

Crest of Calavera Hills Homeowners Association

C/O PropertyADVANTAGE 5142 Avenida Encinas, Carlsbad CA 92008

Ph (760) 585-1700 Fax (760) 438-6886

November 2010

Dear Crest Homeowners;

Enclosed you will find certain documents as required by Civil Code 1365 for the annual budget and related disclosures. These are important documents and I encourage you to review and store them in a safe place. In this mailing, you will find:

1. HOA Budget for Fiscal Year 2011
2. Summary of Insurance Master Policy Coverage
3. Most Recent Reserve Study Summary & Disclosure Summary
4. Crest of Calavera Hills HOA Annual Disclosures-pages 1-7
 - a. Budget Statement
 - b. Assessment & Reserve Funding Summary
 - c. Lien Rights & Other Legal Remedies-Assessment Collection Policy
 - d. Insurance Disclosure Information
 - e. Alternative Dispute Resolution Guide
 - f. Assessment & Foreclosure Guidelines
 - g. Miscellaneous Disclosers-
 - i. Minutes
 - ii. Annual Review
 - iii. Fine Policy
 - iv. Property Improvement Form

The Association's Monthly Dues will be **\$251.00** per month to meet the day-to-day operating expenditures and reserve funding requirements, beginning January 1, 2011, the start of your fiscal year.

Coupon booklets will be mailed shortly. If you are on automatic payment method, the amount deducted will continue at the same rate.

The Board of Directors has thoroughly reviewed all the categories in the operating budget and the reserve funding to keep the dues as low as possible but still preserve the financial health of the Association.

The Reserve Study report indicates a percent funded level of 92% projected for the end of the fiscal year 2010. This is a great improvement over the previous study completed in 2009, which indicated that the reserves were funded at about 41%. The reserve study recommends a minimum funding level of \$66.00 per unit per month in order to maintain the percent funded at an optimum level. The Board has determined that funding the reserves at \$88.00 per unit per month will continue to build the reserve

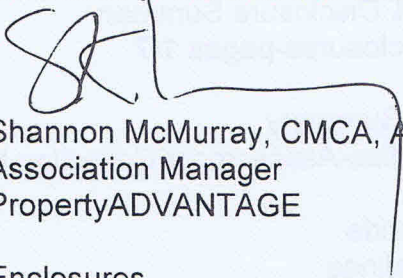
funding and also take into account some of the common area reserve projects in consideration for 2011 such as tree replacements and landscape improvements.

The Board will continue to monitor the expenses and receivables in the coming months while also working to maintain and complete necessary common area reserve projects that have a one year estimated life remaining in order to preserve and enhance the community.

Should you have any questions please contact me at smcmurray@propadvantage.com or at (760) 585-1743.

Regards,

On Behalf of the Board of Directors



Shannon McMurray, CMCA, AMS
Association Manager
PropertyADVANTAGE

Enclosures

CREST OF CALAVERA HILLS HOA
2011 OPERATING BUDGET and RESERVE CONTRIBUTIONS

	B	D	E	F
1	ITEM	2011	2011	MONTHLY
2	INCOME	ANNUAL	MONTHLY	PER UNIT
3	Assessments	325,296.00	27,108.00	251.00
4				
5	TOTAL INCOME	325,296.00	27,108.00	251.00
6	EXPENSES			
7	UTILITIES			
8	Trash	25,000.00	2,083.33	19.29
9	Electricity	23,200.00	1,933.33	17.90
10	Gas	2,400.00	200.00	1.85
11	Water	26,000.00	2,166.67	20.06
12	TOTAL UTILITIES	51,600.00	4,300.00	39.81
13	ADMINISTRATIVE EXPENSES			
14	Management	17,640.00	1,470.00	13.61
15	Insurance	5,400.00	450.00	4.17
16	Legal Fees	1,500.00	125.00	1.16
17	Collection Fees	1,000.00	83.33	0.77
18	Bad Debt	5,000.00	416.67	3.86
19	Audit/Review & Tax Return Preparation	1,750.00	145.83	1.35
20	Reserve Study	1,100.00	91.67	0.85
21	Administrative Fees	1,000.00	83.33	0.77
22	Postage, Storage	2,016.00	168.00	1.56
23	Permits/Licenses	400.00	33.33	0.31
24	Taxes	1,000.00	83.33	0.77
25	TOTAL ADMINISTRATIVE	37,806.00	3,150.50	29.17
26	MAINTENANCE			
27	Grounds			
28	Landscape Contract	69,300.00	5,775.00	53.47
29	Landscape Supplies/Extras	6,000.00	500.00	4.63
30	Landscape Brush Management	13,000.00	1,083.33	10.03
31	Tree Trimming/Removal (reserves)	-	-	-
32	Irrigation Repairs	5,100.00	425.00	3.94
33	Lighting Maintenance	3,000.00	250.00	2.31
35	Amenities			
36	Pool & Spa Maintenance	3,900.00	325.00	3.01
37	Pool & Spa Extras	1,954.00	162.83	1.51
38	Janitorial Maintenance	2,850.00	237.50	2.20
39	Janitorial Supplies/Extras	900.00	75.00	0.69
40	Pest Control - Common Area	4,500.00	375.00	3.47
41	Repair & Maintenance	6,000.00	500.00	4.63
42	Contingencies	5,338.00	444.83	4.12
43	TOTAL MAINTENANCE	121,842.00	10,153.50	94.01
44				
45	TOTAL RESERVE ALLOCATIONS	114,048.00	9,504.00	88.00
46	TOTAL EXPENSES	325,296.00	27,108.00	251.00

