



Spring Valley Lake Association
13325 Spring Valley Parkway
7001 SVL Box
Spring Valley Lake, CA 92395-5107

September 12, 2014


Dear SVLA Homeowner:

The SVLA Board of Directors is pleased to announce the adoption of the new 2014-2015 annual budget, reserve and personal property replacement schedules with their respective funding plans. The annual assessment will be \$1016.00 per unit. The assessment will be due quarterly at a rate of \$254.00 on the following due dates: November 1, 2014, February 1, 2015, May 1, 2015, and August 1, 2015. You may pay in full with one payment on November 1, 2014. For your convenience payments may be paid by automatic electronic funds transfer or on-line at www.totalpm.com.

Included with this mailing is the required annual budget package which contains: the compiled financial forecast (annual budget), reserve and personal property schedule, the funding schedules, insurance information, collection and delinquency policy, and security disclaimer. The association's governing documents are available on the website at www.svla.com.

Management will continue to look for ways to increase the efficiency of our operations in an effort to improve service and reduce costs. We will also continue to build and improve our relationships within county government at all levels to preserve and enhance the outstanding support our community receives from San Bernardino County and CSA-64. The Board and staff will continue our efforts toward making Spring Valley Lake the community of choice and the "Jewel of the High Desert".

Respectfully,


Scott Eckert, President
Spring Valley Lake Board of Directors

Association Office – 760.245.9756
Fax – 760.245.3076
Website – www.svla.com

Spring Valley Lake Association

13325 Spring Valley Parkway
7001 SVL Box
Spring Valley Lake, CA 92395-5107

To: All Members

Date: September 16, 2014

From: Board of Directors

Subject: Annual Budget Report

In accordance with California Civil Code 4076; 5300-5320, enclosed is the;

1. Fiscal year budget effective November 1, 2014;
2. Reserve statement for fiscal year 2014-2015, and;
3. The approved assessment collection policy.

After careful review of the 2013-2014 operating and reserve expenses, we have determined that the projected expenses for 2014-2015 cannot be met with the current income. Therefore, the total assessment will increase to \$1016.00 per unit with a payment of \$254.00 per quarter per unit.

Your assessment includes reserve funding of \$71,400.00 per quarter, which is the amount recommended in the most recent reserve study projected at 42% funded starting 2015. Based on this level of funding the Board of Directors does not anticipate that one or more special assessments may be required this year to repair, replace or restore any major component or to provide adequate reserves. A copy of the full reserve study plan is available upon request.

The Association has a loan with Pacific Western Bank with a maturity date of February 21, 2025.

Pursuant to the requirements of California Civil Code 5300(a);(b)(9), enclosed please find the Annual Insurance Disclosure Statement and Information.

The successful operation of any association is dependent on the cooperation of all homeowners. Your continued support is appreciated.

Enclosure

SPRING VALLEY LAKE ASSOCIATION

13325 Spring Valley Parkway
7001 SVL Box
Spring Valley Lake, CA 92395-5107

To: All Members

Date: September 16, 2014

From: Board of Directors

Subject: Annual Policy Statement

In accordance with California Civil Code Section 5320 the following information must be distributed to the members.

1. Pursuant to Section 4035, the person designated to receive official communications to the association is;

Spring Valley Lake Association
13325 Spring Valley Parkway
7001 SVL Box
Spring Valley Lake, CA 92395-5107

2. Pursuant to subdivision (b) of Section 4040, homeowners are entitled to give their Association a secondary mailing address for both fiscal matters and collection matters. Such requests may be made through the Association's management company via mail or fax at;

Spring Valley Lake Association
c/o Total Property Management, Inc.
2301 Dupont Drive, Suite 100
Irvine, CA 92612
Fax: (949) 261-6958

3. Pursuant to paragraph (3) of subdivision (a) of Section 4045, the location designated for posting of the official notice is the Association office bulletin board. Postings are also done at additional boards in the community.

4. Pursuant to subdivision (b) of Section 4045, members have an option to receive general notices by individual delivery. In order to activate this option you must notify the Association's management company via mail or fax at;

Spring Valley Lake Association
13325 Spring Valley Parkway
7001 SVL Box
Spring Valley Lake, CA 92395-5107
Fax (760) 245-3076

5. Pursuant to subdivision (b) of Section 4950, a member has the right to receive copies of meeting minutes. The minutes, proposed for adoption draft minutes, or a summary of the minutes for meetings of the Board of Directors, other than executive sessions, shall be available to members within 30 days of the meeting. These minutes will be distributed to any member upon request and upon reimbursement for the costs in making that distribution.
6. Pursuant to Section 5730, a statement of assessment collection policies is included with this mailing. In addition, the policy includes a statement describing the association's policies and practices in enforcing lien rights and other legal remedies for default in the payment of assessments.
7. Pursuant to Section 5850, a statement describing the association's discipline policy including a schedule of penalties for violations of the governing documents is available on the Association web-site at www.svla.com as the Fine Schedule.
8. Pursuant to Sections 5920 and 5965, a summary of dispute resolution procedures is included with this mailing.
9. Pursuant to Section 4765, a summary of requirements for association approval of physical change to property known as the Architectural Policy and Procedure Document is available on the Association web-site at www.svla.com.
10. Pursuant to Section 5655, the mailing address for overnight payment of assessments is;

Spring Valley Lake Association
c/o Total Property Management, Inc.
2301 Dupont Drive, Suite 100
Irvine, CA 92612

SECURITY DISCLAIMER. We hope that our security systems and Public Safety Department provide some deterrence to crime. However, no matter what steps we take, the association can never be completely safe and secure. For example, it is possible for someone to enter the property under false pretenses to commit crimes, for residents to commit crimes against their own neighbors, and for guests of residents to commit crimes. As a result, the association is not and can never be free of crime and we cannot guarantee your safety or security. Accordingly, you should NOT rely on the association to protect you from loss or harm. Instead, you should provide for your own security by taking common sense precautions such as carrying insurance against loss; keeping your doors locked; refusing to open your door to strangers; asking workmen for identification; installing a security system; locking your car; etc. Additionally, the duties of the Public Safety Department personnel are ONLY to patrol and secure the various Association properties and amenities and to observe and report on service calls, suspicious activities or violations of the Association's Rules and Regulations, where applicable.

