

VILLAGE PALOS VERDES

HOMEOWNERS ASSOCIATION

March 9, 2010

The Village Palos Verdes Board of Directors offers the following communication, intended to share Questions and Answers in response to the Special Assessment balance due notification issued 2/26/10:

Balance of Assessment Due

Q: Why are we being notified that the balance of the special assessment is due April 1, 2010?

A: The Board was mandated with the fiduciary responsibility to levy the assessment as approved by the majority of homeowners in October 2008. The litigation filed contesting the assessment never precluded the Association from collecting the assessment. As a conservative measure during litigation, assessment collections were altered as a means to aide homeowners with minimum payment requirements, applying all contributions directly towards the principal balance. Resulting from the February 19, 2010, Motion for Summary Judgment hearing in the Vartanian vs. VPV litigation, the Honorable Judge Palmer granted the motion in the fourth cause of action. In his order granting partial summary adjudication, the judge specifically held that the ". . .Special Assessment does not violate Civil Code section 1366.1 or the CC&R's." The assessment has been validated, necessitating commencement of the originally planned collection process. The Association consistently committed to provide homeowners a 30-day written notice of when the assessment payment in full would be due. The notification dated 2/26/10 serves that purpose.

Q: Why didn't the board wait until after the trial on April 5 before requiring payment in full?

A: As clarified above, the assessment was validated in court. The remaining claims in the Vartanian et al vs VPV litigation currently scheduled to be heard on April 5, 2010 do not preclude the Association from commencing the collection of the remainder of the assessment. Collection of the assessment is the first stage to commencing construction. Originally, the initial assessment payment was due in December 2008 and construction was not scheduled to begin until mid-January 2009. These tasks are sequenced in an order of prudent business.

Q: Why was the tone of the special assessment letter so firm and unfriendly?

A: The special assessment balance due notification was not created with the intention to serve as a community newsletter but to serve as a business document.

Q: When I pay the assessment, what guarantee do I get that the work will take place or that more suits won't be filed?

A: There are no guarantees that additional lawsuits may not be filed although there may be some legal impediments to them. The Association is mandated with conducting the work approved by the majority of the homeowners, for the value of the approved assessment. The Association is legally responsible to uphold that mandate.

Q: How do I know how much I owe for the special assessment?

A: The April billing statements will reflect the balance owed on the special assessment. The majority of owners who have paid the original initial \$5,000 payment and each subsequent \$600 towards the principal will owe the balance of \$61,000. Some homeowners owe a different balance depending on how much they pre-paid or the delinquent status of their account.

Q: Should the check be sent to Scott Management's Torrance or Vallejo office?

A: Special Assessment checks should be mailed to:
Village Palos Verdes HOA
c/o Scott Management Company, Ariel Hess
3820 Del Amo Blvd. Suite 324
Torrance, CA 90503

Q: Can I get a receipt stating that I have paid the full \$75,000 of the special assessment and a list of repairs to be made for tax purposes?

A: Yes. Scott Management will issue a statement for each owner which reflects payments made towards the special assessment. The project budget, originally provided with the assessment ballot is the document consistently used by the Association to record the planned scope of work for the exterior renovation. This same document may be used to represent the scope of repairs.

Q: When I pay the assessment in full, will there be any document that states the money will be returned if the litigants file an appeal or the construction is further delayed by other litigation?

A: A receipt can be issued to document payment of the special assessment in full. No additional documentation to which you suggest is anticipated. The board was mandated with the fiduciary responsibility to levy the assessment as approved by the majority of homeowners in October 2008. Assessment collections were altered as a conservative order of business and as a means to aide homeowners during the litigation. The assessment has been validated in court, necessitating commencement of the originally approved collection process. There is no intention of developing documents based on speculation of any potential future litigation. The Association was never precluded from collecting the assessment and in fact continued to do so. The recent court ruling provides additional justification to proceed with the collection process as originally intended and approved.

Q: Is there a grace period for late payments after April 1, 2010?

A: As with regular HOA Monthly Dues and special assessment payments to date, the Association has a 15 day grace period following the payment due date. Payments not received prior to April 15, 2010 will automatically incur the established late fee of 10%. To ensure homeowners are treated equally, the Association will continue to apply the established collection policy uniformly.

Q: What if I have an investment that is scheduled to mature in May can I wait to pay the assessment?

A: The assessment due date is the same for all homeowners. The Association offers the flexibility for an owner to enroll in the HOA Loan program until personal individual financing is obtained. This flexibility may also benefit those who need more than the established 30-day advance notice to liquidate assets planned for the assessment. There is no pre-payment penalty for the HOA Loan program.

Q: Our home values have declined due to the litigation and the delay in the repairs, preventing us from securing equity lines of credit or mortgage refinance lending. If we were planning to pay the assessment with an equity line of credit which is no longer available, how are we supposed to pay now?

