



November 1, 2009

Dear Arbor Hills Homeowners:

The purpose of this letter is to inform you that the homeowner regular assessment will not be increasing with the new budget. Effective January 1, 2010, the per month regular assessment will remain \$176.00, per unit.

Enclosed please find the budget for the fiscal year ending December 31, 2010. Included with the budget is the Association's violation policy, delinquency policy, reserve executive summary, information relating to minutes, dispute resolution, and insurance information.

The Board faced an arduous task this year in drafting the budget, and a great deal of effort went into its preparation. It is the Board's opinion that the increase in assessments will provide Arbor Hills with the required funds to maintain necessary operations and provide the required funds to carry out the future work in a timely manner in accordance with the recommendations of the reserve study.

Very truly yours,

Board of Directors
Tract 4494 Homeowners Association



1259 Callens Road, Suite A, Ventura, CA 93003
P.O. Box 5286, Ventura, CA 93005
(805) 642-6160 / (800) 642-8333
(805) 642-6161 fax / www.spectrumprops.com

TRACT 4494 HOMEOWNERS ASSOCIATION, INC.

**BUDGET ASSUMPTIONS
FOR FISCAL YEAR ENDING DECEMBER 31, 2010**

The budget for the fiscal year was prepared based upon the following assumptions. In general, budgeted expenses are based on the average monthly expenses that were incurred in the current year.

Maintenance contract expenses are based upon current contracts **in effect**, or if known, on contract rates effective in the budgeted fiscal year.

This approved budget does not represent an increase over the prior year's assessments. Your CC&R's allow the Board of Directors to increase assessments up to 20% without bringing it to a vote of the membership. California Civil Code Section 1366 also allows the Board of Directors to increase assessments up to 20%, without the vote of the homeowners. The Board of Directors has no plans for a special assessment this fiscal year, but reserves the right to charge a special assessment if conditions warrant an increase.

BOARD OF DIRECTORS MINUTES

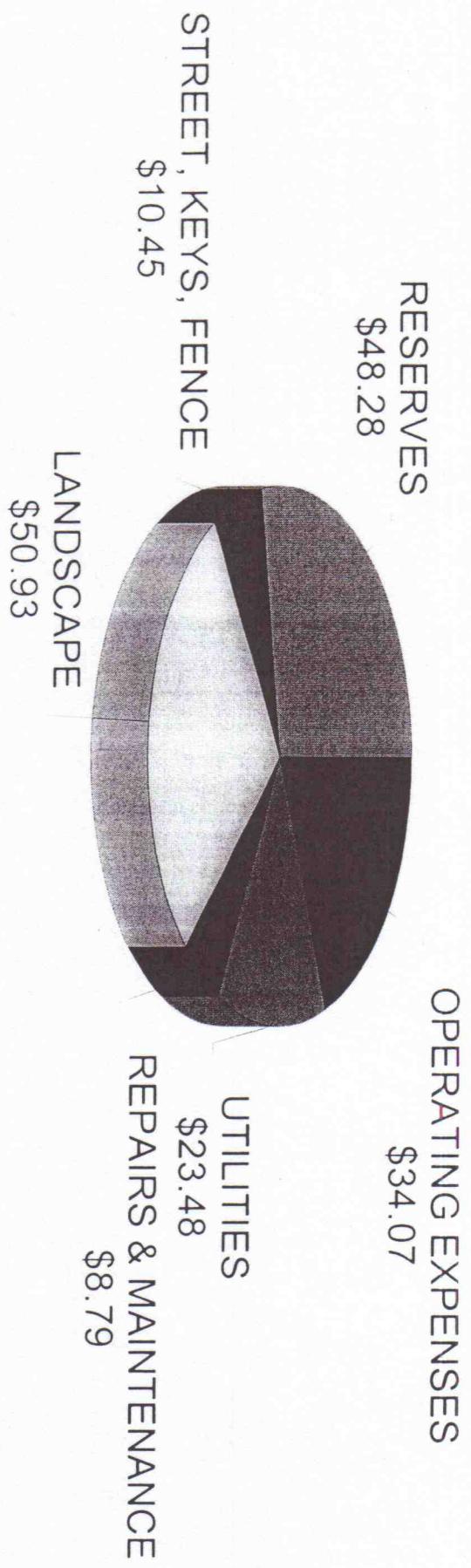
As a homeowner you are entitled to review minutes of any Board of Director's meeting, (except Executive/Closed sessions). These minutes are available for inspection by members at least 30 days after the meeting. If the minutes have not been adopted or ratified, they shall be marked "DRAFT" status. If a homeowner asks for copies of the minutes or a summary, if available, then the homeowner shall be required to pay a nominal cost for the time in obtaining the minutes, copying and mailing. Minutes may be obtained by making your request to Spectrum Property Services at (805) 642-6160 or writing to P.O. Box 5286, Ventura, Ca. 93005.

STATEMENT OF RESERVE FUNDING

Reserve Figures are based on requirements by the Department of Real Estate, under the original subdivision report/DRE budget, which was up-dated June 13, 2008, prepared by Association Reserves, Inc.