EMERGENCY / DISASTER PREPAREDNESS DISCLAIMER. In the event of an emergency or disaster, residents should be self-prepared. The Association does not maintain emergency food, water, fuel, medical professionals or medical supplies. Accordingly, you should NOT rely on Spring Valley Lake Association to provide for your personal needs during or following an emergency event or disaster scenario. Instead, you should take common sense precautions such as maintaining a stock of food and water for your family and pets, storing emergency medical supplies, storing a supply of any prescriptions or medications required, etc. You can find more information about emergency preparedness by visiting www.ready.gov . There are also other helpful links on the Association website. Additionally, the duties of the Association Staff are ONLY to assist in making and maintaining contact with official entities, and assist in obtaining services for the community as quickly as possible in the event of a disaster.

T150 - Spring Valley Lake Association
Fiscal Year End October 31, 2015
Approved Budget for the period: 11/01/2014 - 10/31/2015

Income		Annual	Quarterly	Per Unit / Per Quarter
Assessments		\$4,278,376	\$1,069,594	\$ 254.00
Community Service Fees		24,200	6,050	1.44
Marina Fees		166,500	41,625	9.88
Equestrian Fees		49,640	12,410	2.95
Owner Fees		108,500	27,125	6.44
Investment Income		2,000	500	0.12
Other Revenue		30,000	7,500	1.78

Total Income		4,659,216	1,164,804	276.61

 Expenses				
Compensation	(Sch 1)	2,021,255	505,314	120.00
Reserve Funding	(Sch 2)	285,600	71,400	16.96
Lake, Marina & Equestrian	(Sch 3)	701,001	175,250	41.62
Professional Services	(Sch 4)	336,000	84,000	19.95
Administrative Support	(Sch 5)	142,100	35,525	8.44
Vehicles, Equipment & Technology	(Sch 6)	188,640	47,160	11.20
Insurance: Umbrella, Auto, D&O		151,000	37,750	8.96
Utilities	(Sch 7)	252,000	63,000	14.96
Grounds & Building	(Sch 8)	161,620	40,405	9.60
Association Sponsored Events	(Sch 9)	72,000	18,000	4.27
Income Taxes		8,000	2,000	0.47
Bad Debt		90,000	22,500	5.34
Capital Improvements	(Sch 10)	250,000	62,500	14.84

Total Expenses		4,659,216	1,164,804	\$ 276.61
		=====		

Expense schedules are available on the Association website as well as at the Association office.

The minutes, proposed for adoption draft minutes, or a summary of the minutes for meetings of the Board of Directors, other than executive sessions, shall be available to members within 30 days of the meeting. These minutes will be distributed to any member upon request and upon reimbursement for the costs in making that distribution.

Homeowners are entitled to give their Association a secondary mailing address for both fiscal matters and collection matters. Such requests may be made through the Association's office via mail or fax.

Spring Valley Lake Association
13325 Spring Valley Parkway
Spring Valley Lake, CA 92395
Fax: (760) 245-3076

T150 - Spring Valley Lake Association

Fiscal Year End October 31, 2015

Approved Budget for the period: 11/01/2014 - 10/31/2015

Expense Schedules 1 thru 4

			Per Unit / Per
Schedule 1 - Compensation	Annual	Quarterly	Quarter
Gross Pay - Regular	\$1,456,180	\$364,045	\$86.45
Gross Pay - Overtime	10,000	2,500	0.59
Employer Taxes	142,909	35,727	8.48
Group Health, Etc	198,622	49,656	11.79
Workers Compensation	188,611	47,153	11.20
Employer 401k Contributions	4,933	1,233	0.29
HR Services (Payroll)	20,000	5,000	1.19
	-----	-----	
Total Compensation	2,021,255	505,314	\$ 120.00
	=====	=====	=====

Schedule 2 - Reserve Funding			
Reserve Funding	\$285,600	\$71,400	\$16.96
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Total Reserve Funding	285,600	71,400	\$ 16.96
	=====	=====	=====

Schedule 3 - Lake, Marina & Equestrian			
Water Assessment	\$190,000	\$47,500	\$11.28
Makeup Water	30,000	7,500	1.78
Lake Stock/Fishery	30,000	7,500	1.78
Water Purchase	286,001	71,500	16.98
Watermaster bio/admin fee	10,000	2,500	0.59
Fishing Maintenance & Supplies	9,000	2,250	0.53
Lake Maintenance & Supplies	115,000	28,750	6.83
Water Monitoring/Testing	1,000	250	0.06
Horse Feed (Equestrian)	30,000	7,500	1.78
	-----	-----	
Total Lake, Marina & Equestrian	701,001	175,250	\$ 41.62
	=====	=====	=====

Schedule 4 - Professional Services			
Accounting	\$92,700	\$23,175	\$5.50
Accounting-Requested Service	7,500	1,875	0.45
Legal	100,000	25,000	5.94
Consulting	10,000	2,500	0.59
Audit	6,000	1,500	0.36
Technology	15,000	3,750	0.89
Fireworks - 4th of July	20,000	5,000	1.19
Service Contracts	80,000	20,000	4.75
Reserve Study	2,800	700	0.17
HR Admin	2,000	500	0.12
	-----	-----	
Total Professional Services	336,000	84,000	\$ 19.95
	=====	=====	=====

T150 - Spring Valley Lake Association

Fiscal Year End October 31, 2015

Approved Budget for the period: 11/01/2014 - 10/31/2015

Expense Schedules 5 thru 7

		Per Unit / Per	
Schedule 5 - Administrative Support	Annual	Quarterly	Quarter
Professional Certification Fees	\$3,000	\$750	\$0.18
Licenses & Permits	12,000	3,000	0.71
Uniform Expense	18,000	4,500	1.07
Safety Equipment/Supplies	6,000	1,500	0.36
Training Expense	10,000	2,500	0.59
Travel Expense	4,000	1,000	0.24
Office Supplies	15,000	3,750	0.89
Materials, Supplies & Signage	10,000	2,500	0.59
Postage	25,000	6,250	1.48
Printing	25,000	6,250	1.48
BOD & Committee Meals	5,000	1,250	0.30
Bank & CC Fees	2,600	650	0.15
Advertising	2,500	625	0.15
C.O.P. Program	3,000	750	0.18
Other Expense	1,000	250	0.06
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Total Administrative Support	142,100	35,525	\$8.44
	=====	=====	=====