**State Farm General Insurance Company**900 Old River Rd
Bakersfield, CA 93311-6000

AT1 002262 U-12- 8674-F410 V 3 F

CREST OF CALVERA HILL
HOMEOWNERS ASSOCIATION
C/O GRANITE PROPERTY
ADVANTAGE5142 AVENIDA ENCINAS
CARLSBAD CA 92008-4372**RECEIVED**

JAN 25 2010

Location: 3749 CHATHAM DR
CARLSBAD CA
92008-6556

SFPP No: 0039769512

Forms, Options, and Endorsements

Special Form 3	FP-6149
Dir & Officers	OPT DO
Amendatory Endorsement	FE-6205
Tree Debris Removal	FE-6451
Policy Endorsement	FE-6506.2
Condo-Assn Policy Endorsement	FE-6466
Developer/Sponsor Exclusion	FE-6384
Glass Deductible - Sect I	FE-6538.1
Policy Endorsement	FE-6567
Amendatory Collapse	FE-6551
Policy Endorsement-Condo/Asn	FE-6624
Inc Cost and Demolition Cov	FE-6587

Continued on back of page

RENEWAL CERTIFICATE**POLICY NUMBER** 90-78-3778-6Condominium Policy
MAR 27 2010 to MAR 27 2011

BILLED THROUGH SFPP

Coverages and Limits**Section I**

A Buildings	\$261,100
B Business Personal Property	13,200
Auxiliary Structures (Cov A&B) and Basic Liability	274,300

Deductibles - Section I

Basic	500
Other deductibles may apply - refer to policy	

Section II

L Business Liability (INCR LIAB)	\$3,000,000
M Medical Payments	5,000
Gen Aggregate (Other than PCO)	6,000,000
Products-Completed Operations (PCO Aggregate)	6,000,000

Forms, Opts, & Endrmnt	1,635.0
Bus Liability - Cov L	432.0
Auxiliary Structures	1,993.0
Total Amount	\$4,060.0

Premium Reductions

Renewal Year Discount	
Claim Record Discount	

Inflation Coverage Index: 205.4

NOTICE: Information concerning changes in your policy language is included. Please call your agent if you have any questions.

If you have moved, please contact your agent.
See reverse side for important information.*Thanks for letting us serve you...*10158
N *

401E I

Agent MICHAEL C MANCINI INS AGCY IN
Telephone (619) 223-5461

REP

Prepared JAN 18 2010

CONTINUED FROM FRONT

Forms, Options, and Endorsements

Registered Domestic Partnership	FE-5383
Dist Mat Violat Statues Excl	FE-6655
Policy Endorsement	FE-6656
Additional Insured	FE-6320
Terrorism Insurance Cov Notice	* FE-6999.1
Mandatory Reporting Endorsement	* FE-5801

*Effective: MAR 27 2010

Your coverage amount....

It is up to you to choose the coverage and limits that meet your needs. We recommend that you purchase a coverage limit equal to the estimated replacement cost of your structure. Replacement cost estimates are available from building contractors and replacement cost appraisers, or, your agent can provide an estimate from Xactware, Inc.[®] using information you provide about your structure. We can accept the type of estimate you choose as long as it provides a reasonable level of detail about your structure. State Farm[®] does not guarantee that any estimate will be the actual future cost to rebuild your structure. Higher limits are available at higher premiums. Lower limits are also available, as long as the amount of coverage meets our underwriting requirements. We encourage you to periodically review your coverages and limits with your agent and to notify us of any changes or additions to your structure.

NOTICE TO POLICYHOLDER:

For a comprehensive description of coverages and forms, please refer to your policy.

Policy changes requested before the "Date Prepared", which appear on this notice, are effective on the Renewal Date of this policy unless otherwise indicated by a separate endorsement, binder, or amended declarations. Any coverage forms attached to this notice are also effective on the Renewal Date of this policy.

Policy changes requested after the "Date Prepared" will be sent to you as an amended declarations or as an endorsement to your policy. Billing for any additional premium for such changes will be mailed at a later date.

If, during the past year, you've acquired any valuable property items, made any improvements to insured property, or have any questions about your insurance coverage, contact your State Farm agent.

Please keep this with your policy.

