



# CANYON LAKE PROPERTY OWNERS ASSOCIATION PRO FORMA BUDGET SUMMARY

FOR THE FISCAL YEAR MAY 1, 2011 THROUGH APRIL 30, 2012

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Property owners should keep this budget summary and the audited financial statements (The CLPOA Annual Report; sent under separate cover) with their property records in order to provide prospective purchasers with current Association financial statements.

## I. AVAILABILITY OF 2011/2012 PRO FORMA OPERATING BUDGET

The 2011/2012 Pro Forma Operating Budget is available at the Association's Administrative Offices. A copy will be provided at the Association's expense to a member upon request. If any member requests a copy of the 2011/2012 Pro Forma Operating Budget be mailed to the member, the Association shall provide the copy to the member by first-class United States mail at the Association's expense. Delivery by mail shall be within five days of receipt of the request.

## II. APPROVED ASSESSMENT FOR THE 2011/2012 FISCAL YEAR

The Canyon Lake Property Owners Association Board of Directors has established the Annual charges for 2011-2012 to be \$1,817.08 per lot for the Operating Expenses and \$822.92 per lot for contributions to Capital which consists of a Community Facilities Development Fund and reserve accounts set aside for major repair and replacement of Association assets, for a total sum of \$2,640 per lot. The Board of Directors has determined that the Assessment amount of \$2,640 will be sufficient for the fiscal year 2011-2012, and does not anticipate a special assessment to repair, replace, or restore any major component.

Property owners have the option of paying the 2011-2012 Annual Assessment in monthly installments plus a per month fee. A coupon payment book will be provided to each member. The Association will mail monthly statements for accounts with charges owing including past due assessments.

## III. AVAILABILITY OF MINUTES OF BOARD OF DIRECTORS MEETINGS

The minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board of Directors, other than an Executive Session, shall be available to members within 30 days of the meeting. The minutes, proposed minutes, or summary minutes (if any) shall be distributed to any member of the Association upon request and upon reimbursement of (or an agreement to reimburse) the Association's costs for making that distribution. Requests for minutes may be submitted to the Association, in writing, at the Association's Administration Office and the minutes will be produced or distributed to the member, as appropriate, at a reasonable time.

## IV. RESERVES AND COMMUNITY FACILITIES DEVELOPMENT FUND

The Association has established reserve accounts to fund the future repair or replacement of the major components the Association is obligated to maintain, and a Community Facilities Development Fund, for projects consisting primarily of Park and Recreation facilities, by the Board of Directors. The reserve accounts (Repair Replacement Reserve and the Road Reserve) are outlined below separately, followed by a summary of the combined totals of the funds. This section also contains a brief description of the Community Facilities Development Fund.

*NOTE: The financial representations set forth in this section are based on the best estimates of the preparer at that time. The estimates are subject to change.*

### A. REPAIR REPLACEMENT RESERVE

The Association has a Repair Replacement Reserve study prepared at least every three years, to estimate the timing and cost of future repairs and replacements for Association property and equipment, excluding common area streets maintained by the Association. The reserve study is reviewed annually. (The Association performs a separate reserve study for the streets, see Section IV.B below.) The most recent Repair Replacement Reserve study was completed in September of 2008. The study is reviewed annually and the next update is expected to occur in June of 2011.

Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5, the estimated amount required in the Reserve Fund is \$7,698,958 at the end of the current fiscal year, based in whole or in part on the last reserve study prepared by Felix Reserve Group of September 2008. The projected Reserve Fund cash balance at the end of the current fiscal year is \$6,897,000 resulting in reserves being 90% funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is N/A. (no alternate method considered).

Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5 of the Civil Code, the estimated amount required in the Reserve Fund at the end of each of the next five budgeted years is:

Year Ending 30-Apr	Estimated amount required in the reserve fund	Projected reserve fund cash balance based on 2008 reserve study*	% reserve funding	Projected reserve fund cash balance based on 2008 reserve study*	% reserve funding
1 2012	7,584,457	7,691,568	98%	8,131,349	102%
2 2013	6,529,287	8,100,369	99%	8,540,154	100%
3 2014	6,666,008	8,593,488	78%	8,133,277	100%
4 2015	9,038,687	7,299,280	81%	9,839,672	109%
5 2016	9,572,334	7,918,434	83%	10,458,290	109%

\* Since the Assessments are approved on an annual basis this cash balance assumes funding at the same level as approved for 2012.  
\*\* The expected balances reported in the column also assumes funding continues at the same level as approved for 2012.

### B. ROAD RESERVE

A separate study was conducted by a licensed engineer to estimate the timing and cost of future repairs and replacements for 36 miles of 2-way common streets within the Association.

Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5, the estimated amount required in the Reserve Fund is \$16,690,794 at the end of the current fiscal year, based in whole or in part on the last reserve study prepared by Albert A. Webb and Associates as of September of 2006 and updated in May of 2008. The projected Reserve Fund cash balance at the end of the current fiscal year is \$4,319,000, resulting in reserves being 40% funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is N/A. (no alternate method considered).

Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5 of the Civil Code, the estimated amount required in the Reserve Fund at the end of each of the next five budgeted years is:

Year Ending 30-Apr	Estimated amount required in the reserve fund	Projected reserve fund cash balance based on 2008 reserve study*	% reserve funding	Projected reserve fund cash balance based on 2008 reserve study*	% reserve funding
1 2012	11,311,275	5,989,000	53%	4,713,750	42%
2 2013	11,086,377	6,669,000	59%	5,827,236	47%
3 2014	11,354,591	8,319,000	73%	7,402,236	65%
4 2015	12,245,211	10,019,000	82%	8,177,236	78%
5 2016	12,126,832	8,616,000	53%	5,649,810	47%

\* Since the Assessments are approved on an annual basis this cash balance assumes funding at the same level as approved for 2012.  
\*\* The expected balances reported in the column also assumes funding continues at the same level as approved for 2012.

The Board commissioned an updated Road Reserve Study in 2010 will be delivered to the Board in March/April, 2011. The balances will be updated at that time.

### C. ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY FOR THE FISCAL YEAR ENDING APRIL 30, 2012

(1) The regular assessment per ownership interest is \$2,640.00 per year.

(2) Additional regular or special 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: None

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

(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? N/A

(5) All major components are included in the reserve studies and are included in their calculations.

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5, the estimated amount required in the Reserve Fund at the end of the current fiscal year is \$18,377,508, based in whole or in part on the last reserve studies and updates (Repair Replacement reserve study prepared by Felix Reserve Group in September of 2008; Road Reserve prepared by Albert A. Webb and Associates as of September of 2006, last updated in May of 2008). The projected Reserve Fund cash balance at the end of the current fiscal year is \$11,216,000 resulting in reserves being 60% funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is N/A. (no alternate method considered).

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5 of the Civil Code, the estimated amount required in the Reserve Fund at the end of each of the next five budgeted years, the projected Reserve Fund cash balance in each of those years, and the resulting percent reserve is funded are as follows:

Year Ending 30-Apr	Estimated amount required in the reserve fund	Projected reserve fund cash balance based on 2008/2008 reserve study*	% reserve funding	Projected reserve fund cash balance based on 2008/2008 reserve study*	% reserve funding
1 2012	19,309,732	13,660,568	71%	12,645,009	67%
2 2013	20,391,644	14,789,269	72%	14,167,200	69%
3 2014	20,815,489	14,812,448	75%	16,535,513	83%
4 2015	20,783,898	17,318,289	83%	19,018,208	91%
5 2016	21,708,166	14,334,494	66%	16,107,900	74%

\* Since the Assessments are approved on an annual basis this cash balance assumes funding at the same level as approved for 2012.  
\*\* The expected balances reported in the column also assumes funding continues at the same level as approved for 2012.

The foregoing chart also reflects the projected Reserve Fund cash balance in each of the next five years, if the reserve funding plan approved by the Association is implemented, and the resulting percent funded.

Note: The financial representations set forth in this summary are based

on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on the Reserve Fund was zero percent per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was three percent per year.

### D. COMMUNITY FACILITIES DEVELOPMENT FUND

The Community Facilities Development Fund was established to fund projects designated by the Board of Directors, consisting primarily of Parks and Recreation facilities. The estimated cash balance of the fund available for expenditures is expected to be \$1,770,000 as of May 1, 2011.

### V. OUTSTANDING LOANS

The Association has one outstanding loan which is in relation to the land and building located at 31512 Railroad Canyon Road, Canyon Lake CA 92587. The note holders include HUB Enterprises, Mr. and Mrs. Ronald Harley and Mr. and Mrs. Steve Gibson. The original note was taken on December 28, 2004 in the amount of \$950,000 at 6.75% and the payments were based on a 15 year term, however the note comes due for either a renewal or refinance on December 28, 2012 at which time the balance will be \$561,537. The monthly amount due is \$8,407 or \$100,884 per year. The current amount outstanding as of May 01, 2011 will be \$660,545.

### VI. MEMBER IN GOOD STANDING POLICY

The Board of Directors of the Canyon Lake Property Owners Association adopted a Resolution defining a Member in Good Standing and providing for future membership privileges which shall be restricted, limited and/or suspended (following notice and a hearing) as they relate to members who are not in "good standing." In summary, a Member in Good Standing is a member who does not have any unpaid fines or past due assessments (annual charges and/or special assessments), late charges, horse boarding fees, lot clearing charges, or any other charges against any of his/her properties. Suspended privileges may include any or all use of the Association facilities (i.e., golf course, boating, pool use).

### VII. 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 to enforce the members' obligation to pay assessments. The Board has adopted this Collection Policy in an effort to discharge that obligation in a fair, consistent and effective manner. The following are the Association's assessment collection practices and policies, pursuant to Civil Code ("CC") §136(e), and payment plan standards consistent with CC §1367.1(e)(3):

**1) Due Dates:** Regular Annual Assessments are due and payable on May 1 of each year. It is the owner's responsibility to timely pay each assessment regardless of whether a statement is received. All other assessments, including special assessments, are due and payable on the date specified in the notice of assessment.