As of August 2009, the total reserve funds on deposit are \$189,993.21. Budgeted liabilities for the same period are \$189,993.21. The Association's reserves are 100% funded for this same period.

TRACT 4494 HOA EXPENSE BUDGET 2010



TRACT 4494 HOMEOWNERS ASSOCIATION

64 units

FINAL BUDGET

FISCAL YEAR ENDING

DECEMBER 31, 2010

MONTHLY ASSESSMENT

\$176.00

UNIT

MONTH

YEAR

INCOME

6310	REGULAR ASSESSMENTS	\$127.72	\$8,173.92	\$98,087.00
6910	MISC INC.	\$0.00	\$0.00	\$0.00
	TOTAL	\$127.72	\$8,173.92	\$98,087.00
6311	REPLACEMENT ASSESSMENTS	\$48.28	\$3,089.97	\$37,079.64
6911	INTEREST	\$0.00	\$0.00	\$0.00
	TOTAL	\$48.28	\$3,089.97	\$37,079.64
	TOTAL INCOME	\$176.00	\$11,263.89	\$135,166.64

EXPENSES

OPERATING EXPENSES

7010	AUDIT/TAX/ACCTG	\$1.56	\$100.00	\$1,200.00
7015	BAD DEBT	\$0.00	\$0.00	\$0.00
7020	BOD & COMMITTEE EXPENSES	\$7.81	\$500.00	\$6,000.00
7025	CLERICAL/MINUTES	\$0.78	\$50.00	\$600.00
7030	DUES/SUBSCRIPTIONS	\$0.43	\$27.50	\$330.00
7040	INSURANCE FIRE & LIABILITY	\$5.21	\$333.33	\$4,000.00
7050	LEGAL	\$0.52	\$33.33	\$400.00
7060	MANAGEMENT	\$11.94	\$764.00	\$9,168.00
7062	MEETING EXPENSE	\$0.59	\$37.50	\$450.00
7071	POSTAGE	\$1.30	\$83.33	\$1,000.00
7072	REPRODUCTION & SUPPLIES	\$1.76	\$112.50	\$1,350.00
7075	TELEPHONE	\$0.68	\$43.33	\$520.00
7080	REPLACEMENT STUDY 01/01/09	\$0.00	\$0.00	\$0.00
7090	TAX FORM 1099/TRANSMITTAL	\$0.13	\$8.33	\$100.00
7091	TAXES-FEDERAL CORP	\$0.65	\$41.67	\$500.00
7092	TAXES-STATE CORP	\$0.65	\$41.67	\$500.00
7093	TAXES & LICENSES MISC	\$0.06	\$3.75	\$45.00
7120	MISC - OPERATING	\$0.00	\$0.00	\$0.00
	TOTAL OPER EXP	\$34.07	\$2,180.25	\$26,163.00

UTILITIES

7201	ELECTRIC	\$4.95	\$316.67	\$3,800.00
7203	WATER	\$18.53	\$1,186.00	\$14,232.00
	TOTAL UTILITIES	\$23.48	\$1,502.67	\$18,032.00

REPAIRS & MAINTENANCE

7302	R&M SUPPLIES	\$0.07	\$4.17	\$50.00
7306	R&M LIGHTS	\$2.60	\$166.67	\$2,000.00
7307	R&M PAINTING	\$0.00	\$0.00	\$0.00
7308	R&M PEST CONTROL	\$5.73	\$366.67	\$4,400.00
7309	R&M TERMITES	\$0.00	\$0.00	\$0.00
7315	R&M VANDALISM	\$0.00	\$0.00	\$0.00
7320	R&M MISCELLANEOUS	\$0.39	\$25.00	\$300.00
	TOTAL R & M	\$8.79	\$562.50	\$6,750.00

LANDSCAPE

7501	LANDSCAPE CONTRACT	\$26.78	\$1,714.00	\$20,568.00
7502	LANDSCAPE SUPPLIES	\$3.13	\$200.00	\$2,400.00
7503	LANDSCAPE IRRIGATION REPAIRS	\$1.82	\$116.67	\$1,400.00
7504	LANDSCAPE TREES	\$3.13	\$200.00	\$2,400.00