Schedule 6 - Vehicles, Equipment & Tech			
Vehicle - Fuel & Oil	\$75,000	\$18,750	\$4.45
Marina - Fuel	35,000	8,750	2.08
Equipment/Vehicle Repair	25,000	6,250	1.48
Software Licenses	8,640	2,160	0.51
Computer Equipment	30,000	7,500	1.78
Property Tax Expense/Vessels	5,000	1,250	0.30
Small Tools & Equipment	10,000	2,500	0.59
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Total Vehicles, Equip & Technology	188,640	47,160	\$ 11.20
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Schedule 7 - Utilities			
Electricity	\$35,000	\$8,750	\$2.08
Electricity - Lake	85,000	21,250	5.05
Natural Gas	7,000	1,750	0.42
Water/Sewer	67,000	16,750	3.98
Trash Collection	23,000	5,750	1.37
Telephone	35,000	8,750	2.08
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Total Utilities	252,000	63,000	\$ 14.96
	=====	=====	=====

T150 - Spring Valley Lake Association

Fiscal Year End October 31, 2015

Approved Budget for the period: 11/01/2014 - 10/31/2015

Expense Schedules 8 thru 10

	Annual	Quarterly	Per Unit / Per
			Quarter
Schedule 8 - Grounds & Building			
Weed/Lot Maintenance	\$35,420	\$8,855	\$2.10
Building Maintenance	40,000	10,000	2.37
Grounds/Park Maintenance	50,000	12,500	2.97
Equipment Rental	8,000	2,000	0.47
Janitorial Supplies	8,200	2,050	0.49
Surveillance Cameras	20,000	5,000	1.19
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Total Grounds & Building	161,620	40,405	\$ 9.60
	=====	=====	=====
 Schedule 9 - Association Sponsored Events			
Events	\$36,000	\$9,000	\$2.14
Family Festival	16,000	4,000	0.95
Concerts	12,000	3,000	0.71
SVL Event Meals	5,000	1,250	0.30
Committee Appreciation	3,000	750	0.18
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Total Association Sponsored Events	72,000	18,000	\$ 4.27
	=====	=====	=====
 Schedule 10 - Capital Improvements			
Fishing Area Updates - 3 Locations	\$30,000	\$7,500	\$1.78
Association Remodel	80,000	20,000	4.75
CB Upgrades-Floor, Shades, Paint, Stone	70,000	17,500	4.16
Meadowlark Park Irrigation Upgrade	20,000	5,000	1.19
Bathroom at Fishing Area 8	20,000	5,000	1.19
EE Barn Mats	15,000	3,750	0.89
Real-Time Membership Card Readers	15,000	3,750	0.89
	-----	-----	-----
Total Capital Improvements	250,000	62,500	\$ 14.84
	=====	=====	=====

Assessment and Reserve Funding Disclosure Summary

Spring Valley Lake Association

For Fiscal Year Beginning: 11/1/2013

of Units: 4185

1) Budgeted Amounts:	Total	Average Per unit*	
Reserve Contributions:	\$23,800.00	\$5.69	
Operating Budget:	\$332,731.00	\$79.51	
Total:	\$356,531.00	\$85.19	per: Month

- 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	Total Amount Per Unit*	Purpose
N/A		
N/A		
Total:		\$0.00

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

Approximate Fiscal Year Assessment Will Be Due	Average Total Amount Per Unit*	
N/A		
N/A		
N/A		
N/A		
Total:		\$0

- 5) All major components appropriate for Reserve Funding (components that are a common area maintenance responsibility with a limited life expectancy and predictable remaining useful life, above a minimum threshold cost of significance) are included in this Reserve Funding Plan: **Yes**

6) All computations/disclosures are based on the fiscal year start date of:	11/1/2013
Fully Funded Balance (based on formula defined in 1365.2.5(b)4):	\$2,339,114.00
Projected Reserve Fund Balance:	\$981,078.00
Percent Funded:	41.9%
Reserve Deficit (surplus) on a mathematical avg-per-unit* basis:	\$324.50

From the 3/26/2014 Reserve Study by Association Reserves and any minor changes since that date.

- 7) See attached 30-yr Summary Table, showing the projected Reserve Funding Plan, Reserve Balance, Percent Funded, and assumptions for interest and inflation.

Prepared by: Michael Nash

Date: 9/12/2014

*Note: If assessments vary by the size or type of unit, allocate per unit per the attached.

The financial representations set forth in this summary are based on the best estimates of the preparer at that time. As they are estimates, these figures should be expected to change from year to year.

Note: Some information on this Form has been provided to Association Reserves, and has not been independently verified.