**2) Installment Options:** Each owner who does not pay his or her Annual Assessment in full by May 15th will automatically be put on a 12-month payment plan, with one twelfth of the Annual Assessment due on the first day of each month, commencing on May 1, and such owners will be billed an installment charge of \$5.00 for the use of the Association's Automatic Payment Service or \$10.00 per month for conventional payment methods (i.e., check, money order, credit card) to cover the administrative expenses related to the processing.

**3) Obligation to Pay:** Assessments, installment charges, late charges, interest, reasonable collection costs, and reasonable attorneys' fees, if any, are the personal obligation of the owner of the subject property (the "Property") at the time the assessment or other sums are levied. (CC §1367.1(a))

**4) Late Charges:** Unpaid assessments/installments are delinquent 15 days after they are due. (CC §1366(e)) A late charge of 10% of the assessment installment amount will be charged for any assessment/installment which is not paid in full within 15 days of the due date. (CC §1366(e)(2))

**5) Interest:** Interest on the balance due will accrue at the rate of 12% per annum commencing thirty (30) days after the assessment or installment becomes due. (CC §1366(e)(3))

**6) Application of Payments:** Any payments received will be applied first to assessments owed, and only after the assessments owed are paid in full will the payments be applied to fees and costs of collection, late charges and/or interest. Payments will be applied to assessments to that the oldest assessment arrearages are retired first, unless the payment indicates that it shall be otherwise applied. A late charge may accrue if payment is not sufficient to satisfy all delinquent assessments, and the current month's assessment. Payments will be applied to fines only after all outstanding assessments, late charges, interest, collection costs and/or attorneys' fees are retired. No payment will be applied to future amounts if there are any outstanding balances owed, including any amounts owed for fines.

**7) Delinquency Notice:** If any assessment becomes delinquent the Association will send a notice regarding the delinquency, and demanding payment thereof, to the owner at his/her address or addresses on file with the Association. The owner may be charged a fee for such delinquency notice. If the amount set forth in the delinquency notice is not received before the due date set forth therein, the matter may be turned over to a collection agent or an attorney for further action, including legal action, or the Association may take such other collection action as it deems appropriate.

**8) Right to Submit Secondary Address:** Owners may submit a written request to the Association to use a secondary address for purposes of collection notices. Any such request must be mailed to the Association (at the address indicated below) in a manner that shall indicate that the Association has received it (e.g., via certified mail). (CC §1367.1(k)) The Association will send notices to the indicated secondary address from and after the point that the Association receives any such request. Nothing herein shall require the Association to re-send or duplicate any notice sent to the owner prior to the date that a request for a secondary address is received.

**9) Suspension of Privileges:** Without prejudice to its right to continue with and/or take other collection action, in the event an assessment is not paid within 15 days of its due date, an owner's membership rights, including but not limited to voting rights, or rights of use and enjoyment of the recreational com-

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mon areas and common facilities may be suspended after notice and a hearing pursuant to CC §1363(h) and Corporations Code §7341. The Association will not deny an owner or occupant physical access to his or her separate interest by way of any such suspension of privileges. (CC §1361.5)

**10) Pre-Lien Notice:** Prior to recording a lien for delinquent assessments, the Association, its collection agent or attorney will send a pre-lien letter to the record owner as required by CC §1367.1(a), by certified and first class mail to the owner's address of record with the Association. The owner will be charged a fee for such pre-lien letter. The Association may obtain a vesting report from a title company in connection with preparation of a pre-lien letter. If a vesting report is obtained, the owner will be charged a fee for the report.

**11) Opportunity to Meet and Confer:** An owner may dispute the debt notified in the pre-lien letter by submitting to the Board a written request to meet and confer with a designated Director of the Association pursuant to the Association's Internal Dispute Resolution Policy adopted pursuant to CC §1363.810. (CC §1367.1(a)(5))

**12) Right to Request a Payment Plan:** Owners may submit a written request to meet with the Board to discuss a payment plan. If such request is mailed within 15 days of the postmark of the pre-lien notice, the Board will meet with the owner, in Executive Session, within 45 days of the postmark of such request, unless there is no regularly scheduled meeting of the Board within that period of time, in which case the Board may designate a committee of one or more Directors to meet with the owner. (CC §1367.1(c)(3)) In addition to the foregoing procedure for requesting a payment plan, an owner may negotiate a payment plan with the Association's managing agent, attorney or authorized collection agent.