TRACT 4494 HOMEOWNERS ASSOCIATION

64 units

FINAL BUDGET

FISCAL YEAR ENDING

DECEMBER 31, 2010

MONTHLY ASSESSMENT

\$176.00

UNIT

MONTH

YEAR

7505	BACKFLOW	\$0.13	\$8.33	\$100.00
7508	LANDSCAPE PEST CONTROL	\$5.21	\$333.33	\$4,000.00
7510	LANDSCAPE WEED ABATEMENT	\$3.91	\$250.00	\$3,000.00
7513	FERTILIZER	\$0.00	\$0.00	\$0.00
7515	BEAUTIFICATION	\$5.21	\$333.33	\$4,000.00
7518	R&M SLOPES	\$0.33	\$20.83	\$250.00
7520	LANDSCAPE MISC	\$1.30	\$83.33	\$1,000.00
	TOTAL LANDSCAPE	\$50.93	\$3,259.83	\$39,118.00
	STREET, KEYS, FENCE			
7601	STREET SWEEPING	\$6.80	\$435.33	\$5,224.00
7610	KEYS & LOCKS	\$0.26	\$16.67	\$200.00
7615	FENCE/GATE REPAIR	\$3.39	\$216.67	\$2,600.00
7620	STREETS/GATES MISC.	\$0.00	\$0.00	\$0.00
	TOTAL STREET, KEYS, FENCE	\$10.45	\$668.67	\$8,024.00
	RESERVES			
9020	ASPHALT RESURFACE	\$8.87	\$567.45	\$6,809.40
9021	ASPHALT SEAL/REPAIR	\$6.74	\$431.23	\$5,174.76
9078	CHIP/SEAL JOGGING PATH	\$0.52	\$33.08	\$396.96
9079	CONCRETE	\$1.33	\$85.00	\$1,020.00
9110	ENTRY INTERCOM	\$0.34	\$22.06	\$264.72
9191	IRRIGATION BACKFLOW	\$0.18	\$11.47	\$137.64
9192	IRRIGATION CONTROLLERS	\$0.74	\$47.06	\$564.72
9194	IRRIGATION ENCLOSURES	\$0.19	\$12.35	\$148.20
9195	LANDSCAPE	\$2.76	\$176.46	\$2,117.52
9201	MAILBOXES	\$1.38	\$88.23	\$1,058.76
9208	MONUMENT/SIGNAGE	\$0.65	\$41.91	\$502.92
9241	POLE LIGHTS	\$0.24	\$15.44	\$185.28
9305	SLOPES	\$4.60	\$294.11	\$3,529.32
9340	VEHICLE/PED GATE REPLACE	\$3.90	\$249.69	\$2,996.28
9341	GATE OPERATOR MAIN	\$1.38	\$88.23	\$1,058.76
9342	GATE OPERATOR REAR	\$0.69	\$44.11	\$529.32
9360	WOOD FENCE-REPAIN	\$0.84	\$53.82	\$645.84
9370	IRON FENCE/RAIL-REPAIN	\$9.95	\$637.03	\$7,644.36
9371	IRON FENCE/RAIL-REPLACE	\$2.99	\$191.24	\$2,294.88
9499	UNALLOCATED INTEREST	\$0.00	\$0.00	\$0.00
	TOTAL RESERVE EXPENSE	\$48.28	\$3,089.97	\$37,079.64
	TOTAL EXPENSES	\$176.00	\$11,263.89	\$135,166.64
	NET INCOME(LOSS)	\$0.00	\$0.00	\$0.00

3-Minute Executive Summary

Association: Arbor Hills Homeowners Association Assoc. #: 12265-1
Location: Newbury Park, CA
of Units: 64
Report Period: January 1, 2009 through December 31, 2009

Results

Projected Starting Reserve Balance:	\$181,916
Fully Funded Reserve Balance:	\$222,976
Average Reserve Deficit (Surplus) Per Unit:	\$642
Percent Funded:	81.6%
Recommended 2009 monthly Reserve Contribution:	\$3,000
Recommended Special Assessment this year:	\$0

Most Recent Reserve Contribution Rate: \$2,827

Economic Assumptions:

Net Annual "After Tax" Interest Earnings Accruing to Reserves..... 3.60%
Annual Inflation Rate 3.00%

- This is an "Update With-Site-Visit" Reserve Study, based on a prior Report prepared by Association Reserves for your 2005 Fiscal Year. The information in this Reserve Study is based on our site inspection on May 13, 2008.
- This Reserve Study was prepared by, or under the supervision of, a credentialed Reserve Specialist (RS).
- Because your Reserve Fund is above 70% Funded at 81.6% Funded, this represents a strong position. In perspective, associations at this level enjoy less risk of special assessments and deferred maintenance. Your multi-year Funding Plan is designed to gradually bring you to the 100% level, or "Fully Funded".
- Based on this starting point, your anticipated future expenses, and your historical Reserve contribution rate, our recommendation is to slightly increase your Reserve contributions this Fiscal Year.
- No assets appropriate for Reserve designation were excluded.

Table 1: Executive Summary

12265-1

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
201 Asphalt - Resurface	24	13	\$154,350	\$226,668
202 Asphalt - Seal/Repair	4	1	\$19,550	\$20,137
202 Jogging Path - Chip Seal	8	0	\$3,000	\$3,800
206 Decorative Concrete - Repair	30	19	\$28,900	\$50,676
320 Pole Lights - Replace	20	9	\$3,500	\$4,567
403 Mailboxes - Replace	15	12	\$15,000	\$21,386
503 Metal Fence/Rail - Replace	20	8	\$43,350	\$54,914
503 Pedestrian Gates - Replace	15	12	\$11,400	\$16,254
503 Vehicle Gates - Replace	15	12	\$31,050	\$44,270
704 Intercom - Replace	12	1	\$3,000	\$3,090
705 Gate Operator - Replace (Main)	12	1	\$12,000	\$12,360
705 Gate Operator - Replace (Rear)	12	1	\$6,000	\$6,180
1001 Backflow Devices - Replace	15	4	\$1,950	\$2,195
1003 Irrigation Controllers - Replace	12	1	\$6,400	\$6,592
1004 Irrigation Enclosures - Replace	25	22	\$3,500	\$6,706
1005 Landscape - Enhancements	10	9	\$20,000	\$26,095
1006 Slope - Emergency Allowance	30	19	\$100,000	\$175,351
1107 Metal Fence/Rail - Repaint	5	3	\$36,100	\$39,447
1116 Wood Surfaces - Repaint	5	0	\$3,050	\$3,536
1402 Property Signage - Refurbish	10	7	\$2,000	\$2,460
1402 Street Signs - Replace	10	7	\$2,750	\$3,382

21 Total Funded Components

Note: a Useful Life of "N/A" means a one-time expense, not expected to repeat.

ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY

TRACT 4494 HOMEOWNERS ASSOCIATION INC

For Fiscal Year Beginning: 01/01/2010

of Units: 64

1) Current Budget:	Total	Per Unit
Reserve Contribution:	\$3,089.97	\$48.28
Operating Budget:	\$8,173.92	\$127.72
Total:	\$11,263.89	\$176.00 per Month

Note: If assessments vary by the size or unit, please see attached

- 2) Additional assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:

Date Due	Purpose
Total:	

Note: If assessments vary by the size or type of unit, the assessment applicable to this unit may be found attached to this document.

- 3) Based on the most recent approved 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

- 4) If the answer to #3 is no, what additional assessments or other contributions to Reserves would be necessary to ensure that sufficient Reserve Funds will be available each year during the next 30 years?

Appoximate Fiscal Year Assessment Will Be Due	Total Amount Per Unit
Total:	

- 5) The following major components, which are included in the Reserve Study, are NOT included in the existing Reserve Funding:

Major Component	Remaining Useful Life (yrs)	Reason Not Included

- 6) As of the last reserve study or update, the current balance in the reserve fund is \$189,993.21 Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5, the required amount in the Reserve Fund (Fully Funded Balance) is \$259,506.00 (73% Funded).

- 7) See attached 30-year Summary Table

These disclosures are based on the best estimates of the preparer at the time they were prepared. As they are estimates, these figures should be expected to change from year to year.

Table 4: 30-Year Reserve Plan Summary**12265-1**

Fiscal Year Beginning:	01/01/09			Interest: 3.6%	Inflation: 3.0%			
Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Rating	Contribs, Loans, and Spec. Assmts	Interest Income	Projected Reserve Expenses	Ending Reserve Balance
2009	\$181,916	\$222,976	81.6%	Strong	\$36,000	\$7,206	\$6,050	\$219,072
2010	\$219,072	\$259,506	84.4%	Strong	\$37,080	\$7,812	\$48,359	\$215,605
2011	\$215,605	\$254,636	84.7%	Strong	\$38,192	\$8,590	\$0	\$262,387
2012	\$262,387	\$300,544	87.3%	Strong	\$39,338	\$9,601	\$39,447	\$271,880
2013	\$271,880	\$308,346	88.2%	Strong	\$40,518	\$10,652	\$2,195	\$320,855
2014	\$320,855	\$355,935	90.1%	Strong	\$41,734	\$12,028	\$26,200	\$348,417
2015	\$348,417	\$381,444	91.3%	Strong	\$42,986	\$13,539	\$0	\$404,942
2016	\$404,942	\$435,960	92.9%	Strong	\$44,275	\$15,524	\$5,842	\$458,899
2017	\$458,899	\$487,385	94.2%	Strong	\$45,604	\$15,719	\$104,445	\$415,777
2018	\$415,777	\$440,123	94.5%	Strong	\$46,744	\$15,045	\$56,170	\$421,395
2019	\$421,395	\$442,537	95.2%	Strong	\$47,912	\$16,225	\$4,099	\$481,433
2020	\$481,433	\$500,068	96.3%	Strong	\$49,110	\$18,519	\$0	\$549,063
2021	\$549,063	\$565,002	97.2%	Strong	\$50,338	\$19,518	\$81,910	\$537,009
2022	\$537,009	\$549,015	97.8%	Strong	\$51,596	\$14,219	\$348,630	\$254,194
2023	\$254,194	\$259,369	98.0%	Strong	\$52,886	\$10,271	\$0	\$317,352
2024	\$317,352	\$321,712	98.6%	Strong	\$54,208	\$12,520	\$4,752	\$379,328
2025	\$379,328	\$382,668	99.1%	Strong	\$55,564	\$14,812	\$4,814	\$444,890
2026	\$444,890	\$447,075	99.5%	Strong	\$56,953	\$16,590	\$40,164	\$478,269
2027	\$478,269	\$478,739	99.9%	Strong	\$58,377	\$17,448	\$61,458	\$492,636
2028	\$492,636	\$491,210	100.3%	Strong	\$59,836	\$14,285	\$264,516	\$302,241
2029	\$302,241	\$296,746	101.9%	Strong	\$61,332	\$12,084	\$5,509	\$370,147
2030	\$370,147	\$365,125	101.4%	Strong	\$62,865	\$14,032	\$36,369	\$410,676
2031	\$410,676	\$405,723	101.2%	Strong	\$64,437	\$16,087	\$6,706	\$484,494
2032	\$484,494	\$480,105	100.9%	Strong	\$66,048	\$17,637	\$71,246	\$496,932
2033	\$496,932	\$492,315	100.9%	Strong	\$67,699	\$19,315	\$6,098	\$577,848
2034	\$577,848	\$574,130	100.6%	Strong	\$69,391	\$20,503	\$104,689	\$563,054
2035	\$563,054	\$559,050	100.7%	Strong	\$71,126	\$21,909	\$0	\$656,090
2036	\$656,090	\$653,614	100.4%	Strong	\$72,904	\$22,819	\$138,164	\$613,648
2037	\$613,648	\$611,040	100.4%	Strong	\$74,727	\$20,501	\$181,776	\$527,100
2038	\$527,100	\$524,672	100.5%	Strong	\$76,595	\$18,837	\$101,450	\$521,082

