

# MEMORANDUM

**TO:** MEMBERS, CANYON LAKE PROPERTY OWNERS ASSOCIATION

**FROM:** BOARD OF DIRECTORS, CANYON LAKE PROPERTY OWNERS ASSOCIATION

**DATE:** MAY, 2010

**RE:** DISCLOSURE OF SELECTED LITIGATION MATTERS

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The Association has determined certain claims made against or by the Association in various pending matters may be material to the interests of the Association's members. This memorandum advises the members of the existence of these claims. This memorandum does not disclose cases brought against the Association which are considered minor (typically, small-claims or limited-jurisdiction matters). It also does not disclose most cases brought by the Association (typically, assessment and covenant-enforcement actions) unless significant cross-claims have been advanced against the Association. The lawsuits reported on herein, as well as other lawsuits in which the Association is a party, are a matter of public record available for review at the courthouse where the case is venued.

## PENDING MATTERS

1. **Canyon Lake Property Owners Association vs. Pardee Homes, et al.** (Riverside County Superior Court Case No. RIC 513176). In a Complaint filed November 18, 2008, the Association asserts that Pardee Homes breached its June, 2006, contract with the Association by failing to pay for and install a property-line fence between the Association and Pardee's subdivision after Pardee had removed the then-existing perimeter fence to perform grading work for its subdivision. Earlier this year, Pardee Homes began construction of the property-line fence. In light of Pardee's recent work, the Association is optimistic this lawsuit may be resolved in the near future. No trial date has been set.
2. **Williams vs. American Home Mortgage Servicing, Inc., et al.** (Riverside County Superior Court Case No. RIC 517687). In a Complaint filed January 21, 2009, plaintiff in pro per filed a lawsuit alleging predatory lending and seeking to quiet title to a lot in Canyon Lake. The original Complaint does not name the Association as a defendant. The Association was later brought into the action by a "Doe" amendment. No specific allegations have been made by plaintiff against the Association. The Association denies any liability or fault. No trial date has been set.

## MATTERS THAT HAVE BEEN RESOLVED

3. **Bolanos vs. Canyon Lake Property Owners Association, et al.** (former Los Angeles County Superior Court Case No. BC 358584; Riverside County Superior Court Case No. RIC 468434). In a Complaint filed September 15, 2006, Mr. Bolanos, a non-member of the Association, asserted that the Canyon Lake reservoir is open to the public. Mr. Bolanos also named the Elsinore Valley Municipal Water District (the Association's landlord and the fee owner of the reservoir), the State Water Resources Board, the County of Riverside, the City of Canyon Lake, and Barton Protective Services as defendants. The Association's insurers defended the Association subject to reservations of rights.

In addition to seeking declaratory relief and injunctive relief regarding various claims Mr. Bolanos advanced related to the alleged rights of the public to use the reservoir, the Complaint sought monetary damages (compensatory and punitive) on behalf of Mr. Bolanos for alleged violations of his civil rights and an alleged false arrest of the plaintiff. The Association denied all the plaintiff's claims.

Following the Superior Court's determination of no duty to provide public access to the reservoir and the dismissal of subsequent appeals by plaintiff of that decision, the case was settled for a waiver of court costs, and a dismissal with prejudice was entered on December 1, 2009.

4. **Sesma, et al. vs. List, et al.** (Riverside County Superior Court Case No. RIC 515447). In a Complaint filed December 17, 2008, plaintiffs allege they were assaulted and injured in connection with a New Year's Eve party at a private residence located within the Canyon Lake development. The alleged assault was committed by third parties. The Association denied any responsibility or liability for plaintiffs' damages. The Association was provided a defense by its insurer. Following successful demurrers to the Complaint by the Association, the plaintiff dismissed the Association with prejudice in exchange for a waiver of court costs. That dismissal with prejudice was filed on November 16, 2009.

Because the pending cases are in litigation and/or administrative proceedings, Association directors, officers and managers have been advised not to comment publicly on these issues. The Association will endeavor to keep members further advised in writing as circumstances warrant.