**13) Standards for Payment Plans:** Payment plans will be considered on a case-by-case basis. Generally, no payment plan may exceed six (6) months in duration. Fees and/or costs may be charged for the administration of any payment plan, and may vary based upon the duration of the payment plan. Any request for a payment plan which exceeds six months in duration must be accompanied by a written explanation of the reason for the request, which includes documentation of the owner's special circumstances, financial hardship, and ability to make the payments requested. If a lien has not been recorded prior to the time that any payment plan is entered into, one may be recorded during the repayment period to secure the debt while the payment plan is pending. Payment plans must provide for full payment of the delinquent amounts, in addition to the amounts which will accrue during the repayment period, including any regular and/or special assessments, and any fees and/or costs related to the administration of the payment plan and/or for the recording and/or release of any lien. Once a payment plan is entered into, additional late charges will not accrue for so long as the owner complies with the terms of the payment plan. In the event of a default in any payment agreement, the Association will resume collection efforts from the time prior to entering into the payment plan. (CC §1367.1(c)(3))

**14) Lien:** If an owner to whom a pre-lien letter is sent fails to pay the amounts demanded therein within thirty (30) days from the date such pre-lien letter is mailed, a lien for the amount of any delinquent assessments, late charges, interest and/or costs of collection, including attorneys' fees may be recorded against the owner's Property. (CC §1367.1(d)) The owner will be charged a fee for such lien. No lien will be recorded unless a majority of the members of the Board of Directors approves the decision to record the lien at an open Board meeting. (CC §1367.1(b)(2))

**15) Notice of Recordation of Lien:** A copy of the lien will be sent to every person whose name is shown as an owner of the Property in the Association's records, via certified mail, within ten (10) calendar days of recordation of the lien. (CC §1367.1(d))

**16) Dispute Resolution:** Prior to initiating foreclosure of any lien, the Association shall offer to the owner of the Property, and if so requested by the owner, shall participate in dispute resolution in accordance with the Association's Internal Dispute Resolution Policy, or in Alternative Dispute Resolution with a neutral third party pursuant to CC §1369.510 et seq. The decision to pursue Internal Dispute Resolution or a particular type of Alternative Dispute Resolution shall be the choice of the owner, except that binding arbitration shall not be available if the Association intends to pursue judicial foreclosure.

**17) Foreclosure of Lien:** The Association will not seek to foreclose any lien through judicial or non-judicial foreclosure unless and until the amount of delinquent assessments secured thereby reaches \$1,800.00, or until the assessments are at least twelve (12) months delinquent. The decision to initiate foreclosure of any lien shall be made by a majority vote of the Board members, in Executive Session.

**18) Notice to Owner of Decision to Foreclose:** If the Board of Directors decides to initiate foreclosure of a lien, it shall provide notice of such decision to the owner pursuant to CC §1367.1(c)(3). Such notice will be by personal service to an owner who occupies the Property or to the owner's legal representative. The Board shall provide written notice to an owner of Property who does not occupy the Property by first class mail, to 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 Property shall be treated as the owner's mailing address. (CC §1367.1(c)(3))

**19) Release of Lien Upon Satisfaction of Debt:** Within 21 days of receipt of full payment to satisfy a lien, the Association will record a release of lien, and provide a copy thereof to the owner. (CC §1367.1(d))

**20) Right to Inspect Records:** Owners have the right to inspect certain Association records pursuant to Corporations Code §8333 to verify the debt.

**21) Association's Address:** Any payments, including overnight payments, notices or requests sent to the Association should be delivered to 31512 Railroad Canyon Road, Canyon Lake, CA 92587.

**22) Association's Right to Collect by Any Lawful Means:** Nothing herein limits or otherwise affects the Association's right to proceed in any other lawful manner to collect any delinquent sums owed to the Association. The Association reserves the right to change the amount of any collection fee or charge, without notice, and reserves the right to modify or amend this collection policy at any time.

**VIII. DISPUTE RESOLUTION**

Under certain circumstances, the Association or a member is required to offer to participate in a form of Alternative Dispute Resolution ("ADR") prior to initiating an "Enforcement Action" (Civil Code §1369.520). The Association or a member may also invoke, in certain circumstances, the Internal Dispute Resolution ("IDR") procedures of Civil Code §1363.840. Homeowners should consult with their attorney regarding appropriate compliance with these statutes.

**A. ALTERNATIVE DISPUTE RESOLUTION ("ADR")**

The term Enforcement Action is defined as a civil action or proceeding (other than a cross complaint) filed by a homeowner or the Association:

- (1) To enforce the provisions of the Davis-Stirling Act (Civil Code §1350, et seq.), the Nonprofit Mutual Benefit Corporation Law of the California Corporations Code or the Association's governing documents; and
- (2) Where the action is solely for declaratory, injunctive, or writ relief, or for that relief in conjunction with a claim for monetary damages not in excess of the jurisdictional limits of the small claims court stated at Sections 116.220 and 116.221 of the Code of Civil Procedure.

The Association or member may not file an Enforcement Action unless the party endeavored to submit the dispute to ADR pursuant to Civil Code §1369.510. This requirement does not apply to a small claims action and, except as otherwise provided by law, to an assessment dispute.

The ADR process is initiated by one party to a dispute involving all other parties to the dispute with a "Request for Resolution" that includes the following:

- (1) A brief description of the dispute between the parties;
- (2) A request for Alternative Dispute Resolution;

(3) Notice that the party receiving the Request for Resolution is required to respond within 30 days of receipt of the request will be deemed rejected; and

(4) If the party on whom the request is served is the owner of a separate interest, a copy of Civil Code §§ 1369.510 - 1369.590.