Table 5: 30-Year Reserve Plan Summary

759-4

Fiscal Year Start: 11/01/13

Interest: 1.0%

Inflation: 3.0%

**Reserve Fund Strength Calculations
(All values as of Fiscal Year Start Date)**

Projected Reserve Balance Changes

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Special Assmt Risk	Reserve Contribs.	Loans or Special Assmts	Interest Income	Reserve Expenses
2014	\$981,078	\$2,339,114	41.9%	Med	\$285,600	\$0	\$9,324	\$391,425
2015	\$884,577	\$2,290,213	38.6%	Med	\$297,024	\$0	\$8,839	\$306,528
2016	\$883,912	\$2,335,812	37.8%	Med	\$308,905	\$0	\$9,940	\$97,842
2017	\$1,104,915	\$2,606,505	42.4%	Med	\$321,261	\$0	\$10,846	\$371,800
2018	\$1,065,222	\$2,612,183	40.8%	Med	\$334,112	\$0	\$11,418	\$191,336
2019	\$1,219,416	\$2,813,221	43.3%	Med	\$347,476	\$0	\$11,332	\$530,281
2020	\$1,047,943	\$2,680,771	39.1%	Med	\$361,375	\$0	\$11,405	\$186,690
2021	\$1,234,033	\$2,908,126	42.4%	Med	\$375,830	\$0	\$13,910	\$74,653
2022	\$1,549,119	\$3,267,876	47.4%	Med	\$390,863	\$0	\$16,046	\$294,619
2023	\$1,661,410	\$3,422,336	48.5%	Med	\$406,498	\$0	\$15,071	\$728,944
2024	\$1,354,034	\$3,144,872	43.1%	Med	\$422,758	\$0	\$14,659	\$212,473
2025	\$1,578,978	\$3,402,168	46.4%	Med	\$435,441	\$0	\$16,403	\$327,717
2026	\$1,703,104	\$3,559,937	47.8%	Med	\$448,504	\$0	\$18,019	\$627,330
2027	\$1,902,297	\$3,796,434	50.1%	Med	\$461,959	\$0	\$20,240	\$237,168
2028	\$2,147,327	\$4,083,245	52.6%	Med	\$475,818	\$0	\$22,750	\$241,296
2029	\$2,404,599	\$4,386,925	54.8%	Med	\$490,092	\$0	\$23,797	\$561,647
2030	\$2,356,841	\$4,382,645	53.8%	Med	\$504,795	\$0	\$24,711	\$298,836
2031	\$2,587,510	\$4,662,209	55.5%	Med	\$519,939	\$0	\$25,768	\$564,902
2032	\$2,568,315	\$4,689,790	54.8%	Med	\$535,537	\$0	\$26,219	\$452,336
2033	\$2,677,735	\$4,848,228	55.2%	Med	\$551,603	\$0	\$26,928	\$546,129
2034	\$2,710,136	\$4,929,321	55.0%	Med	\$568,151	\$0	\$24,118	\$1,186,976
2035	\$2,115,429	\$4,367,720	48.4%	Med	\$585,196	\$0	\$21,538	\$528,184
2036	\$2,193,978	\$4,483,220	48.9%	Med	\$602,751	\$0	\$21,953	\$620,195
2037	\$2,198,488	\$4,523,268	48.6%	Med	\$620,834	\$0	\$19,919	\$1,052,316
2038	\$1,786,924	\$4,135,764	43.2%	Med	\$639,459	\$0	\$16,204	\$987,430
2039	\$1,455,157	\$3,820,288	38.1%	Med	\$658,643	\$0	\$15,384	\$506,171
2040	\$1,623,013	\$4,008,370	40.5%	Med	\$678,402	\$0	\$18,457	\$250,003
2041	\$2,069,869	\$4,483,792	46.2%	Med	\$698,754	\$0	\$23,255	\$208,690
2042	\$2,583,189	\$5,034,409	51.3%	Med	\$719,717	\$0	\$27,156	\$479,778
2043	\$2,850,283	\$5,341,255	53.4%	Med	\$719,717	\$0	\$27,787	\$888,366

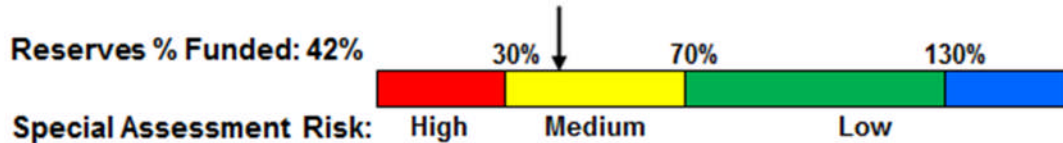
3- Minute Executive Summary

Association: Spring Valley Lake Association **#:** 759-4
Location: Spring Valley Lake, CA **# of Units:** 4185
Report Period: November 1, 2013 through October 31, 2014

Findings/Recommendations as-of 11/1/2013:

Projected Starting Reserve Balance:	\$981,078
Current Fully Funded Reserve Balance:	\$2,339,114
Average Reserve Deficit (Surplus) Per Unit:	\$325
Recommended 2014 Monthly "Full Funding" Contributions:	\$23,900
Alternate minimum contribs* to keep Reserves above \$0:	\$22,190
Recommended 2014 Special Assessment for Reserves:	\$0

Most Recent Budgeted Reserve Contribution Rate:\$20,000



Economic Assumptions:

Net Annual "After Tax" Interest Earnings Accruing to Reserves.....1.00%
Annual Inflation Rate3.00%

- This is an "Update No-Site-Visit" Reserve Study, based on a prior Report prepared by Association Reserves for your 2013 Fiscal Year. No site inspection was performed as part of this Reserve Study, which was prepared by a credentialed Reserve Specialist (RS).
- Because your Reserve Fund is at 42% Funded, this means the association's special assessment & deferred maintenance risk is currently medium. Per the board of directors, the objective of your multi-year Funding Plan is to keep the Reserves at approximately 50% Funded during for the thirty year period.
- Based on this starting point, your anticipated future expenses, and your historical Reserve contribution rate, our recommendation is to increase your Reserve contributions to \$23,900/month for the upcoming Fiscal Year, with annual increases of 4.0% for the first ten years.
- No assets appropriate for Reserve designation were excluded.

*officially called "Baseline Funding"

