

LAW OFFICES OF  
LAURA J. SNOKE

1801 CENTURY PARK EAST, SUITE 2400  
LOS ANGELES, CALIFORNIA 90067

TEL: (310) 556-9658

FAX: (310) 556-9659

February 1, 2008

Homeowners  
Village Palos Verdes Homeowners Association

Re: Village Palos Verdes Homeowners Association  
Our File No.: 16563-1

Dear Homeowners:

This office is corporate counsel for your homeowner's association.

Like many condominium projects in Southern California, the construction components of Village Palos Verdes are nearing or have neared the end of their useful life. Boards of directors of communities such as yours, which are more than 30 years old and have suffered property damage caused by aging components, are legally required under California law and the associations' governing documents to undertake an investigation to determine appropriate repairs. This legal requirement fulfills the board members' fiduciary duty to the community to keep the complex in a first-class state of repair. In fact, the duty of the board of directors to undertake appropriate investigation and thereafter recommend repair and renovation plans is their most important and highest obligation.

(See, Preamble to CC&Rs, Civil Code Section 1364(a) (obligation of association to maintain and repair common area), Civil Code Section 1366(a) (obligation of association to levy assessments sufficient to perform its obligations under the CC&Rs and Civil Code, which include the duty to maintain and repair the common area), Lamden v. LaJolla Shores Clubdominium Assn. (1999) 21 Cal.4th 249 (association obligated to maintain and repair common area pursuant to Civil Code and CC&Rs), and Kaye v. Mount La Jolla Homeowner Assn. (1988) 204 Cal.App.3d 1476 (plaintiff homeowners stated causes of action against the association for breach of fiduciary duty, breach of covenants and constructive taking of property for failing to maintain common area.)

I have reviewed the history of the investigation by the board of directors of the condition of your complex to determine the scope of appropriate and necessary repairs. In undertaking this investigation, the board's actions have been exemplary. The board's actions have met all of the legal requirements imposed

Homeowners  
Village Palos Verdes Homeowners Association  
February 1, 2008  
Page 2

on boards of directors of community associations. These requirements impose a duty on the board members to act in good faith, with the best interest of the community in mind, in consultation with experts. (Corporations Code Section 7230, Lamden v. La Jolla Clubdominium Assn, supra, Frances T. v. Village Green Owner's Assn (1986) 42 Cal.3d 490.)

The board's actions have met these requirements to the fullest extent. In addition, the board members have balanced their obligation to maintain and repair the property with decisions based upon financial prudence, keeping in mind the financial condition of the homeowners.

Initially, in view of the age of the project and increasing expenses for maintenance, including numerous instances of water intrusion because of the age and initial defective construction of the waterproofing envelope of the buildings, the board members retained consultants to advise them of the need for repairs and to develop an appropriate repair plan. The credentials of the consultants retained by the board were investigated and the consultants' reputations for competence and integrity were confirmed. The consultants advised the board that piecemeal repairs were not recommended, both because of the deterioration of the property and the significant cost-savings which will be realized in undertaking a complete repair.

Destructive testing was then undertaken to establish the underlying conditions of the construction in an attempt to define the scope of repairs and avoid significant unknown conditions to allow as accurate an estimate of the cost of repairs as possible.

After reviewing the plans for repair prepared by the consultants retained initially, the board determined that they were too costly. The plans were retained by the association, however, which will greatly assist the contractors and construction management team which will ultimately be retained. At this time, the board is obtaining bids from project management firms. The firm chosen will assist the board in retaining a general contractor and construction manager and thereafter in administering the repair project.

Homeowners  
Village Palos Verdes Homeowners Association  
February 1, 2008  
Page 3

I reviewed the lengthy and comprehensive package of materials sent to you in September of 2007 concerning the history and present status of the repair project. The level and detail of the communication to you is, frankly, extraordinary. The board solicited and responded to many questions and the questions and answers have been provided to you.

I reviewed certain comments contending the proposed project constituted a "capital improvement" and not a repair/maintenance plan. While the line between capital improvements and repairs is sometimes blurred, the proposals contemplated undoubtedly involve repair/maintenance and not capital improvements. Capital improvements typically require an entirely new structure or amenity (such as the addition of a basketball court where one did not formerly exist). The proposed project contemplates replacement of the existing components comprising the waterproofing envelope of the buildings, not the addition of a new structure or facility. The substitution of alternate materials (such as a composite material being substituted for cedar) does not render the repair a capital improvement.

Finally, whether the repair project is undertaken will be up to you. Each of you has an obligation to ensure that the property values of your homes are as high as possible. Each of you has an obligation to prevent water intrusion into the buildings and units, and other deterioration of and damage to the property, resulting in lower property values and even negative affects on the health and safety of your neighbors. The board believes and hopes that, after consideration of all of these factors, including the increased property values and ultimately less expenditures in maintenance and repair costs which will be realized after the repairs are completed, you will vote to approve the repair project.

Please continue to attend meetings and participate in the decisions affecting your community.

Very truly yours.

LAW OFFICES OF LAURA J. SNOKE

Laura J. Snoke

LJS:rb