If the party to whom a Request for Resolution is served accepts the request, the parties shall complete the ADR within 90 days unless the 90 day period is extended by written stipulation signed by both parties. The costs of the Alternative Dispute Resolution shall be borne by the parties.

Failure of a member of the Association to comply with the Alternative Dispute Resolution requirements of § 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. The court, in the process of determining the amount of an attorney's fees award, may consider whether a party's refusal to participate in ADR before commencement of the action was reasonable.

**B. INTERNAL DISPUTE RESOLUTION ("IDR")**

As a supplement to the pre-litigation ADR requirements discussed above, the Association also intends to make available and utilize the Internal Dispute Resolution ("IDR") procedure of Civil Code § 1363.840. That procedure and the process for invoking it are as follows:

(1) Either the Association or a member may request the other party to meet and confer in an effort to resolve the dispute. The request shall be in writing.

(2) A member of the Association may refuse a request to meet and confer. The Association may not refuse a request to meet and confer.

(3) The Association's Board of Directors shall designate a member of the Board to meet and confer.

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

(5) A resolution of the dispute agreed to by the parties shall be memorialized in writing and signed by the parties, including the Board designee on behalf of the Association. An agreement reached under this process binds the parties and is judicially enforceable if both of the following conditions are satisfied:

(a) The agreement is not in conflict with law or the governing documents of the Association; and

(b) 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. A member of the Association may not be charged a fee to participate in the IDR process.

**IX. 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 non-judicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or non-judicial 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 non-judicial foreclosure subject to the conditions set forth in Section 1367.4 of the Civil Code. When using judicial or non-judicial foreclosure, the Association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 1366, 1367.1, and 1367.4 of the Civil Code)

In a judicial or non-judicial foreclosure, the Association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The Association may not use non-judicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged by a member or a member's guests, if the governing documents provide for this. (Sections 1366 and 1367.1 of the Civil Code)

The Association must comply with the requirements of Section 1367.1 of the Civil Code when collecting delinquent assessments. If the Association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 1367.1 of the Civil Code) At least 30 days prior to recording a lien on an owner's separate interest, the Association must provide the owner of record with certain documents by certified mail, 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 1367.1 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 1367.1 of the

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

**PAYMENTS**

When an owner makes a payment, he or she may request a receipt, and the Association is required to provide it. On the receipt, the Association must indicate the date of payment and the person who received it. The Association must inform owners of a mailing address for overnight payments. (Section 1367.1 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 reserves 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 5 (commencing with Section 1368.810) of Chapter 4 of Title 6 of Division 2 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 2 (commencing with Section 1369.510) of Chapter 7 of Title 6 of Division 2 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 1367.1 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 1367.1 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 to the payment plan standards of the Association, if they exist. (Section 1367.1 of the Civil Code)

**X. LIMITS OF INSURANCE**

The Association maintains one or more policies of insurance, which include coverage for (1) general liability of the Association, and (2) individual liability of Officers and Directors of the Association for negligent acts or omissions of those persons acting in their capacity as Directors and Officers. Pursuant to California Civil Code Section 1365(f), members are hereby notified that the Association carries insurance policies in the following amounts and types:

(a) Policy Type:	General Liability Policy
Policy Limits:	\$2 Million General Aggregate
Policy Carrier:	Philadelphia Insurance Company
Policy Deductible:	None or \$0 except \$1,000 for Liquor and Employee Benefits Liability
(b) Policy Type:	Umbrella Liability Policy
Policy Limits:	\$10 Million Each Occurrence / Aggregate
Policy Carrier:	Philadelphia Indemnity Insurance Company
Policy Retention:	\$10,000
(c) Policy Type:	Directors' and Officers' Liability Policy
Policy Limits:	\$2 Million
Policy Carrier:	XL Specialty Insurance Company
Policy Retention:	\$50,000 each D&O Claim
	\$50,000 each Employment Practice Claim

This summary of the Association's Policies of Insurance provides only certain information, as required by subdivision (f) of section 1365 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association member may, upon request and provision of reasonable notice, review the Association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the Policies of Insurance specified in this summary, the Association's Policies of Insurance may not cover 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 their individual insurance broker or agent for appropriate additional coverage.

**XI. DISCLOSURE DOCUMENTS INDEX**

1. Assessment & Reserve Funding Disclosure Summary (form) - Civ. Code §1365.2.
2. Pro Forma Operating Budget or Pro Forma Operating Budget Summary - Civ. Code §1365(a).
3. Assessment Collection Policy - Civ. Code §1365(e) & 1367.1(a).
4. Notice/Assessments and Foreclosure (form) - Civ. Code §1365.1.
5. Insurance Coverage Summary - Civ. Code §1365(f).
6. Board Minutes Access - Civ. Code §1363.05(e).
7. Alternative Dispute Resolution (ADR) Rights (summary) - Civ. Code §1369.590.
8. Internal Dispute Resolution (IDR) Rights (summary) - Civ. Code §1363.850.
9. Architectural Changes Notice - Civ. Code §1378(c).
10. Secondary Address Notification Request - Civ. Code §1367.1(k).
11. Monetary Penalties Schedule - Civ. Code §1363(i).
12. Reserve Funding Plan (summary) - Civ. Code §1365(b).
13. Review of Financial Statement - Civ. Code §1365(c).
14. Annual Update of Reserve Study - Civ. Code §1365(a).