A: The litigation has been costly in this regard. Many owners have been paying interest on their equity lines of credit or reverse-mortgage loans secured in preparation for the original assessment levy date. Others have not been able to obtain a refinance at a lesser interest rate or an equity line solely due to the litigation. The HOA Loan program originated to assist those who could not obtain individual financing. As construction begins and home values recover, owners enrolled in the HOA Loan program with the ability to arrange personal financing or those who can afford to sell their unit at an improved price point may then choose to be removed from the HOA Loan program by paying the assessment at that time, without incurring any pre-payment penalties.

Exterior Renovation Construction

Q: When will construction start and how will I know when my unit is scheduled for repair?

A: The start date for construction is not yet available but will be announced soon. When the Association issues the notice to proceed to the construction consultants, a written notification announcing the construction start date will be mailed to all homeowners. When the construction start date is identified, the project construction schedule can be updated to reflect the revised timeline. The project's construction schedule will be mailed to all homeowners as well as posted on the VPV web site. Following completion of construction on the first few buildings, the construction schedule will be updated and re-issued to reflect any adjustments in the timeline. Each owner will be notified well in advance of the repair work on their unit and reminded regularly until that work begins.

Q: The first time around we knew the start date and could extrapolate approximately when the project would involve our units. Has the sequencing changed? I need to plan a trip out of town and am unsure about the timing and how long I should plan to be gone if my unit will be under construction.

A: As explained in the previous answer above, the construction schedule will be updated and provided to all homeowners, once the construction start date is identified. The planned sequence for construction

throughout the complex has not changed since originally presented. It is not mandatory that homeowners be present while their unit is under construction and some homeowners are choosing to plan to be away from their unit during construction.

Q: Have the sub-contractor bids been re-issued and what are the results?

A: The Board of Directors and the Exterior Renovation Committee met in Executive Session on February 16, 2010 to review and approve sub-contractor bids. In preparation, the bids had recently been validated for current pricing. The bids will not be awarded until a construction start date is determined. The specifics of the bids will remain confidential until they are awarded to maintain the integrity of the process and mitigate any risks for price increases, etc. Generally speaking, the overall construction pricing is in alignment with the sub-contractor bids reviewed in December of 2008 which had already reflected pricing adjustments due to the economic downturn. Once bids are finalized, they will be made available for homeowner review as per the Association's established document request process.

Q: What is the plan now for the exterior renovation and what will VPV look like when the work is done?

A: The repair and construction plans, as well as the final appearance, for the exterior renovation project remain as they were presented and approved by the majority of the homeowners in October of 2008.

Q: Are there a couple things we can postpone a couple years maybe to bring the cost down a touch?

A: The project is comprised of the minimal amount of work required to obtain the best value for the longevity of the repairs. The work performed is the original work planned, reviewed and approved by the majority of the homeowners. The special assessment is calculated on the budget for that work. The Board passed a resolution to return any funds in excess of those required to complete the originally planned work.

Q: Can I get a receipt for the windows and new roofing to use as personal claims for energy tax credits?

A: The Board of Directors and the Exterior Renovation Committee are working with the renovation project's construction consultants and general contractor to provide individual receipts for items which can be used for energy tax credits. More information will be made available on this after the specific details are worked out, materials have been ordered and the receipts completed, etc.

Q: Is there an appeal process for a homeowner who believes damage caused to the inside of their unit was due to a direct fault of the contractor or sub-contractor's negligence?

A: The Repair and Restoration Policy is a standard document used to manage these types of projects, specifically for HOAs. It is a business necessity for the Association to have this document in place. It includes an established protocol for managing internal repair issues. In short, homeowners will be required to submit their issue in writing to the PSC site representative so that the issue can be documented and tracked through to resolution. Historically, this project team has had success resolving the majority of issues at this level. If a resolution cannot be obtained between the homeowner and PSC, the issue will be elevated to DBA for resolution. If the issue is not resolved at that stage, it will then be elevated to the Board for resolution.

Q: By paying the assessment, is it an automatic acceptance of the Repair and Restoration Policy?

A: The two issues are related but not dependent on one another. The assessment was levied as approved by the majority of the homeowners in October 2008. Once the project was approved, the Repair and Restoration Policy was reviewed in detail with homeowners during an open meeting in mid-November of 2008 and accepted by the Association as a business necessity.

Q: I saved my copy of the original Repair and Restoration Policy document, but I see on the web site that it has been updated. Are the updates corrected typos or more substantive information and how should I know what information has changed from what I originally received in the mail?

A: The copy of the Repair and Restoration Policy document posted on the web site is the same document mailed to all homeowners. The web site document title listing it as "updated 11/08" was simply intended as an internal tracking method for the Association to identify it as the latest version. The Board of Directors and the Exterior Renovation Committee had performed many preliminary reviews prior to the document being issued to homeowners.

Q: If windows and doors are to be removed on my unit, how long will it be open to the elements and how will it be secured?

A: At the end of a construction work day, no windows, doors or roofs will be left open to the elements. Windows removed during a day will be replaced that same day. Roofing will be covered in the event rain occurs before the new roof can be installed etc.

Q: During the renovation, can we get the color changed for the red "brick-looking" portions of the driveways so they blend in better with the new buildings?