(o1f008aa) Rev. 05-2005

(o1f014a)

Crest of Calavera Hills Homeowners Association
Reserve Study Update Summary
December 31, 2010

108 Units; Built 1984

The following information is a synopsis of the reserve study update, based on the full study dated December 31, 2008. Data presented here meets the requirements of California Civil Codes 1365, 1365.5 and 1366, and may be included with the annual budget information distributed to the owners. California Civil Code 1365.5 requires a full study (with physical inspection) every 3 years, and the study must be reviewed annually. Refer to the complete study for detailed estimates of individual component lives, costs and projected future replacement costs.

Reserve Component Groups	Estimated Remaining Life	Estimated Replacement Cost	Annual Funding Requirement	Accumulated Funding Requirement	Allocation of Fund Balance	Percent of Fund Balance
ROOFING	11 - 28	\$ 258,000	\$ 8,300	\$ 56,200	\$ 51,709	15.6%
PAINTING/REPAIRS	1 - 9	188,110	27,865	31,120	28,633	8.6%
FENCE/SECURITY	2 - 13	85,667	5,735	60,752	55,897	16.9%
PAVED SURFACES	1 - 13	170,770	11,533	102,650	94,447	28.5%
POOL & SPA	1 - 20	45,286	3,641	26,958	24,804	7.5%
MECHANICAL/PLUMBING	1 - 14	30,900	863	20,288	18,666	5.6%
LANDSCAPING/IRRIGATION	1 - 8	59,475	18,643	15,304	14,081	4.3%
LIGHTING/ELECTRICAL	6 - 20	32,178	1,621	18,403	16,932	5.1%
MISCELLANEOUS	5 - 10	15,475	608	11,132	10,242	3.1%
CONTINGENCY (5%)		44,293	3,940	17,140	15,771	4.8%

Totals		\$ 930,154	\$ 82,750	\$ 359,947	\$ 331,181	
Accumulated Deficit				\$ 28,765	Per Unit	\$ 266

Deferred repair/replacement of any major component with a remaining life of 30 years or less? Yes

Percentage Funded as of Study Date **92.0%**

Current Annual Funding (from budget) **\$ 124,924**

Reserve Fund Balance as of: August 31, 2010 **\$ 315,540**

Anticipated Funding to Year End **\$ 41,641**

Anticipated Expenditures to Year End (Trees, Landscaping) **\$ (26,000)**

Cash Projected at Year End December 31, 2010 **\$ 331,181**

Per Unit, Per Month (Annual*/Recommended**/Current***)	Annual*	Recommended**	Current***
	\$66	\$66	\$99

*** Option 1 - Annual Requirement Funding: Appears adequate over 30-year projection**

**** Option 2 - Recommended Funding: Reduce current allocation to Annual Requirement level; increase by 3% annually**

***** Option 3 - Current Funding: May lead to overfunding**

Note: All funding options assume a 3% increase per year unless specified otherwise

We present this summary of the repair and replacement funding program of the Association as of December 31, 2010, and the related reserve funding projection for the 30-year period from 2011 to 2040, based on information provided by management and updated from the consultant's estimates of the most probable reserve component replacement costs and remaining useful lives as described in the consultant's report. This report reflects the consultant's judgment of the most likely costs, conditions, and remaining lives at the time of inspection. The annual requirement is based on the cost of each component divided by its total useful life. The accumulated requirement is the annual requirement multiplied by the number of years each component has been in service. The difference between the accumulated requirement total and the actual cash balance may indicate a deficit which would be expressed in the percentage funded.

Assumptions have been made about costs, conditions, and future events and circumstances that may occur. Some of these assumptions inevitably will not materialize; and unanticipated events and circumstances may occur subsequent to the date of this report. Therefore, the actual replacement costs and remaining lives may vary from this report and the variations may be material.

The compilation of this reserve funding analysis and projection is based on representations of management and the consultant's estimates. We have not audited or reviewed the accompanying analysis and projections and, accordingly, do not express an opinion or any other form of assurance on them. We assume no responsibility to update this report for events or circumstances occurring after the date of issuance of this report.

November 19, 2010

Sonnenberg & Company, CPAs

Crest of Calavera Hills Homeowners Association
Assessment and Reserve Funding Disclosure Summary
December 31, 2010

(1) Regular Assessments -

Assessments to members are averaged at \$251 per unit per month for the year ending December 31, 2010.

* If assessments vary by the size or type of unit, the applicable assessment rates may be found in the Association's Annual Budget and /or can be provided by the Association/management agent.

(2) Special Assessments - Additional assessments that have already been scheduled to be imposed or charged, regardless of the purpose, which have been approved by the Board and/or members:

Date assessment is due:	Amount/ unit/month	Purpose of this assessment is to fund or supplement the replacement costs of:
N/A		

(3) Reserve Account Balances -

Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the Association's obligation for repair/and or replacement of major components during the next 30 years?

Yes X No

(4) Additional Assessments -

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 yet been approved by the board of directors or the members?