# CANYON LAKE PROPERTY OWNERS ASSOCIATION

## XII. Pro Forma Operating Budget by Department

*For the Fiscal Year May 1, 2011 through April 30, 2012*

#	DEPARTMENT	ASSESSMENT	OTHER REVENUES	TOTAL REVENUE	TOTAL EXPENDITURES	PER UNIT ASSESSMENT
11	Accounting.....	(30,823)	770,400	739,577	739,577	(6.42)
12	Corporate.....	1,359,488	12,000	1,371,488	1,371,488	283.23
13	Lake Operations.....	1,226,662	450,650	1,677,312	1,677,312	255.55
15	Human Resources.....	176,349	-	176,349	176,349	36.74
18	Lodge.....	156,970	-	156,970	156,970	32.70
19	Senior Center.....	9,980	-	9,980	9,980	2.08
20	Operations.....	2,259,379	12,000	2,271,379	2,271,379	470.70
21	Parks and Beaches.....	264,950	3,200	268,150	268,150	55.20
22	Common Areas.....	176,150	1,500	177,650	177,650	36.70
23	Gault Field.....	74,930	11,500	86,430	86,430	15.61
24	Tennis Courts.....	29,400	1,800	31,200	31,200	6.13
30	Member Services.....	(178,673)	504,550	325,877	325,877	(37.22)
31	Planning and Compliance.....	228,895	278,800	507,695	507,695	47.69
40	Community Patrol.....	1,198,680	156,000	1,354,680	1,354,680	249.73
50	Activities.....	183,057	11,900	194,957	194,957	38.14
52	Equestrian Center.....	103,768	167,396	271,164	271,164	21.62
53	Campground.....	54,036	207,925	261,961	261,961	11.26
54	Pool.....	209,265	23,200	232,465	232,465	43.60
60	Golf Course.....	883,992	662,820	1,546,812	1,546,812	184.17
70	Lighthouse.....	75,597	466,996	542,593	542,593	15.75
80	Country Club.....	259,966	624,250	884,216	884,216	54.16
<b>TOTALS.....</b>		<b>8,722,018</b>	<b>4,366,887</b>	<b>13,088,905</b>	<b>13,088,905</b>	<b>1,817.08</b>



## CANYON LAKE PROPERTY OWNERS ASSOCIATION

### XIII. Pro Forma Summary of Annual Charges

*For the Fiscal Year May 1, 2011 through April 30, 2012*

PRO FORMA BUDGET BY RESERVE ACCOUNT

	Assessment	Other Est. Income	Total Contribution
Repair & Replacement Reserve	1,400,000	-	1,400,000
Road Reserve	1,700,000	-	1,700,000
Community Facility Development	850,000	800,000	1,650,000
		<b>Total</b>	<b>Total per Lot</b>
REGULAR ASSESSMENT			
Operating		8,722,018	1,817.08
CONTRIBUTIONS TO CAPITAL			
Repair Replacement Reserve	1,400,000		291.67
Road Reserve	1,700,000		354.17
Community Facilities Development Fund	850,000		177.08
<b>Total</b>	<b>12,672,018</b>		<b>2,640.00</b>



## CANYON LAKE PROPERTY OWNERS ASSOCIATION

### XIV. Pro Forma Rate Schedule – Payment Options

*For the Fiscal Year May 1, 2011 through April 30, 2012*

ANNUAL PAYMENT OPTION

One Payment applied as follows

Regular Assessment	
Operating	1,817.08
Contribution to Capital	822.92
<b>Total Payment</b>	<b>2,640.00</b>

MONTHLY PAYMENT OPTION

12 Monthly payments as follows per month, due on the 1st day of each month commencing on May 1st.

	Standard	Using CLPOA APS Program
Regular Assessment		
Operating	151.42	151.42
Contribution to Capital	68.58	68.58
Installment Fee	10.00	5.00
<b>Total Monthly Payment</b>	<b>230.00</b>	<b>225.00</b>



