent, and the Applicant shall be named as additional insureds on the contractors' policy of insurance.

4.5 The timely disposal or removal of unused construction materials shall be the responsibility of the Applicant and at the Applicant's sole cost.

V. INSPECTION

5.1 Owner shall notify the Association in writing within thirty (30) days of completion of construction. Applicant's failure to notify the Association of completion shall constitute an architectural violation for which discipline may be imposed.

5.2 Within forty-five (45) days of receipt of the notice of completion, Association may retain a qualified architect or contractor, at Applicant's expense, and inspect the ADU or Junior-ADU to ensure visual compliance with the approved plans or specifications. If the construction is in compliance, then the Association shall notify the Applicant of the same.

5.3 If the construction is not in compliance, then the Association may work with the Applicant to bring the ADU or Junior-ADU into compliance with the plans and specifications. If the Association and Applicant are unable to informally resolve any matters, the Association may initiate disciplinary proceedings, including but not limited to the filing of a legal action in superior court.

VI. MAINTENANCE

6.1 Applicant shall be responsible for all maintenance, repair, replacement and costs for the same associated with the construction and use of ADUs and Junior-ADUs wherever located.

6.2 Association and Applicant shall enter into a Maintenance Agreement Affecting Real Property that shall set forth (a) the Applicant's responsibility for the maintenance, repair, and replacement of the ADU and/or Junior-ADU, and (b) the Applicant's responsibility to defend, indemnify, and hold harmless the Association for any and all loss or damage caused by the construction, installation, maintenance, or use of the ADU and/or Junior-ADU. Applicant shall be responsible for the payment of legal fees for the drafting of said Agreement and the recording of the document in the County Recorder's Office.

VII. USE OF ADUs AND Junior-ADUs

7.1 An ADU or Junior-ADU may not be transferred separate and apart from the Lot upon which it is located and vice versa.

7.2 All Owners, guests, tenants, invitees, family, and others residing in an ADU and/or Junior-ADU must at all times comply with the Association's Governing Documents.

7.3 ADUs and Junior-ADUs shall not be used for short term rental purposes of less than thirty (30) days, nor shall the housing be used for transient hotel purposes.

7.4 A Junior-ADU may only be constructed and maintained on a Lot which is occupied by the Owner of said Lot as their primary residence.

Newport Hills Community Association Enforcement Policy and Schedule of Fines

Adopted: October 14, 2025

The following Enforcement Policy and Schedule of Fines for Newport Hills Community Association (the "Association") is adopted in accordance with the Davis-Stirling Common Interest Development Act ("Act") and pursuant to the authority vested in the Association by the Amended and Restated *Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for Newport Hills* ("CC&Rs"). The following rules supersede and replace all prior rules regarding the within matters.

1. POLICY OF THE ASSOCIATION.

The purpose of this Enforcement Policy and Schedule of Fines ("Policy") is to encourage member compliance with the governing documents of the Association, including but not limited to the CC&Rs and operating rules, and to ensure that the Association's enforcement procedures are uniformly applied to all members throughout any disciplinary process. Accordingly, the following sets forth the procedures to be followed in addressing violations of the governing documents in compliance with California Civil Code sections 5850 and 5855, as amended effective June 30, 2025.

2. AUTHORITY TO ADOPT RULES.

The Act provides the Association with the authority to adopt reasonable operating rules that apply to the management and operation of the common interest development or the conduct of the business and affairs of the Association, so long as the rule is within the legal authority granted to the Board. (Civil Code section 4340 et seq.)

The Association is granted such authority by its governing documents. Specifically, Article V, Section 5(h) and Article XIV Section 14.1 of the CC&Rs provide the Board with the authority to enforce provisions of the governing documents. Further, Article V, Section 5(j) of the CC&Rs provides the Board with the authority to adopt, amend, and repeal rules that assist both the Association and its members with complying with the governing documents.