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Cost Estimate
COMPONENTS				
Administration & Maintenance Buildings				
303	HVAC System - Replace (front)	15	10	\$8,250
303	HVAC System - Replace (rear)	15	10	\$6,575
304	Parking Lot Lights - Replace	25	14	\$5,900
305	Telephone System - Replace	10	1	\$11,025
310	Security Camera System - Replace	7	6	\$6,000
350	Flag Pole - Replace	40	8	\$5,950
601	Carpet - Replace	6	3	\$7,750
702	Overhead Doors - Replace	20	15	\$5,600
909	Restrooms - Refurbish (admin)	25	20	\$6,600
909	Restrooms - Refurbish (maint)	25	0	\$4,400
909	Restrooms - Refurbish (public)	25	0	\$8,750
1304	Tile Roof - Replace (maint)	30	20	\$26,725
1305	Tile Roof - Replace (admin)	30	22	\$27,475
1402	Message Board Sign - Replace	25	12	\$18,000
1900	Exterior Building Repairs	20	5	\$25,000
Community Building				
303	HVAC - Replace	15	1	\$31,800
304	Interior Lighting - Replace	25	5	\$15,000
310	Security Camera System - Replace	7	6	\$8,000
350	Flag Pole - Replace	40	8	\$5,950
509	Wood Patio Cover - Replace	20	19	\$15,250
602	Vinyl Floor - Replace	15	3	\$39,900
603	Tile - Replace	25	12	\$15,000
702	Metal Doors - Replace	25	13	\$19,800
901	Range/Hood - Replace	20	13	\$13,250
901	Refrigerator/Freezer - Replace	15	6	\$6,250
909	Kitchen - Refurbish	20	16	\$17,500
909	Restrooms - Refurbish	25	14	\$27,500
909	Security Offices - Refurbish	15	14	\$12,150
1303	Flat Roof - Replace	20	6	\$25,000
1304	Tile Roof - Replace Underlayment	30	6	\$17,225
1802	Antenna Tower - Replace (new)	15	13	\$22,500
1803	Fire Alarm System - Replace	20	4	\$12,500
1804	Fire Suppression System - Replace	20	12	\$10,000
1805	Sound System - Replace	15	6	\$7,400
Equestrian Center				
303	HVAC Unit - Replace (Apartment)	15	5	\$9,375
303	HVAC Unit - Replace (Clubroom)	15	5	\$5,625
350	Flag Poles - Replace	40	8	\$11,900
408	Judges Gazebo - Replace	30	1	\$5,000
409	Bridges - Replace	30	3	\$46,200
409	Sand - Replace (Arena)	4	3	\$9,200
425	Metal Hay Barns - Replace	35	28	\$11,000

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Cost Estimate
503	Pipe Rail - Replace (Stalls/Arena)	30	3	\$63,800
503	Pipe Rail Fence - Replace (Pens)	30	9	\$27,500
505	Wood Fence - Replace	15	0	\$14,625
506	Vinyl Fence - Replace	30	22	\$61,200
702	Metal Doors - Replace	25	10	\$22,525
1305	Tile Roof - Replace (Clubhouse)	30	21	\$34,550
1305	Tile Roof - Replace (Stables)	30	21	\$65,000
1904	Walkway Poles - Replace	30	10	\$11,000
1908	Propane Tank - Replace	40	6	\$5,000
Asphalt				
201	Asphalt - Resurface (Admin)	20	0	\$54,375
201	Asphalt - Resurface (CB, MP)	20	0	\$96,400
201	Asphalt - Resurface (EQ)	20	0	\$48,700
201	Asphalt - Resurface (Beach Parks)	20	0	\$84,825
202	Asphalt - Seal/Repair	4	1	\$30,050
Lake & Marina				
103	Boat Ramp - Replace	25	11	\$8,725
111	Gangways - Replace	50	9	\$16,975
314	Fuel Dispenser - Replace	20	8	\$29,875
315	Fuel Storage Tank - Replace	40	8	\$45,700
501	Sea Wall - Replace (partial)	15	4	\$13,075
503	Iron Fence/Rail - Replace	20	5	\$5,775
510	Shade Structure - Replace	20	19	\$8,600
511	Shade Fabric - Replace	5	4	\$2,500
1901	Docks - Replace (ph 1)	50	9	\$229,600
1901	Docks - Replace (ph 2)	50	15	\$255,225
1902	Dock Bumpers - Replace (partial)	5	0	\$5,100
1904	Fish Clean Structure - Replace	25	14	\$5,275
1910	Lake Edging - Repair	4	1	\$50,000
1912	Dam - Replacement	45	14	\$52,525
1914	Aerators - Replace	15	11	\$25,500
1914	Lake Water Flow Meters - Replace	15	10	\$17,550
1914	Outflow Monitor Devices - Replace	20	1	\$17,500
1915	Wells - Replace (#1,2,10,15)	25	23	\$310,000
1915	Wells - Replace (#3,5,14)	25	20	\$235,000
1915	Wells - Replace (#6,11,13)	25	24	\$235,000
1915	Wells - Replace (#7,9,16)	25	22	\$235,000
1916	Well Pumps - Replace (#1,2,10,15)	10	8	\$66,000
1916	Well Pumps - Replace (#3,5,14)	10	5	\$49,500
1916	Well Pumps - Replace (#6,11,13)	10	9	\$49,500
1916	Well Pumps - Replace (#7,9,16)	10	7	\$49,500
Beach Parks				
503	Wrought Iron - Replace	25	12	\$78,875
909	Restrooms - Refurbish	25	23	\$11,100

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Cost Estimate
1303	Metal Roof - Replace	35	29	\$9,900
1607	Basketball Court - Resurface	10	9	\$15,850
1610	Lifeguard Towers - Replace	10	9	\$8,000
Meadow Lark Park				
502	Chain Link Fence/Backstop - Replace	25	9	\$22,800
909	Restrooms - Refurbish	25	1	\$11,000
1010	Irrigation System - Replace/Repair	N/A	0	\$20,000
1304	Concrete Tile Roof - Replace	30	1	\$2,700
1601	Baseball Dugouts - Replace	20	5	\$28,800
1607	Basketball Court - Resurface/Repair	10	9	\$15,850
1901	Bocce Ball Courts - Resurface	15	3	\$30,000
General Common Area				
304	Pole Lights - Replace (median)	25	10	\$18,525
310	Security System - Replace (Phase 1)	7	2	\$36,000
310	Security System - Replace (Phase 2)	7	3	\$27,000
350	Flag Pole - Replace	40	8	\$5,950
PERSONAL PROPERTY				
Vehicles				
1808	Patrol Car - Replace (#001)	6	5	\$26,000
1808	Patrol Car - Replace (#002)	6	5	\$26,000
1808	Patrol Car - Replace (#003)	6	5	\$26,000
1808	Patrol Car - Replace (#004)	6	5	\$26,000
1808	Patrol Truck - Replace (#007)	8	4	\$19,075
1809	Community Service Vehicles - Replace	12	11	\$40,000
1810	Maintenance Truck - Replace (M-0)	15	6	\$28,500
1810	Maintenance Truck - Replace (M-01)	15	9	\$17,950
1810	Maintenance Truck - Replace (M-02)	15	9	\$18,850
1810	Maintenance Truck - Replace (M-1)	15	14	\$19,675
1810	Maintenance Truck - Replace (M-10)	15	2	\$29,025
1810	Maintenance Truck - Replace (M-2)	20	4	\$34,400
1810	Maintenance Truck - Replace (M-3)	20	19	\$17,950
1810	Maintenance Truck - Replace (M-4)	15	5	\$31,700
1810	Maintenance Truck - Replace (M-5)	20	19	\$28,500
1810	Maintenance Truck - Replace (M-6)	20	19	\$33,875
1810	Maintenance Truck - Replace (M-7)	20	19	\$32,750
1810	Maintenance Truck - Replace (M-8)	20	10	\$33,875
1810	Maintenance Truck - Replace (M-9)	15	1	\$21,625
Boats				
1850	Maintenance Vessel - Replace (B-15)	25	5	\$36,000
1850	Maintenance Vessel - Replace (B-17)	25	1	\$36,000
1851	Security Vessel - Replace (B-14)	25	5	\$36,500
1851	Security Vessel - Replace (PWC 1)	12	5	\$12,000
1851	Security Vessel - Replace (PWC 2)	12	3	\$11,500