A: The driveways are considered components of the "hard-scape" and the approved repair plan and budget for the exterior renovation project does not include any hard-scape repairs or improvements. This suggestion will be noted for future projects involving the hard-scape.

HOA Special Assessment Loan Program

Q: What is the "title" document I need to provide for the HOA Loan program?

A: "Title document" means a deed or other document showing proof of ownership of the unit and which contains a detailed legal property description.

Q: What is the "loan" referred to in the February 26, 2010 letter? Is this the same loan with Banco Popular that we heard about 17 months ago?

A: The HOA Special Assessment Loan program is offered for those who cannot, or choose not to personally pay the balance of the assessment at one time. This program originated to assist homeowners who could not arrange their own individual financing. Individual homeowners participating in the program will make payments directly to the Association. As homeowners have previously been advised, this program does incur additional costs for fees and interest and is overall most likely more costly than paying the assessment balance in full. Homeowners considering this option are advised to first consult their own personal financial advisor or tax accountant. When the Vartanian litigation was filed, the loan agreement with Banco Popular was retracted until the litigation was resolved. Due to the lengthy duration, the Association is now faced with reinitiating the process. Loan applications have recently been submitted to HOA lenders and the Association is working through paperwork requirements to support the underwriting process. Details of the loan will be provided once it is finalized.

Q: What will the HOA Loan program monthly payments be? What is the value of the fees and how much is the interest?

A: Special assessment payments for those enrolled in the HOA Loan program will be \$600 per month as established when the assessment was originally levied and approved by the majority of homeowners. This payment structure was based on the planned interest rate of approximately 8% in the fall of 2008. Due to the delay caused by the litigation, the Association is now unfortunately anticipating the impact of higher terms for the loan which are yet to be finalized. Homeowners taking advantage of the loan program for a shorter-term could estimate costs of approximately 8 – 10%. Costs for those who plan to remain in the program for the duration cannot be estimated due to the variety of unknown contributing factors such as: the value of the required loan; how many homeowners will need the loan; loan terms for fees and interest rate structure; interest escalation over the duration; number of owners remaining involved at the end of the loan term (to share in the overall cost of the loan.) It is in the best interests of homeowners involved in the HOA Loan Program, as well as the best interest of the Association, to re-pay the balance of the loan in as timely as manner as possible. The specific terms of the HOA loan will be communicated once the loan is finalized.

Q: Because everyone has been paying into the assessment for over a year now, will the value of the HOA loan now be for a lesser amount than committed to originally?

A: The value required for the HOA loan will be determined by the number of homeowners who enroll in the loan program.

Q: What if I can't afford the \$600 a month for the HOA Loan program? Can I pay a reduced payment?

A: The assessment is being levied as it was approved by the majority of the homeowners. If a homeowner cannot arrange individual financing to fund the assessment and cannot afford the \$600 per month payments through the HOA Loan program, they are encouraged to petition the Board of Directors in writing, requesting to be considered as a hardship. The Hardship and Non-Foreclosure Agreement program was developed to aide homeowners in a true financial hardship position. More information on the program guidelines is available by written request through Scott Management. There are no homeowners currently enrolled in the program.

Other related inquiries

Q: In the interest of transparency, why not lay this whole thing out for us to look at and the efforts of the board and others have made to cut costs and be responsible with everyone's money (including your own)? If the litigation is indeed done, now, our board should be somewhat free to communicate to the rest of the community what exactly has been taking place this last year, right?

A: While the assessment has been validated, unfortunately other litigation remains and due to the proven litigious nature of some of our homeowners, the Association will continue to operate in an increasingly conservative manner to mitigate any additional potential misuse of the Association's resources and funding. The Board of Directors continues to be frustrated by the inability to openly communicate and explain things as they once successfully operated. We are hopeful that in the not too distant future, the community may again be rewarded by the benefits of more open dialog. Unfortunately, some aspects of the litigation and settlement discussions will remain confidential due to legal constraints. VPV Corporate Legal Counsel and Legal Defense Counsel have been requested to attend the monthly Board meeting scheduled for 3-11-10 to address any questions for which information may be available.

Q: Where is the money already collected for the project?

A: Special Assessment funds collected to date continue to be held in a separate Association account, currently at Merrill Lynch.

Q: Why does the meeting agenda for the 3-11-10 monthly board meeting state that pets are not allowed at HOA meetings and why is this rule being changed?

A: HOA meetings are business meetings, held in public facilities rented by the Association. As a means to provide equal opportunity to all homeowners to attend the meeting without concern of health related concerns and to mitigate liability to the Association, pets are not permitted at HOA meetings. This is not a change in rules, but rather a formal notification of the restriction which became increasing necessary as some homeowners were consistently attending with their pets. Providing this notification allows the Association to enforce the policy and dismiss homeowners who infringe on the rights of other owners by not complying.

In conclusion, this document is intended to communicate responses to commonly asked questions. The previous practice of generating similar Q&A documents has been well received by homeowners and the Board of Directors will strive to communicate information as it becomes available.

VPV HOA Board of Directors