(Not applicable, proceed to #5)

(5) Major Components -

All major components are included in the reserve study and are included in its calculations.

(6) Current Funding Comparison -

As of the current reserve study or update, the balance in the reserve fund is projected to be \$331,181.

Based on the method of calculation in paragraph 4 of subdivision (b) of Section 1365.2.5, the estimated accumulated funding requirement is \$359,947. The percentage funded is: 92.0%

(7) Funding over next 5 Budget Years -

Based on the method of calculation in paragraph 4 of subdivision (b) of Section 1365.2.5, the estimated amount required in the reserve fund at the end of each of the next five budget years is projected to be:

\$394,295 \$418,747 \$479,902 \$456,728 \$467,244

The projected reserve fund cash balance at the end of each of those years is projected to be, taking into account only assessments already approved and other known revenues, as follows:

\$414,763 \$490,662 \$605,516 \$638,803 \$707,848

% Funded 105.2% 117.2% 126.2% 139.9% 151.5%

If the recommended reserve funding plan is approved by the Association and implemented, the projected reserve fund cash balance at the end of each of those years would be:

\$371,324 \$402,046 \$469,929 \$454,393 \$472,703

% Funded 94.2% 96.0% 97.9% 99.5% 101.2%

The law does not require the Association to fund reserves in accordance with these calculations.

The financial representations set forth in this summary are based on best estimates of the preparer at the time. These estimates regarding costs, lives and conditions are subject to change.

An assumed long-term inflation rate applied to major component repair/replacement costs is 3% per year.

An assumed long-term net interest rate earned on reserve funds is 1% per year.

The Board has adopted this study as the funding plan, in accordance with CCC 1365.5(e)(5).

Crest of Calavera Hills Homeowners Association –Annual Disclosures

A. Budget

With the new fiscal year for your Association, your Board of Directors has reviewed the operating budget with the goal of providing efficient operations and funding adequate reserves to meet long-term requirements. Based on this review, the Board has determined that, to maintain the financial integrity of your Association and to meet the ongoing maintenance costs which increase with the aging process, the assessments for the 2011 fiscal year will be **\$251.00 per month**.

Please keep in mind the needs of the property, dictate the required monthly assessment rates. It is the Board's fiduciary responsibility to ensure these needs are met.

B. Assessment and Reserve Funding Disclosure Summary

In conjunction with the budget review and in accordance with California Civil Code 1365.5, a professional reserve analyst was hired to complete an inspection of the project, review the reserve-funding program and to make recommendations for future funding. The accompanying replacement funding program reflects assumptions about future events based on manufacturer's specifications, information from subcontractors, construction pricing and scheduling manuals and the reserve company's experience. These were used to calculate and establish the reserve amounts needed to defray the future repairs, replacement or additions to the components that the association is obligated to maintain.

(1) The 2011 assessment per unit will be **\$251.00 per month**.

C. Policies and Practices in Enforcing Lien Rights or Other Legal Remedies - Assessment Collection Policy

Crest of Calavera Hills Homeowners Association ASSESSMENT COLLECTION POLICY

Prompt payment of assessments by all its members is critical to the financial health of the Association and the enhancement of the property values of their homes. Your Board of Directors takes very seriously its obligations to enforce your members' obligations to pay assessments. The Board has adopted this Delinquent Assessment Collection Policy in an effort to discharge such obligation in a fair, consistent and impartial manner. The policies and procedures set forth herein shall remain in effect until such time as they may be changed modified or amended by a duly adopted resolution of the Board of Directors. Therefore, pursuant to the Association's Covenants, Conditions and Restrictions and Civil Code Section 1365(d), the following is the Association's Assessment Collection Policy:

PAYMENTS

- I. Regular assessments are due and payable on the first day of each month. Members are either sent a monthly statement or receive a coupon book as a courtesy means by which to make their payments. However, it is each individual member's responsibility to pay all assessments in full by the due date thereof, regardless whether they have received a statement or not.
- II. All other assessments, including special assessments, are due and payable on the date specified by the Board, which date will not be less than thirty days after notification of adoption of the assessment has been mailed to each member of the Association.
- III. Assessments, late charges, interest and collection costs, including attorney's fees, if any, are the personal obligation of the member owner of the property at the time the assessment or other sums are levied. (Civil Code Section 1367.1(s)).

LATE FEES

- IV. Payments are posted as of the date received at the management office. Assessments received after the fifteenth of the month are delinquent and will be assessed a late fee of \$10.00. (Civil Code Section 1366 (e) (2))
- V. At the option of the Board of Directors, interest on all sums unpaid at the rate of 10 percent per annum from the due date of all sums. (Civil Code Section 1366 (e) (2))
- VI. Partial payments shall be applied first to the principal of assessments owed, and only after the principal owed is paid in full, to late charges, interest, or collection costs, unless the Board and the member agree such payments may be applied otherwise.