ASSOCIATION COLLECTION POLICY

LIENS AND FORECLOSURES

General Statement. Prompt payment of Assessments by all owners is critical to the financial health of the Association and to the enhancement of the property values of our homes. Your Board of Directors takes very seriously its obligation under the Declaration of Covenants, Conditions and Restrictions (CC&R'S) and the California Civil Code to enforce the members' obligation to pay assessments. When any owner becomes delinquent in the payment of assessments, the Association and the remaining owners are unfairly burdened with a delinquent account. The Association and its Board of Directors must exercise due diligence in the collection of delinquent assessments utilizing available methods of collection. The policies and practices outlined 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 CC&R'S and Civil Code Section 1365(d), the following are the Association's assessment practices and policies:

- 1. Personal Obligation for Payment of Assessments.** Assessments, late charges, interest and collection costs, including any attorneys' fees, are the personal obligation of the owner of the property at the time the assessment or other sums are levied (Civil Code Section 1367(a); Civil Code Section 1367.1(a)).
- 2. Due Dates of Assessments.** Regular monthly assessments are due and payable on the first day of each month. A courtesy billing statement is sent each month to the billing address on record with the Association. However, it is the owner of record's responsibility to pay each assessment in full each month regardless of whether a statement is received. All other assessments, including special assessments are due and payable on the date specified by the Board on the Notice of Assessment, which date will not be less than thirty (30) days after the date of notice of the special assessment.
- 3. Application of Payments.** Any payments made shall be first applied to assessments owed, and only after the assessments owed are paid in full, shall such payments be applied to late charges, interest, and collection expenses, including attorneys' fees, unless the owner and the Association enter into an agreement providing for payments to be applied in a different manner.
- 4. Delinquency Dates.** Assessments not received within fifteen (15) days of the stated due date are delinquent unless the Declaration of Covenants, Conditions, and Restrictions (CC&Rs) specifies a longer time period, in which case the longer time period will apply.
- 5. Late Charges.** Delinquent payments will be subject to a late charge of Ten Percent (10%) or Ten Dollars (\$10), whichever is greater, for each delinquent assessment payment unless the Declaration of Covenants, Conditions and Restrictions (CC&Rs) specifies a smaller amount, in which case the late charge shall not exceed the amount authorized by the CC&Rs.
- 6. Interest Charges.** Payments delinquent by thirty (30) days or more will be subject to an interest charges at the rate of twelve percent (12%) per annum and will be assessed against any outstanding balance, including delinquent assessments, late charges, and cost of collection, which may include attorneys' fees. If the Declaration of Covenants, Conditions and Restrictions (CC&Rs) provides for an interest charge at a smaller rate, the smaller rate will be applicable. Such interest charges shall accrue thirty (30) days after the assessment becomes due and shall continue to be assessed each month until the account is brought current.

7. Special Assessment Payments. If a special assessment is payable in installments and an installment payment of that special assessment is delinquent for more than thirty (30) days, all installments will be accelerated and the entire unpaid balance of the special assessment shall become immediately due and payable. The remaining balance shall be subject to a late charge and interest as provided above.

8. Pre-lien Letter. If an assessment is not received within fifteen (15) days after the assessment becomes delinquent, the Association or its designee will send a pre-lien letter to the owner by certified and first class mail, to the owner's mailing address(es) of record advising of the delinquent status of the account and impending collection action. The owner will be charged a fee for the pre-lien letter.

9. The Decision to Lien. If the pre-lien letter fails to resolve the delinquent account within thirty (30) days, the Board of Directors will consider recording a lien against the delinquent owner(s)' separate interest. For liens recorded on or after January 1, 2006, the decision to record a lien for delinquent assessments will be made only by the Board of the Association and may not be delegated to an agent of the Association. The Board must approve the decision by a majority vote of the Board members in an open meeting. The Board will record the vote in the minutes of that meeting. The Board will maintain the confidentiality of the owner or owners of the separate interest by identifying the matter in the minutes by the parcel number of the property, rather than the name of the owner or owners.