# CANYON LAKE PROPERTY OWNERS ASSOCIATION

## XV. Schedule of Fees

For the Fiscal Year May 1, 2011 through April 30, 2012

### DUES — ASSESSMENTS

ANNUAL ASSESSMENT:	
GENERAL OPERATING.....	1,817.08
CONTRIBUTION TO CAPITAL.....	822.92
TOTAL.....	2,640.00

### ADMINISTRATIVE COSTS, FEES AND PERMITS

COLLECTION COSTS:	
INSTALLMENT FEES WITH CLPOA APS PROGRAM.....	5.00
INSTALLMENT FEE.....	10.00
LATE CHARGES.....	10%
INTENT TO LIEN CHARGE.....	100.00
LIEN FEES.....	300.00
FILE PREP FOR COLLECTION SERVICE.....	50.00
BAD CHECK CHARGES.....	30.00
INTEREST ON DELINQUENCIES.....	12%
PROCESSING FEES:	
ESCROW TRANSFER FEE.....	275.00
ESCROW DOCUMENT FEE.....	275.00
LOT CLEARING ADMINISTRATION FEE (50% Discount if paid Early).....	200.00
SELF HELP REPAIR ADMINISTRATION FEE.....	200.00
GUEST LIST - PARTY LIST LESS THAN 24 HRS EXPEDITE FEE.....	25.00
LEASE FEE.....	150.00
LEASE FEE - RENEWAL.....	50.00
LEASE FEE - AMENDMENT FEE (changes made after 30 days of submittal).....	50.00
ID CARD (over the prescribed limit of 6).....	35.00
LOST ID CARD OR DECAL.....	35.00
LOST TRANSMITTER (for 3961 Residents Only).....	100.00
COPYING (including CC&R's) - PER PAGE-Black and White-Per Page.....	0.25
COPYING (including CC&R's) - PER PAGE-Color-Per Page.....	0.50
PERMITS:	
CONTRACTOR PASSES - ANNUAL.....	250.00
GARAGE SALE (Limit 3 per Year).....	20.00
FISHING (GUEST WITHOUT MEMBER) - DAILY.....	5.00
FISHING (GUEST WITHOUT MEMBER) - WEEKLY.....	15.00
FISHING (GUEST WITHOUT MEMBER) - MONTHLY.....	55.00

### OPERATIONAL

REPAIR AND MAINTENANCE:	
LABOR PER HOUR.....	100.00
LABOR PER HOUR - CITY RATE.....	50.00
LABOR PER HOUR - SANCTIONED CLUBS - FOR SETUPS (1st 3 Hours Free).....	25.00
HEAVY EQUIPMENT.....	At Cost

### ACC FILING FEES AND PERMITS

FILING FEES (Fee/Bond):	
NEW HOME.....	\$300.00/\$3,000.00
REMODEL OVER 1,000 SQ. FT.....	\$200.00/\$2,000.00
REMODEL UNDER 1,000 SQ. FT.....	\$200.00/\$1,000.00
ROOM ADDITION OVER 500 SQ. FT.....	\$200.00/\$2,000.00
ROOM ADDITION UNDER 500 SQ. FT.....	\$200.00/\$1,000.00
IMPROVEMENT - WITH COST OVER \$1,000.....	\$200.00/\$1,000.00
IMPROVEMENT - WITH COST UNDER \$1,000.....	\$0.00/\$1,000.00
DOCK (NEW OR REPLACEMENTS OR MODIFICATIONS).....	\$200.00/\$1,000.00
DOCK - REMOVAL.....	\$0.00/\$1,000.00
SEAWALL & APPURTENANT STRUCTURE.....	\$200.00/\$1,000.00
VARIANCE.....	\$200.00/\$0.00
PERMITS:	
NEW HOME.....	3,000.00
REMODEL OVER 1,000 SQUARE FEET.....	2,000.00
REMODEL LESS THAN 1,000 SQUARE FEET.....	1,000.00
ADDITION OVER 500 SQUARE FEET.....	2,000.00
ADDITION LESS THAN 500 SQUARE FEET.....	1,000.00
REVISIONS/CHANGES TO CURRENT PERMIT:	
BEFORE 60 DAYS FROM PERMIT APPROVAL.....	0.00
AFTER 60 DAYS FROM PERMIT APPROVAL - PER INCIDENT.....	100.00
NEW ADDITIONAL ITEMS TO CURRENT PERMIT.....	150.00

### REGISTRATION FEES

BOAT.....	40.00
GOLF CART.....	40.00
VEHICLE (OVER PRESCRIBED LIMIT-4).....	40.00

### LAKE USE FEES — ANNUAL

NO POWER / POWER LESS THAN 3HP.....	0.00
POWER — 3 - 25 HP.....	100.00
POWER — 26 + HP.....	225.00

NOTE: LAKE USE FEE DOES NOT INCLUDE REGISTRATION FEE.

### BOAT MOORAGE

ANNUAL WITH ELECTRIC.....	1,100.00
ANNUAL WITHOUT ELECTRIC.....	1,000.00
FOUR MONTH PLAN WITH ELECTRIC.....	550.00
FOUR MONTH PLAN WITHOUT ELECTRIC.....	500.00

(If you pay monthly you must pay via APS with \$5.00 installment charge)  
All Moorage fees are non-refundable

### FACILITY RENTAL — HOURLY OR DAILY

COMMON AREA ROOM USE FEE:	
BLUE BIRD HALL - HOURLY.....	35.00
MAGNOLIA ROOM - HOURLY.....	35.00
TOWNE CENTER CONFERENCE ROOM - HOURLY.....	35.00
ROADRUNNER PARK (PAVILION) - DAILY.....	60.00