DELINQUENCIES

- VII. When any assessment remains unpaid more than sixty days (60) after its due date, the Association may mail the delinquent member, by certified and/or first class mail, a pre-lien demand letter, to the member of record, advising of the delinquent status of the member's account and impending collection action. The member shall be charged a minimum of \$150.00 for the pre-lien demand letter.
- VIII. When any assessment remains unpaid more than ninety days (90) a Notice of Delinquent Assessment, creating a valid and foreclosable lien on the member's property, shall be recorded in the office of the County Recorder and served on the delinquent member. A fee for lien processing of at least \$350.00 by a third party as chosen by the management company and a fee of \$150.00 plus the costs of preparing, recording and serving said Notice of Delinquent Assessment by the designated third party employed by the management company for such purpose will be charged to the delinquent member.
- IX. When any member's account remains delinquent for a period exceeding the time limit provided by the Association's C.C.&R.s following the date of recordation of the Notice of Delinquent Assessment or thirty day after if the C.C.&R.s are silent as to such a time limit, the appointed third party shall institute foreclosure proceedings of the member's property. Should a sale of the member's property occur, the proceeds will be used to recover all monies owed including assessments, late charges, interest, filing fees, collection costs and attorney's fees.

IF YOUR SEPARATE INTEREST IS PLACE IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION.

NSF FEES

- X. The Association will charge a fee of \$25.00 for any returned or dishonored check.

SUSPENSION OF PRIVILEGES

- XI. Any member who is delinquent in the payment of assessments may have his or her right with regards to voting and/or use of the common area facilities suspended until such delinquency is cured.

D. Insurance Disclosure Information

See the attached insurance declaration pages.

Please note that the Association will, as soon as reasonably practical, notify you, as members, by first class mail, if any of the attached policies have lapsed, been canceled, been non-renewed, have not been renewed or replaced, or if there has been any significant changes or reductions or limitations on the above mentioned policies. Also, if the Association receives notice of non-renewal of any of the above policies it shall immediately notify the members of the Association if replacement coverage will not be in effect by the date that the existing coverage will lapse.

THIS SUMMARY OF THE ASSOCIATION'S POLICIES OF INSURANCE PROVIDES ONLY CERTAIN INFORMATION, AS REQUIRED BY SUBDIVISION [E] OF SECTION 1365 OF THE CIVIL CODE, AND SHOULD NOT BE CONSIDERED A SUBSTITUTE FOR THE COMPLETE POLICY TERMS AND CONDITIONS CONTAINED IN THE ACTUAL POLICIES OF INSURANCE. ANY ASSOCIATION MEMBER MAY, UPON REQUEST AND

PROVISION OF REASONABLE NOTICE, REVIEW THE ASSOCIATION'S INSURANCE POLICIES AND, UPON REQUEST AND PAYMENT OF REASONABLE DUPLICATION CHARGES, OBTAIN COPIES OF THOSE POLICIES. ALTHOUGH THE ASSOCIATION MAINTAINS THE POLICIES OF INSURANCE SPECIFIED IN THIS SUMMARY, THE ASSOCIATION'S POLICIES OF INSURANCE MAY NOT COVER YYOUR PROPERTY, INCLUDING PERSONAL PROPERTY OR, REAL PROPERTY IMPROVEMENTS TO OR AROUND YYOUR DWELLING, OR PERSONAL INJURIES OR OTHER LOSSES THAT OCCUR WITHIN OR AROUND YYOUR 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.

E. Formal and Informal Dispute Resolution

ALTERNATIVE DISPUTE RESOLUTION
SPECIAL STATUTORY NOTICE TO HOMEOWNERS

The California Legislature has established a public policy in this state that requires the use of Alternative Dispute Resolution ("ADR") before resorting to litigation to resolve certain conflicts that arise in condominiums, planned developments and other common interest developments. The law requires each association to distribute a summary of California Civil Code Sections 1369.510 through 1369.590 to its members annually either at the time the annual budget is distributed or in the manner specified in Corporations Code Section 5016.

Rather than attempt to summarize the law, which is lengthy and may result in omissions or misunderstandings of what the law provides, we are providing a copy of law in its entirety below.

PLEASE NOTE:

**FAILURE OF A MEMBER OF THE ASSOCIATION TO COMPLY WITH THE
ALTERNATIVE DISPUTE RESOLUTION REQUIREMENTS OF SECTION
1369.520 OF THE CIVIL CODE MAY RESULT IN THE LOSS OF YYOUR RIGHT
TO SUE THE ASSOCIATION OR ANOTHER MEMBER OF THE ASSOCIATION
REGARDING ENFORCEMENT OF THE GOVERNING DOCUMENTS OR THE
APPLICABLE LAW.**

§1369.510. ADR Definitions

As used in this article:

(a) "Alternative dispute resolution" means mediation, arbitration, conciliation, or other nonjudicial procedure that involves a neutral party in the decision making process. The form of alternative dispute resolution chosen pursuant to this article may be binding or nonbinding, with the voluntary consent of the parties.

