

# Dollar Hill No 2 Homeowners Association

Tahoe City, California

## SUPPLEMENTARY INFORMATION AND REQUIRED DISCLOSURES

For The Years Ending  
December 31, 2016 and 2015

DOLLAR HILL NO 2 HOMEOWNERS ASSOCIATION

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1. Replacement Fund Forecasted Cash Flow Schedule

- A. The Replacement Fund Forecasted Cash Flow Schedule has been prepared using the following steps:
1. Estimate the beginning balance as of January 1st of the forecast year.
  2. Calculate the annual provision to be included in the annual budget in accordance with the funding policy of the Association.
  3. Estimate the interest earned on the replacement fund designated accounts. It is currently estimated that interest income net of income taxes of .00% will be earned on the average.
  4. Deduct the amounts determined in steps 1 through 3 from the estimated replacement costs for each year as determined from the Schedule of Replacement Cost Long Range Planning Program.
- B. The annual provision for the replacement of common areas is an amount that will result in the replacement fund having a positive balance over the 30 year period, which approximates the life cycles of the common area components.

2. Replacement Cost Long Range Planning Program

The following are the general procedures used for the calculation of the components in the replacement cost long-range planning program.

- A. The common areas by component, which the Association is obligated to replace in the future, have been identified in the Schedule of Replacement Cost Long Range Planning Program. They do not include the reconstruction of the buildings and certain other buildings in the project, including, but not limited to, walls, electrical, plumbing, foundation, floors and siding of the buildings; drainage system; swimming pool shell; and other similar items. These items have been excluded as their lives and costs are not predictable.

Also, unless part of a group of similar items, common area items with current replacement costs of less than \$500 have been excluded and will be included in normal maintenance costs of the Association's annual budget.

- B. The current replacement costs, the remaining useful lives and the useful lives after replacement have been based on historical original costs and contractors' and manager's estimates.

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- C. The Replacement Cost Long Range Planning Program Schedule has been prepared for the common areas identified in "A" above and the estimated cost and year of replacement as set forth in "B" above. The total dollar amount of replacement by year in current dollars is then calculated.
- D. An inflation factor of 3% has been included for the replacement costs of common area components. The Association's policy of annually updating the study will also adjust for inflation based on inflation costs on a year-by-year basis.
- E. When it becomes apparent that excluded items will be replaced in the future, and the amounts and timing can be determined with a reasonable degree of accuracy, the common area items can be added to the replacement study and the annual provision adjusted to provide funds over the remaining useful life of the item.

The Association will either include in the operating budget or in special assessments the cost of common area items requiring replacement which are unplanned because their replacement cost cannot be forecasted.

### 3. Percent Funded Disclosure

California statutes, as interpreted, require that a disclosure be made of the funding estimated to be on hand at December 31, 2015 (\$219,040), as expressed as a percentage when compared to the hypothetical amount of wear and tear on common area components presently being reserved for as determined under the "straight-line liability" method (\$1,175,351). Based on the information contained in this forecast, 18.6% of this hypothetical amount is on hand at December 31, 2015.

Refer to Note 1.B for further explanation of the Association's policy of using the cash flow method to determine the required funding for replacements. The cash flow method typically results in a funding percentage described above of less than 100%.

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4. California Assessment and Reserve Funding Disclosure Summary

**NOTE: THE INFORMATION CONTAINED IN THIS DISCLOSURE IS A FORECAST ONLY.** Because the reserve study is a forecast, the estimated lives and costs of components will likely change over time depending on a variety of factors such as (I) future inflation rates, (II) levels of maintenance applied by future boards, unknown defects in materials that may lead to premature failures, etc. As a result, some components may experience longer lives while others will experience premature failures. Some components may cost less at the time of replacement while others may cost more.

(1) The current assessment for 2016 per ownership interest is \$ 330.00 per month,

(2) No additional regular assessment has been scheduled to be imposed or charged.

(3) Based on the most recent Reserve study and other information available to the Board of Directors, will current projected reserve account balances be sufficient at the end of the year to meet the association's obligations for repair and/or replacement of major components during the next 30 years?

Yes  X  NO \_\_\_\_\_

(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?

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

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is \$1,175,351. The projected reserve fund cash balance at the end of the current fiscal year is \$219,040 resulting in reserves being 18.6% funded at this date.

The alternative generally accepted method used by the association is the composite "cash flow" method. This method provides funding so the funded reserve balance remains positive over the 30 year period as common area components are replaced.

4. California Assessment and Reserve Funding Disclosure Summary (Continued)

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5510(a) of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is presented in the table below, and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is presented in the table below, leaving the reserve percent funding as presented in the table below.

Year Ended	Fully Funded Balance	Reserve Ending Balance	Percent Funded	
12/31/15	1,178,236	219,040	18.6 %	Estimated
12/31/16	1,058,236	153,040	14.5 %	Estimated
12/31/17	961,951	109,486	11.4 %	Estimated
12/31/18	882,495	82,480	9.3 %	Estimated
12/31/19	10,700	63,035	5.9 %	Estimated

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If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years is presented in the table below, leaving the reserve percent funded as presented in the table below.