HOLIDAY HARBOR PAVILION AND KITCHEN - DAILY.....	120.00
HOLIDAY HARBOR EAST PAVILION - DAILY.....	60.00
HOLIDAY HARBOR KITCHEN DEPOSIT (Refundable).....	250.00

### LODGE USE FEE:

HOLIDAY BAY ROOM - DAILY (6 hour maximum, includes table linens*).....	1,200.00
HOLIDAY BAY ROOM - HOURLY (additional hours).....	200.00
POOL VIEW ROOM - DAILY (6 hour maximum, includes table linens*).....	550.00
SUNSET BEACH ROOM - DAILY (6 hour maximum, includes table linens*).....	300.00
PRIVATE DINING ROOM - HOURLY (6 hour maximum, includes table linens*).....	50.00
MAIN DINING ROOM - DAILY (4 hour maximum, includes table linens*).....	400.00
BAR/LOUNGE AREA - DAILY (4 hour maximum, includes table linens*).....	250.00
FRONT LAWN - DAILY (4 hour maximum).....	100.00
BAR SET UP FEE (refundable if bar sales exceed \$1,000).....	250.00
BAR SET UP FEE - SANCTIONED CLUBS (refundable if bar sales exceed \$1,000).....	100.00
STANDARD CLEAN UP FEE - HOURLY.....	100.00
EVENT SECURITY OFFICER - HOURLY.....	15.00

### COUNTRY CLUB USE FEE:

DINING ROOM (incl. PATIO) - DAILY (6 hour max, includes table linens*).....	750.00
DINING ROOM (incl. PATIO) - HOURLY (additional hours).....	100.00
PATIO ONLY (4 hour maximum, includes table linens*).....	200.00
PATIO ONLY - HOURLY (additional hours).....	50.00

\*Table Linens (An extra fee may apply during special seasons and other restrictions may apply)

### EQUESTRIAN CENTER — MONTHLY

PIPE STALL (12 X 24 FEET).....	200.00
PIPE STALL (24 X 24 FEET).....	243.00
BARN (12 X 12 FEET).....	297.00
BARN (12 X 24 FEET).....	357.00
BARN (14 X 24 FEET).....	367.00
BLANKETING FEE.....	40.00
TRAILER STORAGE FEE.....	30.00

### CAMPGROUND — DAILY

LAKEFRONT WITH WATER, ELECTRIC & SEWER.....	35.00
OFF-WATER WITH WATER, ELECTRIC & SEWER.....	30.00
SITES WITH WATER & ELECTRIC.....	25.00
WINTER RATE DISCOUNT ON ABOVE RATES.....	(10.00)
DUMP FEE EACH.....	15.00
EXTRA CAR FEE.....	5.00
DAY CAMP (8:00 A.M. - 6:00 P.M.).....	5.00

### OTHER

SWIM INSTRUCTION PER SESSION.....	70.00
SWIM INSTRUCTION PER SESSION - 2ND CHILD OR 2ND SESSION.....	40.00
WATER AEROBICS - DAILY.....	2.00
WATER AEROBICS - MONTHLY.....	25.00
GAULT FIELD LEAGUE FEES - PER GAME.....	25.00
GAULT FIELD LIGHT FEE - NON LEAGUE RELATED - PER HOUR.....	50.00
STORAGE UNIT RENTALS - PER SQ. FT.....	0.50

### GREEN FEES — ANNUAL

ANNUAL MEMBER.....	1,300.00
ANNUAL MEMBER WITH TRAIL FEE AND REGISTRATION.....	1,500.00
ANNUAL MEMBER - JUNIOR (17 AND UNDER).....	500.00
ANNUAL MEMBER - OUTSIDE (NON HOMEOWNER) WITH NO CART.....	2,500.00

(If you pay monthly you must pay via APS with \$5.00 installment charge)

### GREEN FEES — DAILY

PRIME TIME:	
18 HOLE.....	35.00
9 HOLE.....	20.00
TWI-LIGHT: (AFTER 12:00 p.m. Jan, Feb, Nov, Dec / 1 p.m. Mar, Apr, Sept, Oct / 2:00 p.m. May, Jun, July, Aug)	
18 HOLE.....	25.00
9 HOLE.....	15.00
SUPER TWI-LIGHT: (AFTER 2:00 p.m. Jan, Feb, Nov, Dec / 3:00 p.m. Mar, Apr, Sept, Oct / 4:00 p.m. May, Jun, July, Aug)	
18 HOLE.....	15.00
9 HOLE.....	15.00
JUNIOR.....	10.00
ORGANIZED PLAY OF LESS THAN NINE HOLES (i.e. Horseshoe).....	5.00
TOURNAMENTS: (Includes Cart).....	45.00
20 ANYTIME ROUNDS (Valid for 2 years from date of issuance).....	500.00

### GOLF CART TRAIL FEES

GOLF CART RENTAL — DAILY: (Per Goller).....	15.00
GOLF CART TRAIL FEE — DAILY (Per Rider):	
PRIME TIME.....	3.00
TWI-LIGHT.....	3.00
SUPER TWI-LIGHT.....	3.00