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Cost Estimate
1900	Outboard Motor - Replace (150 hp)	6	0	\$15,000
1900	Outboard Motor - Replace (70 hp)	6	0	\$9,250
1900	Outboard Motor - Replace (80 hp)	6	5	\$11,000
1900	Outboard Motor - Replace (90 hp)	6	0	\$10,300
Furniture				
903	Folding Furniture - Replace (CB)	10	4	\$12,250
903	Furniture - Replace (Boardroom)	10	0	\$7,700
908	Window Coverings - Replace	10	3	\$9,900
911	Furniture - Replace (partial)	4	0	\$6,000
915	Stage - Replace	15	2	\$9,200
Office Equipment				
304	Defibrulators - Replace	5	4	\$5,000
305	Mobile Radios - Replace (PSD)	2	1	\$2,000
706	Security System - Replace	10	8	\$49,250
706	Security System - Replace	10	4	\$14,250
912	Computers/Printers - Replace	5	1	\$12,300
Maintenance Equipment				
1810	Tractor - Replace (1)	30	24	\$37,000
1810	Tractor - Replace (2)	30	29	\$27,000
1810	Tractor - Replace (3)	30	3	\$47,000
1812	Riding Mower - Replace (1)	25	24	\$20,000
1812	Riding Mower - Replace (2)	15	2	\$18,000
1813	Walk Mower - Replace	15	1	\$9,000
1814	Chipper - Replace	20	6	\$6,125
Recreation Equipment				
404	Picnic Tables - Replace	4	0	\$6,000
405	Metal Play Equip. - Replace (MP)	20	1	\$11,600
405	Play Equipment - Replace (Beach)	15	4	\$42,450
405	Play Equipment - Replace (MP)	15	1	\$46,000
405	Play Equipment - Replace (Playfair)	15	3	\$46,000
410	Bleachers - Replace	25	11	\$13,000
510	Shade Structure - Replace	20	19	\$8,600
511	Shade Fabric - Replace	5	4	\$2,500
149	Total Funded Components			

Note 1: a Useful Life of "N/A" means a one-time expense, not expected to repeat.

Note 2: Yellow highlighted line items are expected to require attention in the initial year, green highlighted items are expected to occur within the first five years.

**SPRING VALLEY LAKE ASSOCIATION
INSURANCE DISCLOSURE STATEMENT**

California Civil Code 5300 (a) (9) requires homeowner associations to disclose a summary of certain insurance policies maintained by the association. For your information, Spring Valley Lake Association is pleased to summarize the insurance coverage as follows:

	CARRIER	EXPIRATION DATE	POLICY LIMIT	DEDUCTIBLE
WORKMAN'S COMPENSATION	State Fund	1/1/2015	1,000,000	NA
LIABILITY COVERAGE	Philadelphia	1/1/2015	11,000,000	1,000
DIRECTORS & OFFICERS COVERAGE	Liberty International UW	7/1/2015	1,000,000	10,000
BUILDING COVERAGE	Philadelphia	1/1/2015	3,048,509	1,000
FIDELITY BOND COVERAGE	Philadelphia	1/1/2015	250,000	1,000
EARTHQUAKE COVERAGE	NA			
FLOOD COVERAGE	NA			

This disclosure statement is a general description of coverage. All coverage is subject to the exclusions and conditions of the insurance contracts. Statements here cannot alter, reduce, or expand any coverage in the policies. The information provided is deemed accurate at the time of issue. Owners with questions are encouraged to contact the association's insurance agent at the following address:

**ISU Insurance Services – ARMAC Agency
Agent: Tami Pickens
17177 Yuma Street, Victorville, CA 92395
Office 760.269.3310 Fax 760.269.3360**

This summary of the association's policies of insurance provides only certain information, as required by subdivision (9) of Section 5300 (a) of the Civil Code, and should not be considered a substitute for the completed 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.

Individual Liability Policies and Loss Assessment Coverage:

It is very important that you explore your own risks with a knowledgeable insurance agent, and purchase coverage to protect you from any liability from an accident occurring in your own unit, the common area, and/or any exclusive use common area (such as patios, garages, carports, balconies), and to protect you from any liability or insurance gaps in coverage between the association's coverage and your own. It is also strongly recommended that you inquire about Loss Assessment Coverage. An endorsement for loss assessment provides protection to individual unit owners for extraordinary special assessments, such as excess liability over the association's insurance proceeds or an extraordinary expense incurred by the association, allocated to the owners, through a special assessment (such as a special assessment to pay for rebuilding costs which exceed insurance proceeds from an earthquake or fire loss). Please contact your personal insurance agent for further details.