3. VIOLATIONS.

3.1 It is the policy of the Association to receive information concerning alleged violations from directors, committee members, and/or owners. Reports of violations must be submitted in writing to the managing agent, unless the violation is noticed and documented by a director, committee, or managing agent. The violation report should describe the violation, identify the alleged offender, and identify the individual making the report. Individuals

submitting violation reports do not have the right to remain anonymous and understand that a copy of the violation report may be provided to the offending member as part of any disciplinary proceeding.

3.2 Upon receipt of notice of an alleged violation, the Board and/or its managing agent or committee, as applicable, will investigate the alleged violation within a reasonable time. If the Board and/or its managing agent or committee determines that a violation has probably occurred, the Association may commence the enforcement procedures contained herein. The Board has complete discretion to determine, in its business judgment, whether to act on a written violation report and what action, if any, to take.

4. ENFORCEMENT; NOTICE AND HEARING PROCEDURES.

4.1. In accordance with the CC&Rs, the Association reserves the right to take legal action in order to enforce compliance with the governing documents at any stage in the enforcement process. Serious violations warranting immediate action may be forwarded to legal counsel with or without taking the steps outlined below. Furthermore, the Board may, at its discretion, involve legal counsel at any stage of the internal enforcement process. Violations that the Board decides to address internally will be dealt with as follows:

4.2 The Association may, but is not required to, send a Courtesy Notice to the allegedly offending member (“Respondent”) to advise that a violation has occurred. The purpose of the Courtesy Notice is to encourage the Respondent to voluntarily come into compliance. The Courtesy Notice is not intended to be confrontational. If the Respondent fails to appropriately respond to the Courtesy Notice, and the Board determines to proceed with enforcement, the following procedure shall be followed.

4.3 The Association shall send a notice of hearing to the Respondent stating the date, time, and place of the hearing, the nature of the alleged violation for which the Respondent may be disciplined or the nature of the cost incurred for which a reimbursement assessment may be imposed, and a statement that the Respondent has a right to attend and address the Board at the hearing and/or submit a statement of defense in advance of the hearing. Notice of Hearing must be sent by individual delivery at least 30 days before the hearing date. The Respondent is not required to attend the hearing in person. If Respondent does not attend the hearing or does not respond to the notice within 15 days of mailing or delivery, Respondent waives the right to address the Board at the hearing, and a decision may be made by the Board in Respondent’s absence. However, any written statement of defense timely submitted by the Respondent shall be considered by the Board prior to making its decision.

4.4 The Board shall conduct the hearing in executive session (unless requested otherwise by Respondent) and shall afford the Respondent a reasonable opportunity to be heard and answer the allegations against them. The Board, having performed its own investigation and presented its own findings, is not required to identify the person or persons who brought the

matter to the Board's attention, although the Board may do so if it deems such disclosure to be necessary to afford due process. Following the hearing, the Board may take the matter under submission and deliberate in executive session outside of the presence of Respondent.

4.5 If the Respondent fails to appear at the hearing, the Board may proceed with the hearing, consider evidence presented to it in connection with its investigation and determine whether or not a violation has occurred. If a violation is found to have occurred, the Board shall determine what disciplinary action to impose, if any.

4.6 A member shall have the opportunity to cure the violation prior to the hearing. The Board shall not impose discipline in either of the following circumstances.

- (i) The member cures the violation prior to the hearing.
- (ii) If curing the violation would take longer than the time between the notice of hearing and the hearing, the member provides financial commitment to cure the violation. For purposes of this Policy, a "financial commitment to cure" means submission of credible documentation evidencing that the member has made a financial commitment toward curing the violation, including but not limited to a signed contract with a contractor accompanied by a paid deposit or invoice, or other reasonable proof that correction is underway and will be completed within a reasonable time.

4.7 If the Respondent is found to be in violation of the governing documents following the hearing, and the Respondent has failed to either (i) submit reliable evidence that the violation has been cured or (ii) provide financial commitment to cure a violation which cannot be cured within the hearing notice period, the Board may take any authorized disciplinary action, as noted in the notice of hearing. The following items are considered to be disciplinary actions requiring a hearing before imposition:

- (i) Fines (see Section 6, which contains the schedule of fines);
- (ii) Levy of a reimbursement assessment for damage to the common area or such other purposes as authorized by the governing documents;
- (iii) Suspension of amenity privileges as authorized by the governing documents; and
- (iv) A finding that a member is not in good standing for any reason or purpose authorized under the governing documents.