(b) "Enforcement action" means a civil action or proceeding, other than a cross-complaint, for any of the following purposes:

- (1) Enforcement of this title.
- (2) Enforcement of the Nonprofit Mutual Benefit Corporation Law (Part 3 (commencing with Section 7110) of Division 2 of Title 1 of the Corporations Code).
- (3) Enforcement of the governing documents of a common interest development.

association may not refuse a request to meet and confer.

(3) The association's board of directors shall designate a member of the board to meet and confer.

(4) The parties shall meet promptly at a mutually convenient time and place, explain their positions to each other, and confer in good faith in an effort to resolve the dispute.

(5) A resolution of the dispute agreed to by the parties shall be memorialized in writing and signed by the parties, including the board designee on behalf of the association.

(c) An agreement reached under this section binds the parties and is judicially enforceable if both of the following conditions are satisfied:

(1) The agreement is not in conflict with law or the governing documents of the common interest development or association.

(2) The agreement is either consistent with the authority granted by the board of directors to its designee or the agreement is ratified by the board of directors.

(d) A member of the association may not be charged a fee to participate in the process.

F. Civil Code 1365.1 Disclosures

(Civil Code §1365.1)

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 NONJUDICIAL FORECLOSURE

The failure to pay association assessments may result in the loss of an owner's property without court action, often referred to as nonjudicial foreclosure. When using 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 lien is not paid. Assessments become delinquent 15 days after they are due, unless the governing documents of the association provide for a longer time. (Sections 1366 and 1367.1 of the Civil Code)

In a 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. (Sections 1366 and 1367.1 of the Civil Code)

The association must comply with the requirements of Section 1367.1 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 1367.1 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. Among these documents, the association must send a description of its collection and lien enforcement procedures and the method of calculating the

§1369.520. ADR Required Before Filing Certain Actions

(a) An association or an owner or a member of a common interest development may not file an enforcement action in the superior court unless the parties have endeavored to submit their dispute to alternative dispute resolution pursuant to this article.

(b) This section 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 five thousand dollars (\$5,000.00).

(c) This section does not apply to a small claims action.

(d) Except as otherwise provided by law, this section does not apply to an assessment dispute.

§1369.530. Initiating the ADR Process

(a) Any party to a dispute may initiate the process required by Section 1369.520 by serving on all other parties to the dispute a Request for Resolution. The Request for Resolution shall include all of the following:

(1) A brief description of the dispute between the parties.

(2) A request for alternative dispute resolution.

(3) A notice that the party receiving the Request for Resolution is required to respond within 30 days of receipt or the request will be deemed rejected.

(4) If the party on whom the request is served is the owner of a separate interest, a copy of this article.

(b) Service of the Request for Resolution shall be by personal delivery, first-class mail, express mail, facsimile transmission, or other means reasonably calculated to provide the party on whom the request is served actual notice of the request.

(c) A party on whom a Request for Resolution is served has 30 days following service to accept or reject the request. If a party does not accept the request within that period, the request is deemed rejected by the party.

§1369.540. Time for Completing ADR Process and Cost Splitting

(a) If the party on whom a Request for Resolution is served accepts the request, the parties shall complete the alternative dispute resolution within 90 days after the party initiating the request receives the acceptance, unless this period is extended by written stipulation signed by both parties.

(b) Chapter 2 (commencing with Section 1115) of Division 9 of the Evidence Code applies to any form of alternative dispute resolution initiated by a Request for Resolution under this article, other than arbitration.

(c) The costs of the alternative dispute resolution shall be borne by the parties.

§1369.550. Effect of ADR on Statutes or Periods of Limitation

If a Request for Resolution is served before the end of the applicable time limitation for commencing an enforcement action, the time limitation is tolled during the following periods:

(a) The period provided in Section 1369.530 for response to a Request for Resolution.

(b) If the Request for Resolution is accepted, the period provided by Section 1369.540 for completion of alternative dispute resolution, including any extension of time stipulated to by the parties pursuant to Section 1369.540.

§1369.560. Filing ADR Certificate upon Filing Court Action

(a) At the time of commencement of an enforcement action, the party commencing the action shall file with the initial pleading a certificate stating that one or more of the following conditions is

satisfied:

- (1) Alternative dispute resolution has been completed in compliance with this article.
 - (2) One of the other parties to the dispute did not accept the terms offered for alternative dispute resolution.
 - (3) Preliminary or temporary injunctive relief is necessary.
- (b) Failure to file a certificate pursuant to subdivision (a) is grounds for a demurrer or a motion to strike unless the court finds that dismissal of the action for failure to comply with this article would result in substantial prejudice to one of the parties.

§1369.570. Referral to ADR and Stay of Court Action by Stipulation

- (a) After an enforcement action is commenced, on written stipulation of the parties, the matter may be referred to alternative dispute resolution. The referred action is stayed. During the stay, the action is not subject to the rules implementing subdivision (c) of Section 68603 of the Government Code.
- (b) The costs of the alternative dispute resolution shall be borne by the parties.