10. The Lien Notice Letter. The Board will follow up its decision to record a lien with a lien notice letter mailed to the owner(s) of the separate interest by certified mail, return receipt requested. The lien notice letter will include all of the following:

- (a) A general description of the collection and lien enforcement procedures of the Association and the method of calculation of the amount, a statement that the owner of the separate interest has the right to inspect the association records, pursuant to Section 8333 of the California Corporations Code, and the following statement in 14-point boldface type, if printed, or in capital letters, if typed:
"IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION."
- (b) An itemized statement of the charges owed by the owner, including items on the statement which indicate the amount of any delinquent assessments, the fees and reasonable costs of collection, reasonable attorney's fees, any late charges, and interest, if any.
- (c) A statement that the owner will not be liable to pay the charges, interest, and costs of collection, if it is determined the assessment was paid on time to the association.
- (d) The right to request a meeting with the Board.
- (e) The right to dispute the assessment debt by submitting a written request for dispute resolution to the Association pursuant to the Association's "meet and confer" program.
- (f) The right to request alternative dispute resolution with a neutral third party before the Association may initiate foreclosure against the owner's separate interest, except that binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

11. Meet and Confer Program. Prior to recording a lien for delinquent assessments, the Association will offer the owner(s) and, if so requested by the owner(s), participate in dispute resolution pursuant to the

Association's "meet and confer" program.

12. Legal Effect of Recording Lien. The amount of the assessment, plus any costs of collection, late charges, and interest assessed, will be a lien on the owner's separate interest in the development from and after the time the Association causes to be recorded with the County Recorder a notice of delinquent assessment, which will state the following:

- (a) The amount of the assessment and other sums imposed;
- (b) A legal description of the owner's separate interest;
- (c) The name of the record owner of the separate interest against which the lien is imposed;
- (d) The itemized statement of the charges owed by the owner described in paragraph 10(b) above will be recorded together with the notice of delinquent assessment;
- (e) In order for the lien to be enforced by nonjudicial foreclosure, the notice of delinquent assessment must state the name and address of the trustee authorized by the association to enforce the lien by sale; and
- (f) The notice of delinquent assessment must be signed by the person designated in the Declaration of Covenants, Conditions, and Restrictions (CC&Rs) or by the Association for that purpose, or if no one is designated, by the President of the Association.

13. Mailing of Lien Copies. A copy of the recorded notice of delinquent assessment will be mailed by certified mail to every person whose name is shown as an owner of the separate interest in the Association's records, and the notice will be mailed no later than ten (10) calendar days after recordation.

14. Payment of Amounts Due Pursuant to Lien. Within twenty-one (21) days of the payment of the sums specified in the notice of delinquent assessment, the Association will record or cause to be recorded in the office of the County Recorder a lien release or notice of rescission and provide the owner of the separate interest a copy of the lien release or notice that the delinquent assessment has been satisfied.

15. Failure to Follow Lien Procedures. If it is determined that a lien previously recorded against the separate interest was recorded in error, the party who recorded the lien shall, within twenty-one (21) calendar days, record or cause to be recorded in the County Recorder's Office in which the notice of delinquent assessment is recorded a lien release or notice of rescission and provide the owner of the separate interest with a declaration that the lien filing or recording was in error and a copy of the lien release or notice of rescission.

16. Liens for Recovery of Costs Due to Damage to Common Area. If authorized in the Association's Declaration of Covenants, Conditions and Restrictions (CC&Rs), a monetary charge imposed by the Association as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to common areas and facilities for which the owner or the owner's guests or tenants were responsible may become a lien against the owner's separate interest enforceable by the sale of the interest by non-judicial foreclosure. All other collection methods for such monetary penalties will also remain available to the Association.

17. No Liens for Monetary Penalties. Monetary penalties imposed by the Association as a disciplinary measure for failure of an owner to comply with the Association's governing documents may not be characterized nor treated as an assessment that may become a lien against the owner's separate interest to

be enforced by non-judicial foreclosure. All other collection methods for such monetary penalties will remain available to the Association.

18. Priority of Association Liens. A lien created pursuant to the foregoing procedures will be prior to all other liens recorded subsequent to the notice of assessment, except that the Declaration of Covenants, Conditions and Restrictions (CC&Rs) may provide for the subordination thereof to any other liens and encumbrances.

19. Limitations on Assignment of Association's Lien and Foreclosure Rights. The Association may not voluntarily assign or pledge its right to collect payments or assessments, or to enforce or foreclose a lien to a third party, except when the assignment or pledge is made to a financial institution or lender chartered or licensed under federal or state law, when acting within the scope of that charter or license, as security for a loan obtained by the Association; however, the foregoing provision may not restrict the right or ability of the Association to assign any unpaid obligations of a former member to a third party for purposes of collection. Subject to the limitations of this paragraph, after the expiration of thirty (30) days following the recording of a lien, the lien may be enforced in any manner permitted by law, including judicial and non-judicial foreclosure. Any non-judicial foreclosure will be conducted in accordance with California Civil Code Sections 2924, 2924b, and 2924c applicable to the exercise of powers of sale in mortgages and deeds of trust. The fees of a trustee may not exceed the amounts prescribed in California Civil Code Sections 2924c and 2924d.