4.8 Any disciplinary action taken should be recorded in the minutes of the executive session meeting at which the disciplinary decision is made.

4.9 The Board shall provide the member with written notice of the outcome of the hearing and any disciplinary action taken by the Board within fourteen (14) days after the hearing, which specifies the fines, assessments, and/or penalties levied, if any, and the reasons therefor.

4.10 Fines imposed by the Board after a hearing shall be due immediately upon notice of the hearing decision to the member. Special Assessments levied by the Board shall be due thirty (30) days from the date the notice of hearing decision is given, or upon such other later date specified therein not to exceed sixty (60) days from the date of the notice.

4.11 If the Board and the member are not in agreement following the hearing, a member shall have the opportunity to request Internal Dispute Resolution pursuant to the Act. If the hearing results in an agreement between the Board and the member to resolve the dispute, such agreement shall be reduced to written resolution and, once signed, is judicially enforceable.

4.12 In the event a governing document violation also constitutes a violation of federal, state, or local law, the Board may, in addition to the other actions identified herein, notify the appropriate governmental agency of its findings and provide them with the evidence the Association possesses.

4.13 The Board may, at any time it deems appropriate and after complying with the requirement to offer Alternative Dispute Resolution if applicable, file a civil action to obtain compliance with the governing documents; the Board need not first fine a member. In a court action, the Board may seek injunctive relief (a court order requiring a member to obey the governing documents), reimbursement of costs and expenses incurred by the Association, and payment of fines, if any.

4.14 Occasionally, violations are committed by tenants or guests of the member. The member is responsible for those violations. The notice of hearing will be sent to the member, although the Board may, should it desire, correspond with non-owner occupants of the property responsible for the alleged violations. Only the member has the right to attend the hearing; however, tenants may attend the hearing, if invited and accompanied by the member, for the purpose of providing witness testimony.

4.15 The following items are not considered disciplinary actions and therefore do not require a hearing before imposition:

- (i) Courtesy Notices / Warning Letters;
- (ii) Institution of legal proceedings;
- (iii) Lawful entry upon a separate interest for purpose authorized by the CC&Rs;
- (iv) Initiation of Internal Dispute Resolution or Alternative Dispute Resolution;
- (v) Collection of overdue assessments; and

- (vi) Towing vehicles improperly parked on private property per Vehicle Code §22658.

5. SUSPENSION OF PRIVILEGES.

Pursuant to Article 5, Section 5(h) of the CC&Rs, the Board may, after notice and hearing as provided herein, suspend a member's privilege of use and enjoyment of Association amenities and/or recreational facilities after five (5) days following either the hearing or, if no hearing is conducted, the deadline for the Owner to deliver or mail to the Association a response. In no event, will the period exceed thirty (30) days for each violation of the governing documents or, with respect to an assessment delinquency, until the assessment account is brought current. With respect to multiple violations resulting from member conduct, the Board may impose a 30-day suspension for each violation found and such suspensions may, at the discretion of the Board, run consecutively. Any suspension of privileges shall become effective no sooner than five (5) days following the date that notice of hearing decision is given.

6. MONETARY PENALTIES (FINES).

6.1 As authorized by Civil Code section 5850, and subject to the limitations set forth below, the Association may assess reasonable fines for violations of the governing documents pursuant to the fine schedule ("Schedule") adopted by the Board and distributed to all members.

6.2 A late charge or interest shall not be charged to a member for nonpayment of a fine.

6.3 Fines imposed as a monetary penalty for violation of the governing documents may not become a lien against the member's separate property enforceable by private sale. Special assessments levied to reimburse the Association pursuant to the CC&Rs may become a lien against the member's separate property enforceable by sale as authorized by the CC&Rs.

6.4 A monetary penalty for violation of the governing documents shall not exceed the lesser of the following:

- (i) The monetary penalty stated in the Schedule in effect at the time of violation.
- (ii) One hundred dollars (\$100.00) per violation.