ASSESSMENTS AND FORECLOSURE NOTICE

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 California 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 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that 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). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Section 5705 of the Civil Code. When using judicial or 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 amounts secured by the lien are not paid. (Sections 5600, 5650 and 5705 of the Civil Code)

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 areas damaged by a member or a member's guests, if the governing documents provide for this. (Sections 5605 and 5650 of the Civil Code)

The association must comply with the requirements of Section 5650 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 5650 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, 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. (Section 5650 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 5650 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. (Section 5650 of the Civil Code).

An owner may, but is not obligated to, pay under protest any dispute charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so going, 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 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 the Civil Code, if so requested by the 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. (Section 5650 of the Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a timeshare 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 5650 of the Civil Code)

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. (Section 5650 of the Civil Code)

(c) A member of an association 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 shall send any and all correspondence and legal notices required pursuant to this article both the primary and secondary address. (Section 4040(b) of the Civil Code)

SPRING VALLEY LAKE ASSOCIATION DELINQUENT ASSESSMENT COLLECTION POLICY

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&Rs) and the California Civil Code to enforce the members' obligation to pay assessments. 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&Rs and Civil Code Section 5310(a), the following are the Association's assessment practices and policies:

1. 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 5650(a)).
2. Annual Assessments shall be paid quarterly in four (4) equal installments. Each installment is due 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. 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. Assessments not received within fifteen (15) days of the stated due date are late and shall be subject to a late charge not to exceed ten percent (10%) of the delinquent assessment or ten dollars (\$10), whichever is greater.
5. Interest charge at the rate of 12% per annum will be assessed against any outstanding balance including delinquent assessments, late charges, and costs of collection, which may include attorneys' fees. 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.
6. 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. Any unpaid balance shall be subject to a late charge and interest as provided above.
7. If an assessment is not received within thirty (30) days after the assessment becomes due, the Association or its designee, will send a pre-lien letter to the owner as required by Civil Code Section 5660 by certified and first class mail, to the owner's mailing address of record advising of the delinquent status of the account, impending collection action and the owner's right to request that the Association participate in some form of internal dispute resolution process ("IDR"). The owner will be charged a fee for the pre-lien letter. Notwithstanding the provisions of this paragraph, the Association may (i) send a pre-lien letter to a delinquent owner at any time when there is an open escrow involving the Owner's Unit/Lot, and/or (ii) issue a pre-lien letter immediately if any special assessment becomes delinquent.

SPRING VALLEY LAKE ASSOCIATION DELINQUENT ASSESSMENT COLLECTION POLICY

8. If an owner fails to pay the amounts set forth in the pre-lien letter and fails to request IDR within thirty (30) days of the date of the pre-lien letter, the Board shall decide, by majority vote in an open meeting, whether to authorize the Management Company or the collection attorney to record a lien for the amount of any delinquent assessments, late charges, interest and /or costs of collection, including attorneys' fees, against the owner's property. The owner will be charged for the fees and costs of preparing and recording the lien. The lien may be enforced in any manner permitted by law, including, without limitation, judicial or non-judicial foreclosure (Civil Code Section 5700(a)).

9. Once the matter has been transferred to the collection attorney, the collection attorney may be authorized to commence a non-judicial foreclosure action to enforce the lien if and/or when thirty (30) days has passed since the lien was recorded and either (a) the delinquent assessment amount totals One Thousand, Eight Hundred Dollars (\$1,800) or more, excluding accelerated assessments and specified late charges and fees or (b) the assessments are delinquent for more than twelve (12) months. An owner could lose ownership of the property if a foreclosure action is completed. Owners will be responsible for significant additional fees and costs if a foreclosure action is commenced against your property.

10. The decision to foreclose on a lien must be made by a majority of the Board of Directors in an Executive Session meeting and the Board of Directors must record their votes in the minutes of the next open meeting of the Board. The Board must maintain the confidentiality of the delinquent owner(s) by identifying the matter in the minutes by only the parcel number of the owner's property. Prior to initiating any foreclosure sale on the recorded lien, the Association shall offer delinquent homeowners the option to participate in IDR or Alternative Dispute Resolution ("ADR").

11. An owner is entitled to inspect the Association's accounting books and records to verify the amounts owed pursuant to Corporations Code Section 8333.

12. In the event it is determined that the owner has paid the assessments on time, the owner will not be liable to pay the charges, interest, and costs of collection associated with collection of those assessments.

13. An owner has the right to dispute the assessment debt by submitting a written request for dispute resolution to the collection attorney for delivery to the association pursuant to Article 2 (commencing with Section 5900) of Chapter 10 of the Civil Code.

14. An owner has the right to request alternative dispute resolution with a neutral third party pursuant to Article 3 (commencing with Section 5925) of Chapter 10 of the Civil Code 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.

15. Any owner who is unable to pay assessments will be entitled to make a written request for a payment plan to the collection attorney to be considered by the Board of Directors. An owner may also request to meet with the Board in executive session to discuss a payment plan if the payment plan request is mailed within fifteen (15) days of the postmark date of the pre-lien letter. The Board will consider payment plan requests on a case-by-case basis and is under no obligation to grant payment plan requests. Payment plans shall not interfere with the Association's ability to record a lien on an owner's separate interest to secure payment for the owner's delinquent assessments. If the Board authorizes a payment plan, it may incorporate payment of ongoing assessments that accrue during the payment plan period. If a payment plan is approved, additional late fees from the homeowner will not accrue while the owner remains current under the terms of the payment plan. If the owner breaches an approved payment plan, the Association may resume its collection action from the time the payment plan was approved.

**SPRING VALLEY LAKE ASSOCIATION
DELINQUENT ASSESSMENT COLLECTION POLICY**

16. Nothing herein limits or otherwise affects the Association's right to proceed in any lawful manner to collect any delinquent sums owed to the Association.

17. Prior to the release of any lien, or dismissal of any legal action, all assessments, late charges, interest, and costs of collection, including attorneys' fees, must be paid in full to the Association.

18. The Association shall charge the owner a Twenty-Five Dollar (\$25.00) fee for the first check tendered to the Association that is returned unpaid by the owner's bank and Thirty-Five Dollars (\$35.00) for each subsequent check passed on insufficient funds. If the check cannot be negotiated, the Association may also seek to recover damages of at least One Hundred Dollars (\$100.00), or, if higher, three (3) times the amount of the check up to One Thousand, Five Hundred Dollars (\$1,500.00) pursuant to Civil Code Section 1719.