§1369.580. Refusal to Participate in ADR; Effect of Court Award of Fees and Costs

In an enforcement action in which fees and costs may be awarded pursuant to subdivision (c) of Section 1354, the court, in determining the amount of the award, may consider whether a party's refusal to participate in alternative dispute resolution before commencement of the action was reasonable.

§1369.590. Annual Summary of ADR Procedures to Members

- (a) An association shall annually provide its members a summary of the provisions of this article that specifically references this article. The summary shall include the following language: "Failure of a member of the association to comply with the alternative dispute resolution requirements of Section 1369.520 of the Civil Code may result in the loss of your right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."
- (b) The summary shall be provided either at the time the pro forma budget required by Section 1365 is distributed or in the manner prescribed in Section 5016 of the Corporations Code. The summary shall include a description of the association's internal dispute resolution process, as required by Section 1363.850.

Informal Dispute Resolution Process

The Association Board reserves its right to draft and provide its own informal internal dispute resolution process, consistent with the requirements set forth in Civil Code Sections 1363.820 and 1363.830. Until such time as the Board adopts a different internal dispute resolution process, the statutory procedure set forth in Civil Code Section 1363.840 below shall apply.

§1363.840. Default Dispute Resolution Procedure

- (a) This section applies in an association that does not otherwise provide a fair, reasonable, and expeditious dispute resolution procedure. The procedure provided in this section is fair, reasonable, and expeditious, within the meaning of this article.
- (b) Either party to a dispute within the scope of this article may invoke the following procedure:
- (1) The party may request the other party to meet and confer in an effort to resolve the dispute. The request shall be in writing.
 - (2) A member of an association may refuse a request to meet and confer. The

association may not refuse a request to meet and confer.

(3) The association's board of directors shall designate a member of the board to meet and confer.

(4) The parties shall meet promptly at a mutually convenient time and place, explain their positions to each other, and confer in good faith in an effort to resolve the dispute.

(5) A resolution of the dispute agreed to by the parties shall be memorialized in writing and signed by the parties, including the board designee on behalf of the association.

(c) An agreement reached under this section binds the parties and is judicially enforceable if both of the following conditions are satisfied:

(1) The agreement is not in conflict with law or the governing documents of the common interest development or association.

(2) The agreement is either consistent with the authority granted by the board of directors to its designee or the agreement is ratified by the board of directors.

(d) A member of the association may not be charged a fee to participate in the process.

F. Civil Code 1365.1 Disclosures

(Civil Code §1365.1)

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 NONJUDICIAL FORECLOSURE

The failure to pay association assessments may result in the loss of an owner's property without court action, often referred to as nonjudicial foreclosure. When using 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 lien is not paid. Assessments become delinquent 15 days after they are due, unless the governing documents of the association provide for a longer time. (Sections 1366 and 1367.1 of the Civil Code)

In a 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. (Sections 1366 and 1367.1 of the Civil Code)

The association must comply with the requirements of Section 1367.1 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 1367.1 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. Among these documents, the association must send 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 1367.1 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 1367.1 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. (Sections 1367.1 and 1367.1 of the Civil Code)

An owner may dispute an assessment debt by giving the board of the association a written explanation, and the board must respond within 15 days if certain conditions are met. An owner may pay assessments that are in dispute in full under protest, and then request alternative dispute resolution. (Sections 1366.3 and 1367.1 of the Civil Code)

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 1367.1 of the Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share 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 1367.1 of the Civil Code)

The board of the 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. (Section 1367.1 of the Civil Code)

G. Miscellaneous Disclosures

1. Availability of Minutes

Copies of Board meeting minutes are available upon request throughout the year. Minutes will be released to you within thirty (30) days after the meeting date. Any charges involved for copying and postage will be the responsibility of the requesting homeowner.

2. Preparation of Audit/Review

The Association will have an audit/review prepared by a certified public accountant after the close of the fiscal year. That document and any information required by Corporations Code Section 8321 should be available to you within 120 days after the close of the fiscal year.

THE CREST OF CALAVERA HILLS HOMEOWNERS ASSOCIATION
VIOLATION/FINING POLICY
January 1, 2004

All members of The Crest of Calavera Hills Homeowners Association are subject to the **DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS**, as well as any **RULES AND REGULATIONS** adopted by the Board of Directors. If any Homeowner or family member, his guest(s), his tenant or his tenant's guest(s) violates the restrictions, the Board may impose a reasonable fine upon such Homeowner for each violation, as outlined below.