6.5 Notwithstanding Section 6.4, the Board may impose a fine stated in the Schedule or supplement thereto that is in effect at the time of the violation that is greater than \$100.00 per violation, if the violation may result in an adverse health or safety impact on the Common Area or another Association member's property.

6.6 Before imposing a fine greater than \$100.00 pursuant to the above exception, the Board shall make written findings specifying the adverse health or safety impact in a Board

meeting open to the members. The written findings made with respect to specific violations not addressed in this Policy shall not identify the Respondent (by name, property address, APN, or otherwise) and shall be filed with the minutes of the open meeting at which they are made.

7. SCHEDULE OF FINES.

In accordance with California Civil Code section 5850 and the CC&Rs, the Association hereby adopts the following fine schedule ("Schedule"). The Board reserves the right, pursuant to written findings passed in an open meeting prior to imposition of discipline, to find that any conduct not specified below which violates the governing documents may result in adverse health or safety impacts on the common area or another Association member's property.

Non-Health and Safety Violations:

Offense	Fine/Penalty
Each Offense	\$100.00

Health and Safety Violations:

Offense	Fine/Penalty
1st Offense	up to \$400.00 per violation
2nd Offense	up to \$600.00 per violation
3rd Offense	up to \$800.00 per violation
4th Offense and Subsequent Offenses	up to \$1,000.00 per violation

For purposes of this Schedule, a second or repeat offense shall be defined as a violation of the same rule consisting of the same or similar conduct which may result in an adverse health or safety impact on the common area or another Association member's property within a rolling twelve (12) month period.

Members are required to notify the Board of correction of all alleged offenses so that the Board may inspect the correction. Failure to notify the Board may result in additional enforcement.

[END OF DOCUMENT]

**ANNUAL POLICY STATEMENT
(Civil Code §5310)**

1.	Designated Recipient. The name and address of the person designated to receive official communications to the Association, pursuant to Section 4035, is Newport Hills Community Association, c/o Jill Schwalbe, 1900 Port Carlow Place, Newport Beach, CA 92660.
2.	Right to Notice to Two Addresses. A member may opt to have notices sent to up to two different specified addresses, upon written request to the Association's management company. In addition, in compliance with Civil Code §4041 all owners may complete an Annual Notice of Address, Representative and Rental Status form, where they may indicate as many as three addresses for Association mailing purposes.
3.	General Notice Location. General notices (pursuant to Civil Code §4045(a)(3)) will be posted on the bulletin board(s) located at the pool deck at 1900 Port Carlow Place, Newport Beach, CA 92660.
4.	Right to Individual Delivery. Notwithstanding item #3 above, a member may opt to receive general notices by individual delivery, pursuant to Civil Code §4045(b), upon written request to the Association's management company.
5.	Right to Minutes. The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes of any board meeting, other than an executive session, shall be available to members within 30 days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any member upon request to the Association's management company, and upon reimbursement of the Association's costs for making that distribution.
6.	Collection Policy. The Association's <i>Assessment Collection Policy</i> is included in the 2026 Annual Budget explaining the association's collection procedures.
7.	Lien Policy. The Association's policies and practices in enforcing lien rights or other legal remedies for default in the payment of assessments are included in the attached Assessment Collection Policy, which is part of the 2026 Annual Budget Report.
8.	Rules Enforcement Policy. The Association's policy concerning discipline of members, including the schedule of penalties for violations of the governing documents, is included in the 2026 Annual Budget.
9.	Dispute Resolution Procedures. A copy of the association's Internal Dispute Resolution (IDR) policy and Alternative Dispute Resolution (ADR) policy is included in the 2026 Annual Budget. Failure of a member of the Association to comply with the alternative dispute resolution requirements of Civil Code §5930 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 applicable law.
10	Architectural. A summary of the requirements for Association approval of a physical change to property pursuant to Civil Code §4765 is included in the 2026 Annual Budget.
11	Overnight Payments. The mailing address for overnight payment of assessments is: Newport Hills Community Association, 1900 Port Carlow Place, Newport Beach, CA 92660.