19. Owners have the right to provide a secondary address for mailing for purposes of collection to the Association. The owner's request shall be in writing and shall be mailed to the Association in a way that shall indicate that the Association has received it. An owner may identify or change a secondary address at any time, provided that, if a secondary address is identified or changed during the collection process, the Association shall only be required to send notices to the indicated secondary address from the point the Association receives the request.

20. All charges listed herein are subject to change upon thirty (30) days' prior written notice.

21. Until the owner has paid all amounts due, including delinquent assessments, late charges, interest and costs of collection, including attorneys' fees, the Board of Directors may suspend the owner's right to vote, and suspend the owner's right to use the Association's recreational facilities after providing the owner with a duly noticed hearing pursuant to Civil Code Section 5855. However, any suspension imposed shall not prevent the delinquent owner from the use, benefit and pleasure of the owner's lot.

22. The mailing address for overnight payment of assessments is:

**TOTAL PROPERTY MANAGEMENT
2301 DUPONT DRIVE, STE 100
IRVINE, CA 92612**

23. The mailing address if your account is in collections:

**ALTERRA ASSESSMENT RECOVERY, LLC
ATTENTION: COLLECTIONS DEPARTMENT
30 ENTERPRISE, SUITE 320
ALISO VIEJO, CA 92656**

SPRING VALLEY LAKE ASSOCIATION DELINQUENT ASSESSMENT COLLECTION POLICY

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 FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure, or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that 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). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial 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 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 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 guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

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. (Section 5675 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, 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. (Section 5660 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is

SPRING VALLEY LAKE ASSOCIATION DELINQUENT ASSESSMENT COLLECTION POLICY

required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 5685 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, the owner 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. (Section 5655 of the Civil Code)

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 cost, or monetary penalty imposed as a disciplinary measure, and by so doing, 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 the 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. (Section 5685 of the Civil Code)

MEETINGS 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. (Section 5665 of the Civil Code)

The board 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 5665 of the Civil Code)

(b) An association distributing the notice required by this section to an owner of an interest that is described in Section 11212 of the Business and Professions Code that is not otherwise exempt from this section pursuant to subdivision (a) of Section 11211.7 of the Business and Professions Code may delete from the notice described in subdivision (a) the portion regarding meetings and payment plans.

ALTERNATIVE DISPUTE RESOLUTION SUMMARY

California *Civil Code* Sections 5925 through 5965 require community associations and their homeowners to offer to participate in some form of Alternative Dispute Resolution (“ADR”) prior to initiating certain types of lawsuits in superior court. ADR means mediation, arbitration, conciliation, or other non-judicial procedure that involves a neutral party in the decision making process. ADR may either be binding or non-binding, as may be agreed to by the parties. This Summary of the ADR statutes is being distributed as required by California *Civil Code* Section 5960.

I. When ADR Must be Offered Prior to Initiating Enforcement Action:

An association or an owner may not file certain lawsuits in superior court unless an effort has been made to submit the dispute to ADR as required by law. Generally, ADR must be offered before filing a civil action or proceeding that seeks:

- A. A judicial declaration of the rights and responsibilities of the parties, only; or
- B. A writ of mandate or a writ of prohibition, only; or
- C. Permanent injunctive relief only; or
- D. Declaratory relief, writ relief, or injunctive relief, combined with a claim for monetary damages of five thousand dollars or less

It is not necessary to offer ADR prior to filing any other type of superior court action, or prior to filing any type of small claims action. Except as otherwise provided by law, the ADR requirement does **not** apply to an assessment dispute.

II. Compliance Procedures:

The ADR process is initiated by one party serving all other parties with a “Request for Resolution,” which shall include:

- A. A brief description of the dispute between the parties;
- B. A request for ADR;
- C. When directed to an owner, the request must be accompanied by a copy of the ADR statutes;
- D. Service of the Request must be by personal delivery, first-class mail, express mail, facsimile transmission, or other means reasonably calculated to provide the intended recipient actual notice of the Request;
- E. A notice to all parties that they are required to respond within 30 days of receipt, or else the offer of ADR is deemed rejected; and
- F. If the Request is accepted, ADR must be completed within 90 days of the receipt of the acceptance, unless the parties sign a written agreement extending the completion date.

The cost of ADR is to be borne by the parties. Unless the parties agree, no oral or written evidence or statements made in an ADR proceeding, other than arbitration, are admissible as evidence in a later lawsuit. Each homeowner should consult with his or her own attorney regarding appropriate compliance with the ADR statutes.

III. Failure to Participate in Some Form of ADR Prior to Enforcement Action:

Should a party unreasonably refuse to participate in ADR before the lawsuit is filed, the court may, in its discretion, take this refusal into consideration in determining the amount of attorneys' fees and costs ultimately awarded at trial. In accordance with the disclosure requirement of California *Civil Code* Section 5965, please be advised that:

“Failure of a member of the Association to comply with the alternative dispute resolution requirements of Section 5930 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”

IV. Association's Policy of Early Dispute Resolution:

In accordance with the California *Civil Code*, a fair, reasonable, and expeditious procedure exists for resolving disputes between the Association and an owner involving their rights, duties or liabilities under the Davis-Stirling Common Interest Development Act, the Nonprofit Mutual Benefit Corporation Law, or the Association's governing documents. The procedure supplements, but does not replace the ADR process summarized above. The procedure follows:

- A. Either party may request the other, in writing, to meet and confer. While a homeowner may refuse a request to meet and confer, the Association may not.
- B. The Board shall designate a member of the Board to meet and confer with the owner.
- C. The parties shall meet promptly at a mutually convenient time and place to explain their positions and confer in good faith in an effort to resolve the dispute.
- D. A resolution of the dispute shall be memorialized in writing and signed by the parties.
- E. An agreement reached using this procedure binds the parties and is judicially enforceable if it is not in conflict with law or the governing documents and the agreement is either consistent with the authority granted by the Board of Directors to the Board member who met with the owner, or if the agreement is ratified by the Board.
- F. An owner may not be charged a fee to participate in the process.