20. Secondary Addresses Provided by Owners. Owners may provide written notice by facsimile transmission or United States mail to the Association of a secondary address. If a secondary address is provided, the Association will send any and all correspondence and legal notices required pursuant to this policy to both the primary and the secondary address of the owner(s).

21. Receipts Requested by Owner. When an owner makes a payment, the owner may request a receipt and the Association shall provide it. The receipt will indicate the date of payment and the person who receives it. The Association shall provide a mailing address for overnight payment of assessments. The mailing address for overnight payment of assessments is: 1259 Callens Road, Suite A, Ventura, CA 93003.

22. Payment Plans. An owner may submit a written request to meet with the Board to discuss a payment plan for the debt. The Association will provide the owner(s) the standards for payment plans, if any exist. The Board will meet with the owner(s) in executive session within forty-five (45) days of the postmark of the request, if the request is mailed within fifteen (15) days of the date of the postmark of the notice, unless there is no regularly scheduled Board meeting within that period, in which case the Board may designate a committee of one or more members to meet with the owner(s). Payment plans may incorporate any assessments that accrue during the payment plan period. Payment plans shall not impede the Association's ability to record a lien on the owner's separate interest to secure payment of delinquent assessments. Additional late fees will not accrue during the payment plan period if the owner(s) is/are in compliance with the terms of the payment plan. In the event of a default on any payment plan, the Association may resume its efforts to collect the delinquent assessments from the time prior to entering into the payment plan.

23. Collection Alternatives Available to the Association If Demand Does Not Result in Payment in Full. If the owner's assessment account remains delinquent for more than thirty (30) days following the Association's lien notice letter, the Association will be entitled to pursue either of two alternatives:

(a) **Small Claims Actions:** First, the Association may elect to instruct its property manager to pursue the Association's claims against the owner in a Small Claims Court Action.

(b) **Foreclosure of Lien.** Second, the Association may elect to foreclose the lien previously recorded on the owner(s)' separate interest, subject to the limitations and procedures set forth below.

24. Limitations on Foreclosures. The Board may elect to pursue either judicial or non-judicial foreclosure of the lien, subject to the following limitations:

(a) The Association may not seek to collect delinquent regular or special assessments through either judicial or non-judicial foreclosure for either (i) an amount less than one thousand eight hundred dollars (\$1,800) not including any accelerated assessments, late charges, fees and costs of collection, attorney's fees, or interest or (ii) an assessment which is less than twelve (12) months delinquent, whichever is less.

(b) For delinquent assessments less than one thousand eight hundred dollars (\$1,800) or twelve months delinquent, the Association may pursue the following collection activities:

(i) An action in Small Claims Court;

(ii) Recording a lien on the owner's separate interest upon which the association may not foreclose until the amount of the delinquent assessments secured by the lien, exclusive of any accelerated assessments, late charges, fees and costs of collection, attorney's fees, or interest, equals or exceeds one thousand eight hundred dollars (\$1,800) or the assessments are more than twelve (12) months delinquent; or

(iii) Any other manner provided by law, except for judicial or nonjudicial foreclosure.

25. Procedures for Foreclosure. For delinquent assessments which equal or exceed the sum of one thousand eight hundred dollars (\$1,800) or which are more than twelve (12) months delinquent, the Association may initiate either judicial or non-judicial foreclosure pursuant to the following procedures:

(a) The decision to initiate foreclosure of a lien for delinquent assessments that has been validly recorded will be made only by the Board of Directors of the Association and may not be delegated to an agent of the Association. The Board must approve the decision by a majority vote of the Board members in an executive session. The Board will record the vote in the minutes of the next meeting of the Board open to all members. The Board will maintain the confidentiality of the owner or owners of the separate interest by identifying the matter in the minutes by the parcel number of the property, rather than the name of the owner or owners. A Board vote to approve foreclosure of a lien shall take place at least 30 days prior to any public sale.

(b) Prior to initiating a foreclosure on an owner's separate interest, the Association will offer the owner and, if so requested by the owner, participate in dispute resolution pursuant to the Association's "meet and confer" program. The decision to pursue dispute resolution or a particular type of alternative dispute resolution will be the choice of the owner, except that binding arbitration will not be available if the association intends to initiate a judicial foreclosure.

(c) The Board will provide notice by personal service to an owner of a separate interest who occupies the separate interest or to the owner's legal representative, if the Board votes to foreclose upon the separate interest. The Board will provide written notice to an owner of a separate interest who does not occupy the separate interest by first-class mail, postage prepaid, at the most current address shown on the books of the Association. In the absence of written notification by the owner to the Association, the address of the owner's separate interest may be treated as the owner's mailing address.

(d) In addition to the requirements of California Civil Code Section 2924, a notice of default will be served by the Association on the owner's legal representative in accordance with the manner of service of a summons under California law.

(e) A nonjudicial foreclosure by the Association to collect upon a debt for delinquent assessments will be subject to a right of redemption. The redemption period within which the separate interest may be redeemed from a foreclosure sale under this paragraph ends ninety (90) days after the sale.

26. Liens Recorded in Error. If it is determined through dispute resolution pursuant to the association's "meet and confer" program or alternative dispute resolution with a neutral third party that the association has recorded a lien for a delinquent assessments in error, the Association will promptly reverse all late charges, fees, interest, attorney's fees, costs of collection, costs imposed for the notice of lien, and costs of recordation and release of the lien, and pay all costs related to the dispute resolution or alternative dispute resolution.

INTERNAL DISPUTE RESOLUTION PROCEDURE

In the event of a dispute between an Owner and the Board of Directors, either party may request the other party to meet and confer in an effort to resolve the dispute. The request must be in writing.

The Owner may refuse a request to meet and confer. The Association may not refuse a request to meet and confer.

The Board of Directors shall designate one or more members of the Board to meet and confer.

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.

A resolution of the dispute agreed by the parties shall be memorialized in writing and signed by the parties, including the Board designee on behalf of the Association.

An agreement reached under this procedure 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 Association; and
- (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.

An Owner may not be charged a fee to participate in the dispute resolution procedure.

ALTERNATIVE DISPUTE RESOLUTION

Effective January 1, 2005, mandatory "Alternative Dispute Resolution" (Assembly Bill 1836) has been made a part of California Civil Code Section 1369.520 which governs Common Interest Developments.

This statute generally requires that prior to an Association or a Member of an Association filing a lawsuit for declaratory or injunctive relief relating to enforcement of the governing documents, the parties must first attempt to resolve the dispute by use of Alternative Dispute Resolution. Arbitration and mediation are mentioned as methods of resolving the dispute.

A procedure is contained in the body of the bill and states that a form, "Request for Resolution" be served on the parties to the dispute; a copy of the Civil Code Section 1369.520 must also be served with the Request. Any party may decline to use Alternative Dispute Resolution (ADR), however if they later prevail in court, judges are allowed to consider the refusal when awarding attorney fees.

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.

EXHIBIT "A"

SCHEDULE OF MONETARY PENALTIES
ORCHARD HOMEOWNERS ASSOCIATION

In order to enforce the CC&R'S, Bylaws, Rules and Regulations, the Board of Directors may: levy, assess, and collect reasonable monetary penalties as established by the Board of Directors to cover such costs as legal expenses, time or labor, postage, etc., for violations of Use Restrictions, the Declaration or the published Rules and Regulations. The monetary penalty shall be assessed against the homeowner involved for violations made by the owner, members of his or her family, or by any guest (s), licensee, or tenant of such owner.

VIOLATION POLICY

Initial Violation Notice

Formal Warning Notice

Subsequent Violation Notices, Monetary penalties per Article IV, Section (5) (ii) B.

STEVE D. REICH INSURANCE AGENCY

280 N. Westlake Blvd., Suite 200 • Westlake Village, CA 91362
(805) 379-5159 (818) 706-0452 (805) 495-2494 fax
License #0484756

Arbor Hills HOA
INSURANCE DISCLOSURE - SB1525

Effective January 1, 1997, California Civil Code Section 1365 requires that Associations send an insurance disclosure statement to each of its members within sixty (60) days preceding the beginning of the Association's fiscal year. Our Association carries the following coverages:

PROPERTY & GENERAL LIABILITY:

Insurer: Granite State Insurance Company
Term: 02/26/09 TO 02/26/10
Property Coverage: \$92,000
Property Deductible: \$1,000
General Liability Limit: \$1,000,000 per occurrence
Flood Coverage: None
Earthquake Coverage: None

UMBRELLA:

Insurer: Great American Insurance Company
Term: 02/26/09 TO 02/26/10
Liability Limit: \$3,000,000
Deductible: None

DIRECTORS & OFFICERS LIABILITY:

Insurer: Great American Insurance Company
Term: 02/26/09 TO 02/26/10
Liability Limit: \$1,000,000
Deductible: \$1,000

FIDELITY BOND:

Insurer: Granite State Insurance Company
Term: 02/26/09 TO 02/26/10
Limit: \$50,000
Deductible: \$500

WORKERS COMPENSATION:

Insurer: Republic Indemnity Insurance Company
Term: 02/26/09 TO 02/26/10
Limit: \$1,000,000 / Statutory Limits
Deductible: None

This summary of the Association's policies of insurance provides only certain information, as required by subdivision (c) 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 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 coverage.

ARCHITECTURAL MODIFICATION DISCLOSURE

Pursuant to the governing documents, any changes to the exterior of any unit/lot, or to the common area, that a homeowner desires to make, requires the prior written consent of the Association's Architectural Committee. The Committee has 30 days to approve or disapprove, or conditionally approve or disapprove the homeowner's request. A homeowner may appeal any decision made by the Architectural Committee to the Board of Directors. Architectural modification forms are available from the management company.

PLEASE KEEP THIS APPROVED BUDGET WITH YOUR IMPORTANT PAPERS AS THE STATE OF CALIFORNIA REQUIRES THAT A COPY OF THE MOST CURRENT BUDGET BE PASSED ALONG TO THE NEW OWNER SHOULD YOU CHOOSE TO SELL YOUR PROPERTY.

APPROVED BY THE BOARD OF DIRECTORS OF TRACT 4494 HOMEOWNERS ASSOCIATION ON FOR JANUARY 1, 2010