REPORT OF VIOLATION:

Any resident wishing to make a formal complaint against another resident must provide it in writing and send it to Bruner and Rosi Management, Inc. **A VIOLATION NOTICE WILL ONLY BE SENT AFTER RECEIPT OF A FORMAL WRITTEN COMPLAINT.**

VIOLATION NOTICE:

Each Violation Notice will include the type of violation, date of violation, consequence of the violation for continued non-compliance, as well as a notation of the appropriate section of the document, or rule. Each Violation Notice will be mailed to the Homeowner by way of first class mail. A copy of the Violation Notice will also be mailed to any registered tenant in violation of the documents, or Rules and Regulations of the community.

DUE PROCESS:

If the violation has not been corrected within the period specified in the violation letter, a Notice of Hearing will be issued to the responsible Homeowner. This will give the Homeowner the opportunity to be heard either in person or by written response during a formal hearing before the Board of Directors. The Homeowner will be sent the Notice of Hearing not less than 10 days before the hearing date. It is the Owner's responsibility to contact Bruner & Rosi Management, Inc. to confirm their attendance at the Hearing. The Board's decision will be mailed by way of certified mail to the Homeowner within 15 days after the Hearing.

FINES:

The Board of Directors can only assess fines to the Homeowner's account after the scheduled hearing date. The fining schedule is as follows:

FIRST NOTICE OF VIOLATION	FRIENDLY REMINDER
SECOND NOTICE OF VIOLATION	\$ 50.00 FINE
THIRD AND SUBSEQUENT VIOLATION	\$ 100.00 FINE
INTENTIONAL DAMAGE TO COMMON AREAS	\$ 100.00 PLUS COST TO REPAIR OR REPLACE DAMAGED AREA

IF THERE IS NO COMPLIANCE WITHIN 15 DAYS FROM THE THIRD NOTICE, FINES WILL INCREASE IN \$50.00 INCREMENTS. WHEN FINES REACH \$250.00, ACTION TO COLLECT MAY BE TAKEN IN SMALL CLAIMS COURT. RECURRENCE OF THE VIOLATION WITHIN A SIX-MONTH PERIOD WILL RESULT IN AN IMMEDIATE NOTICE OF HEARING BEING ISSUED.

Adopted 9-24-03

APPLICATION FOR PROPERTY IMPROVEMENT

The Crest of Calavera Hills Homeowners Association

PropertyADVANTAGE
5142 Avenida Encinas
Carlsbad, CA 92008

Name: _____ Date: _____

Address: _____

City: _____ State: _____ Zip: _____

Home Phone: _____ Work Phone: _____

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper appears to be a standard notebook page.

Estimated Start Date: _____ Estimated Completion Date: _____

CREST OF CALAVERA HILLS HOMEOWNERS ASSOCIATION

APPLICATION FOR PROPERTY IMPROVEMENT

HOMEOWNERS STATEMENT OF RESPONSIBILITY

I UNDERSTAND AND AGREE THAT:

1. No work described in the application shall commence until written approval of the Architectural Review Committee has been received.
2. I will assume the responsibility for any work under the above proposed improvement that my contractor or I accomplish which may, in the future, adversely affect any other area or structure. I will assume responsibility for all future maintenance of the addition or improvement.
3. All improvements approved by the ARC must be completed within the time allotted in the ARC standards. Failure to complete the work within the prescribed period of time may cause the approval to be rescinded and resubmitting of plans may be required. Requests for reasonable extensions should be submitted to the ARC for approval, if required.
4. The above and all attached information is complete and accurate to the best of my knowledge.
5. NO COST whatsoever shall be incurred by the Homeowners Association as a result of the implementations of any proposed improvement and any further maintenance cost shall be incurred by owner, his heirs, or assignees.
6. My proposed improvement may require a permit from the City or County Building Department. It is my responsibility to assure compliance of all regulations pertaining to permits before starting any project.

Homeowner's Signature

Date: _____

Homeowner's Signature

Date: _____

THE CREST OF CALAVERA HILLS HOMEOWNERS ASSOCIATION
APPLICATION FOR PROPERTY IMPROVEMENT

NEIGHBORHOOD AWARENESS

NOTE: The intent is to advise neighbors adjacent to your property of your proposed improvements. Their signature does not signify approval of proposed improvement, but simply notifies them of pending improvements. The Board of Directors is not bound by the results of this notification.

NEIGHBOR'S NAME: _____

NEIGHBOR'S ADDRESS: _____

SIGNATURE: _____ DATE: _____

COMMENTS: _____

NEIGHBOR'S NAME: _____

NEIGHBOR'S ADDRESS: _____

SIGNATURE: _____ DATE: _____

COMMENTS: _____

NEIGHBOR'S NAME: _____

NEIGHBOR'S ADDRESS: _____

SIGNATURE: _____ DATE: _____

COMMENTS: _____

NOTICE OF COMPLETION

Notice is hereby given that:

The undersigned is the owner(s) of the property located at

_____ (Street & Number)

_____ (City, State & Zip Code)

The work of improvement on the described property was **COMPLETED** on _____ day of _____, 20__, in accordance with the Architectural Review Committee's written approval through the above owners plans and submittal package.

Signature of Owner:

Date: