

Del Mesa Carmel Community Association, Inc.

Annual Disclosure

The California Civil Code requires that a common interest development provides all members with specific information regarding the management and operation of that association. The following is provided in conformance with this requirement. The financial information provided in this document is an overview of the 2026 Budget. The 2025 fiscal year financials will be presented at the Annual Meeting of the Membership held on Thursday, January 27, 2026, or the first scheduled Board of Directors meeting following the completion of the independent audit.

All general notices will be posted on the bulletin board across from the mailboxes in the clubhouse and posted on the Del Mesa Carmel Association website.

2026 Pro Forma Budget and Fiscal Policies

ENCLOSURES:

- * 2026 Budget Summary
- * 2026 Reserve Study Summary

1) Financial Disclosure Requirements

According to Civil Code §5300 & 5310, the following documents shall be prepared and distributed annually to all community members:

- (a) The Pro Forma Operating Budget summary for the ensuing fiscal year shall be distributed between (30) and (90) days prior to the beginning of the fiscal year. This budget shall include a summary of the Association's reserves based upon the most recent review or study conducted pursuant to Civil Code §5550.
- (b) A statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in payment of its assessments against its members shall be delivered within (30) – (90) days prior to the beginning of the next fiscal year.

- (c) An audit of the financial statements of the Association shall be prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy for any fiscal year in which the gross income of the Association exceeds seventy-five thousand dollars (\$75,000). A copy of the audit of the financial statement shall be distributed within 120 days **after** the close of each fiscal year.
- d) In February 2026, it is anticipated that the Association's accounting firm, Hutchinson and Bloodgood LLP, will conduct a detailed annual audit of the financial condition of the Association as of December 31, 2025. A copy of that audit will be sent to all association homeowners no later than April 30, 2026, in accordance with requirements.

2) Assessment and Reserve Funding Disclosure Summary for the Fiscal Year Ending 2026

- a) To satisfy the financial needs of the Association for the fiscal year beginning January 1, 2026, through December 31, 2026, the Board has determined that a 5.8% increase in the monthly Association fees (assessments) is required. This increased assessment is effective January 1, 2026. The new monthly fees will be:

<u>UNIT</u> <u>CLASS</u>	<u>2026 MONTHLY FEES (\$)</u>			
	<u>DUES</u>	<u>CABLE</u>		<u>TOTAL</u>
A	2,082.18	+ 55.21	=	2,137.39
B	2,322.46	+ 55.21	=	2,377.67
C	2,608.35	+ 55.21	=	2,663.56
D	1,581.07	+ 55.21	=	1,636.28
E	2,228.66	+ 55.21	=	2,283.87
F	2,339.81	+ 55.21	=	2,395.02

Total Assessment Income (Including Cable): \$7,900,246

- b) For complete Civil Code §5570 disclosure see the enclosed Reserve Funding Disclosure Report.
- c) As of the date of this disclosure it is expected that the repair/replacement of the following components will be deferred from 2025 to the calendar year 2026. These deferrals are result of limited resources delaying the timing of the work or the extension of their useful life:
 - 1) Adobe Wall
 - 2) Washers & Dryers
 - 3) Clubhouse Flooring
 - 4) Clubhouse Air Handles

Additionally, the following items are expected to be deferred from 2026 to future years due to expected extended useful life:

- 1) Clubhouse House Roof
- 2) Pool House Roof
- 3) Art Center Roof
- 4) Laundry Room Interior Renovations
- 5) Asphalt
- 6) Landscaping Upgrade
- 7) Restaurant Windows & Doors
- 8) Clubhouse Water Heating System

In conclusion, Del Mesa Carmel Community Association financial position is sound. The budget developed for the next year and the 5.8% increase in HOA fees is sufficient to cover all projected operating expenses and reserve requirements. Additionally, our updated reserve study and expenditure plan meets or exceeds all known requirements for the next 30 years. This plan, and adherence to it, will ensure that common area property is well maintained, and that individual property values are protected.

Sound financial management and the protection of each member's investment in Del Mesa Carmel will continue to be of paramount importance to the Board of Directors, Finance Committee and General Manager in the coming year.

Statement of Anticipated Special Assessment

The Board of Directors anticipates levying a special assessment in 2026 to cover utility expenses incurred during 2025. The assessment is anticipated to be approved in January 2026 Board meeting, once the final 2025 results are determined. Billing for the assessment is anticipated to begin in March 2026. Buyers of units that close subsequent to the January 2026 board meeting approving the assessment are exempt from the special assessment.

ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY

SUPPLEMENTAL INFORMATION

- A. Board of Directors Statement:** In publishing the reserve analysis study summary required by Civil Code §5565, the Del Mesa Carmel Board of Directors has relied on information, opinions, reports, and statements presented to it by a variety of knowledgeable sources pursuant to Corporation Code §7731, including professional consultants, reserve study analysts, and the General Manager. The data contained within the reserve study includes estimates of component replacement values and life expectancies that are subject to change. It is also based on certain assumptions regarding future events. Because the study is a projection over a 30-year period, a variety of factors may impact the accuracy of the reserve study and the funds available to meet the Association's obligation for repair and replacement of major components in future years. To ensure that the most accurate information possible is provided to the Association members and prospective members, an internal review of the Association's reserve status is conducted annually to update the formal study conducted by a reserve analyst every three years.

STATUTORY NOTICE ASSESSMENT COLLECTION AND FORECLOSURE

The following notice is provided to all members in accordance with Civil Code §5730(a).

NOTICE ASSESSMENTS AND FORECLOSURES

This notice outlines some of the rights and responsibilities of owners of property in common interest development 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 (30) days after they are due in accordance with Del Mesa Carmel Association Declarations of Restrictions Section 3(d). The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either because of a court action known as a judicial foreclosure, or without court action, often referred to as a non-judicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use the judicial or non-judicial foreclosure to enforce the 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 \$1,800.00. For delinquent assessments or dues exceeding one thousand eight hundred dollars \$1,800.00 or more than 12 months delinquent, an association may use judicial or non-judicial 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 non-judicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections §5700 through 5720 of the Civil Code, inclusive.)

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

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. (Civil Code §5675)

At least 30 days prior to recording a lien on 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. (Civil Code §5660)

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 document in this regard. (Civil Code §5685)

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

PAYMENTS

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

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 costs, or monetary penalty imposed as a disciplinary measure, and by doing so, 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 owner. Binding arbitration shall not be available if the Association intends to initiate a judicial foreclosure.

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

MEETING AND PAYMENT PLANS

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

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 if they exist. (Civil Code §5665)

NOTICE OF BOARD MEETINGS AND RIGHT TO MINUTES OF MEETINGS

Article IV, Section 7 of the Bylaws, requires meetings of the Board of Directors shall be held monthly, notice of the time and place and the agenda for meetings shall be posted at least four days before the meeting. If the meeting is to be held solely in Executive Session, notice shall be given at least two days before the meeting. Members may attend all Board Meeting except when held in Executive Session and speak in accordance with reasonable rules and time limits establish by the Board.

Article IV, Section 19, the Board shall prepare and distribute an Annual Policy Statement 30 to 90 days before the end of the fiscal year in accordance with Civil Code §5310-5320 of D-S. These include a member's right to receive copies of meeting minutes, a statement of assessment collection policies, policies, and practices for enforcing liens, discipline, policy, dispute resolution procedures, and requirements for physical changes of property.

SCHEDULE OF MONETARY PENALTIES

Article VII, Section 4 of the Bylaws and Article V, Section 3 of the Declaration of Protective Restrictions (DPR) set forth the procedure for notification, hearing by the Board of Directors, and imposition of monetary penalties for the violation of any restriction, condition, or covenant in the Declaration of Protective Restrictions, or Ground Rules. In the event that any act or omission of a member is determined to be a nuisance under Article V of the DPR, the member causing the nuisance shall be required to pay the cost of declaring such a nuisance, which is deemed to be \$150 for the first citation and doubling for each subsequent citation of the same

nuisance, up to a maximum of \$1,200 plus the legal costs, if any, incurred by the Association.

ASSOCIATION INSURANCE SUMMARY Updated 10/15/2025

This table provides a summary of the coverage and limits of the Del Mesa Carmel Community Association's insurance policies. Insurance companies covering California assets have experienced unusually high claims during the past three years, resulting in property insurance renewal declines, cancellations, and above average rate hikes. These conditions caused a significant decline in availability and affordability of insurance coverage, which is reflected in DMC's property insurance premium increases. The Property Insurance listed in the below chart took effect October 1, 2025 and will renew October 1, 2026. The following information is provided as required by Civil Code §5300.

Policy Type	Insurer	Policy Limit	Deductible
<i>Property</i>	<i>Certain Underwriters at Lloyd's London</i>	<i>\$10,000,000</i>	<i>\$100,000</i>
	<i>Kinsale Insurance Company</i>	<i>\$10,000,000</i>	<i>N/A</i>
	<i>Certain Underwriters at Lloyd's London</i>	<i>\$5,000,000</i>	<i>N/A</i>
	<i>Gotham Insurance Company</i>	<i>\$5,000,000</i>	<i>N/A</i>
	<i>Landmark American Insurance Company</i>	<i>\$5,000,000</i>	<i>N/A</i>
	<i>Lexington Insurance Company</i>	<i>\$5,000,000</i>	<i>N/A</i>
	<i>MSIG Specialty Insurance USA Inc.</i>	<i>\$5,000,000</i>	<i>N/A</i>
	<i>Swiss Re Corporate Solutions Capacity Insurance Corporation</i>	<i>\$5,000,000</i>	<i>N/A</i>
<i>General Liability</i>	<i>CM Vantage Specialty</i>	<i>\$1,000,000 per Occurrence \$2,000,000 Aggregate</i>	<i>\$5,000</i>
<i>Excess Liability</i>	<i>Homesite Insurance Company & Navigators Insurance Company</i>	<i>\$25,000,000</i>	<i>N/A</i>
<i>Earthquake</i>	<i>None</i>	<i>0</i>	<i>N/A</i>
<i>Flood</i>	<i>None</i>	<i>0</i>	<i>N/A</i>
<i>Worker's Compensation</i>	<i>Carolina Casualty Insurance Company</i>	<i>\$1,000,000 per Incident</i>	<i>N/A</i>

<i>Auto</i>	<i>Travelers Casualty Insurance</i>	<i>\$1,000,000</i>	<i>\$1,000</i>
<i>Employee Crime</i>	<i>Atlantic Specialty Insurance Company</i>	<i>\$5,500,000</i>	<i>\$25,000</i>
<i>Management Liability (Directors and Officers)</i>	<i>Star Stone National Insurance Company</i>	<i>\$3,000,000</i>	<i>\$25,000</i>

“This summary of the Association’s policies of insurance provides only certain information, as required by Civil Code §5300 and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association member may, upon request and provision of reasonable notice, review the Association’s insurance policies and upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association’s policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.” (Civil Code §5300(b)(9))

Insurance Agent:

HUB International Insurance Services Inc.

Ben S Jonas, ARM

CA License #0175092 | HUB CA License # 0757776

401 Fremont Street

Monterey, CA 93940

Phone: 831.373.4925 Email: ben.jonaas@hubinternational.com

ALTERNATIVE DISPUTE RESOLUTION RIGHTS

Ref: Civil Code §5925 - 5965

- 1) A description of the Association's internal dispute resolution process as required by Civil Code Sections §5900-5920, is provided below.
- 2) Civil Code §5930 requires that, before owners or residents of a common interest development and the community association in which they live file lawsuits against each other for declaratory or injunctive relief in connection with a claim for monetary damages under \$5,000 or for enforcing the association's governing documents, the Davis-Stirling Common Interest Development Act or the Nonprofit Mutual Benefit Corporation Law, the filing party shall endeavor to submit the dispute to alternative dispute resolution (ADR). Forms of ADR include mediation, arbitration, and conciliation. The ADR may be binding or non-binding, with voluntary consent of the parties involved. The ADR provision does not apply to the filing of cross-complaints.
- 3) The ADR process is initiated by one party serving a Request for Resolution upon the other party or parties to the dispute. The request must include a brief description of the dispute, a request for ADR, a notice that a response must be received within 30 days, or it will be deemed rejected, and a copy of the Civil Code §5925 through 5965.
- 4) If the individual receiving the request agrees to ADR, the process must be completed within 90 days unless otherwise extended by agreement. The cost of ADR is to be paid by the participating parties. If a civil suit is filed, the filing party must submit to the court a Certificate of Compliance indicating the party has complied with the requirements of Civil Code §5930(b). Failure to do so would be grounds for challenging the lawsuit.
- 5) Although the prevailing party is entitled to reasonable attorney fees and costs, when making the award the court may consider whether a party's refusal to participate in ADR was appropriate.
- 6) 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 the applicable law.

- 7) The above article is the summary of the law required by Civil Code. Should any member ever feel that their only remaining recourse in a dispute with the Association is to file a lawsuit, they should consult an attorney as to the proper procedures to be followed.

INTERNAL DISPUTE RESOLUTION PROCEDURE

Ref: Civil Code §5900- 5920

- 1) The following procedure applies to a dispute between Del Mesa Carmel Association and a member involving the rights, duties, or liabilities of either party regarding the Davis-Stirling Common Interest Development Act, the Non-Profit Mutual Benefit Corporation Law, or the Governing Documents of the Association. Parties in dispute may invoke the following procedure required as a prerequisite to an “enforcement action” (litigation).
 - a) The party may request the other party to meet and confer to resolve the dispute. The request shall be in writing.
 - b) A member of the Association may refuse a request to meet and confer. The Association may not refuse a request to meet and confer.
 - c) The Board of Directors shall designate a member of the Board to meet and confer.
 - d) The parties shall meet promptly at a mutually convenient time and place, explain their positions to each other and confer in good faith to resolve the dispute.
- 2) An agreement reached under this action shall be memorialized in writing and signed by all parties, including the Board designee on behalf of the Association. Such agreement binds the parties and is judicially enforceable if both of the following conditions are satisfied:
 - a) The agreement is not in conflict with law or the governing documents of the Association.

- b) The agreement is either consistent with the authority granted by the Board of the Directors to its designee or the agreement is ratified by the Board of Directors.
- 3) A member of the Association may not be charged a fee to participate in this process.

PROCEDURES FOR ARCHITECTURAL APPROVAL

- 1) Civil Code §4765 requires that if a community association's governing documents require association approval before an owner may make a physical change to the owner's separate interest or to the common area, the association must notify its member of the procedures for approval each year.
- 2) Del Mesa Ground Rules Section III specifies the procedures for review and approval of changes to the interior or exterior of individual homes or to the landscaping of the common area that surrounds them. The following changes require submission of a Remodeling Application to the Building and Grounds Committee and approval by that committee before any work begins: Alteration or change to a unit's attic, bearing walls, exterior walls, columns, sub-flooring, roofs, foundations, central heating, pipes, ducts, flues, conduits, wires, and other utility installations, except the outlets thereof when located within the unit. An application is also required to change the color of outside doors or to change walkways, stairs, or decks, or to make any change that might affect the structural integrity of the unit or deck, such as the installation of a Jacuzzi, an air conditioning system or exterior tile. Additionally, residents desiring changes to the common area outside their home must submit a Landscape Alteration Request.
- 3) Remodeling Applications and Landscape Alterations Requests are available in the office. The Building and Grounds Committee meets monthly. The remodeling application or landscape request and accompanying plans must be submitted to the office one week prior to the meeting date to be considered at that month's meeting. The applicant will receive a written response within 7 days of the meeting at which the application is considered. Should the application be disapproved or approved with conditions unsatisfactory to the owner, the owner may submit an appeal to the Board of Directors within 30 days. That appeal will be heard at an open meeting of the Board.

- 4) Specific requirements for approval of applications are contained in Section III of the Ground Rules. Any questions about the application process should be addressed to the office staff, general manager, or chairperson of the Building and Grounds Committee.

DINING ROOM MINIMUM USE

Ref: (a) Ground Rules; Dining Room Minimum Use Requirement

The “Minimum Use Requirement” has been suspended indefinitely.

ASSESSMENT COLLECTION

- A. Assessments, either regular or special, are billed to the owner by the 1st of each month. Statements are delivered via mail or email by the 10th of each month and are due by the last day of the month.
- B. If an assessment is not paid when due, within 10 days after the original due date the General Manager shall informally attempt to collect the assessment.
- C. As assessment, that remains unpaid 30 days after the original due date is delinquent, and it is subject to payment of the following charges, costs and interest until the obligation is paid in full.
- (1) A late charge not exceeding 10% of the delinquent assessment or \$50.00, whichever is less
 - (2) Reasonable costs and attorney fees incurred in collecting the delinquent assessment
 - (3) Interest at an annual rate of 12%, commencing 30 days after the original due date, to be imposed and collected on:
 - (a) the assessment itself
 - (b) the late charge on the assessment
 - (c) reasonable costs of collection and
 - (d) reasonable attorney’s fees incurred in the collection process

- D. If an assessment remains unpaid 45 days after the original due date; the General Manager shall prepare and send the owner a written Notice of Lien in accordance with Civil Code §5675. The Association may record the lien 30 days after issuing the Notice to the owner.
- E. Subsequently, the debt for the delinquent assessment may be collected through judicial or non-judicial foreclosure following the procedures set forth in Civil Code §5700.
- F. Where an assessment remains unpaid for 60 days after the original due date, the Owner, until such assessment and associated charges, costs and interest have been paid in full, shall not be entitled to obtain credit (a) any dining room services or (b) administrative office services for which a fee is collected.

DOCUMENTS PROVIDED BY ASSOCIATION

Sellers and prospective purchasers of a residence at Del Mesa Carmel may request certain documentation including, but not limited to, Declaration of Protective Restrictions, Bylaws, Ground Rules, Annual Budget, Reserve Funding, Financial Statement, etc. Upon request, the Association will provide the owner, or any other recipient authorized by the owner, with a copy of all the requested documents specified in Civil Code §5425. The charges for documents are described in the attached Document Disclosure Summary Form.

Full Report: If a member requests full reports, the Association will deliver full report to that member, rather than a summary of the report. (Civil Code §5320)

Secondary Address: Upon request, an additional copy of those notices must be delivered to a member's secondary address. (Civil Code §5260)

DEPARTMENT OF FEDERAL HOUSING ADMINISTRATION CERTIFICATION DISCLOSURE

Beginning January 1, 2016, condominium associations must disclose their status as a Federal Housing Administration (FHA) approved condominium project. This only applies to condominium associations not planned developments. Civil Code §5300 (b) (10) – (11)

“Certification by the Federal Housing Administration may provide benefits to members of an association, including an improvement in an owner’s ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest.

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

DEPARTMENT OF VETERANS AFFAIRS CERTIFICATION DISCLOSURE

Beginning January 1, 2016, condominium associations must disclose their status as a Federal Department of Veterans Affairs (VA) approved condominium project. This only applies to condominium associations not planned developments. Civil Code §5300 (b) (10) – (11)

“Certification by the federal Department of Veterans Affairs may provide benefits to members of an association, including an improvement in an owner’s ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest.

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