Year Ended	Fully Funded Balance	Reserve Ending Balance	Percent Funded	
12/31/15	1,178,236	219,040	18.5 %	Estimated
12/31/16	1,058,236	153,040	16.6 %	Estimated
12/31/17	961,951	109,486	11 %	Estimated
12/31/18	882,495	82,480	8.5 %	Estimated
12/31/19	10,700	63,035	7.9 %	Estimated

Note: The financial representations set forth in this summary are based on the best estimates of the Association at that time. The estimates are subject to change.

4. Additional Financial Disclosures Required by the California Civil Code

Section 5565 The current deficiency in reserve funding per ownership interest, as calculated by statutory formula, is \$10,208. This is calculated as the current estimate of the straight-line liability as of the beginning of the 2016 fiscal year, less the current amount of accumulated cash reserves actually set aside as of that date, divided by 92. Refer to Note 1.B for further explanation of the Association's policy of using the cash flow method to determine the required funding for replacements. The cash flow method typically results in a funding percentage described above of less than 100%.

Section 5300(b)(4) The Association's Board of Directors has deferred or determined not to undertake repairs or replacements over the next 30 years as follows: None.

Section 5300(b)(5) The Association's Board of Directors, as of the date of the study, does not anticipate the possibility of a special assessment.

5. Delinquent Assessment Policy

In accordance with Association policy and as allowed by California law, the Association's assessments become delinquent 30 days after their due date. Delinquent assessments will be charged 10% of the delinquent amount, and interest at an annual rate of 12% on any amounts unpaid 30 days past their due date. Lien filing will be initiated on amounts outstanding more than 90 days and will include reasonable costs of collection. The Association will consider commencement of legal proceedings to collect unpaid amounts.

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6. Alternative Dispute/Internal Dispute Resolution

Sections 5925 to 5965 of the Civil Code require that before owners and associations file lawsuits against each other for declaratory relief or injunctive relief in connection with a claim for money damages under \$5,000 or for enforcing the associations governing documents, the filing party shall endeavor to submit the dispute to alternative dispute resolution (ADR). Forms of ADR include mediation, negotiation, and binding or nonbinding arbitration. This provision does not apply to the filing of cross-complaints.

The ADR process is initiated by one party serving a Request for Resolution upon the other parties to the dispute. The request must include (i) a brief description of the dispute, (ii) a request for ADR, (iii) a notice that a response must be received within thirty (30) days or it will be deemed rejected, and (iv) a copy of Civil Code Sections 5925 to 5965.

If the individual receiving the request agrees to ADR, the process must be completed within ninety (90) days unless otherwise extended by agreement. The cost of ADR is to be paid by the participating parties. If a civil suit is filed, the filing party must submit to the court a Certificate of Compliance indicating the party has complied with the requirements of Sections 5925 to 5965. Failing to do so would be grounds for challenging the lawsuit.

Although the prevailing party is entitled to reasonable attorneys' fees and costs, the court may consider a party's refusal to participate in ADR when making the award.

A description of the Associations internal dispute resolution process, as required by Civil Code Section 5920, is attached.

NOTE: Failure by any member of the association to comply with the alternative dispute resolution requirements of Civil Code 5930 may result in the loss of your rights to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law.

DESCRIPTION OF INTERNAL DISPUTE RESOLUTION PROCEDURE  
Civil Code Section 5920

This policy applies to a dispute between the Association and a member involving their rights, duties, or liabilities under the Associations governing documents.

Either party to a dispute within the scope of this article may invoke the following procedure:

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The party may request the other party to meet and confer in an effort to resolve the dispute. The request shall be in writing.

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

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

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

A resolution of the dispute agreed 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 policy binds the parties and is judicially enforceable if both of the following conditions are satisfied:

The agreement is not in conflict with law or the governing documents of the Association,

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 process.

7. Insurance Disclosure

Civil code section 5300 requires that the Association inform the membership about the attached insurance information.

**This summary of the Association's policies of insurance provides only certain information, as required by subdivision (a)(7) of section 5310 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 do not cover your property or real property improvements around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if**

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**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.**

8. Notice of Special Assessments

No Special Assessment is anticipated at this time.

9. Notice of Right to Receive Meeting Minutes

Members may request copies of the minutes of the Board of Directors by submitting the request in writing to the Association Manager at Post Office Box 103, Tahoe City, CA 96145.

10. Schedule of Fines

Attached.

11. Architectural Procedures

Members should contact the Association Office at Post Office Box 103, Tahoe City, CA 96145, or the office of Hansen Management & Maintenance Company., Inc. (530) 583-0229, property manager, for architectural procedures.

12. Section 5730: 4040(b) Notice Regarding Assessment and Collection Policy

**DOLLAR HILL NO 2 HOMEOWNERS ASSOCIATION  
ASSESSMENT COLLECTION POLICY**

**Each year your Association is obligated to distribute to its Members a statement of the Association's policies and practices in enforcing its legal right to collect assessments from Members who do not pay those assessments in a timely fashion. This Policy is being sent to you in compliance with that law.**

**1. Summary of Association Assessment Authority Generally.**

*Associations have a legal obligation to levy assessments:* Civil Code sections 5600(a), 5605(a), 5605(c) imposes an obligation on community associations to levy regular and special assessments on their members in amounts that are sufficient to perform the association's obligations under the governing documents and the Davis-Stirling Common Interest Development Act. Regular assessment increases typically occur on an annual basis as part of the routine budgeting process. Civil Code section



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5300 requires that community associations distribute a budget to all members of the association not less than 30 or more than 60 days prior to the beginning of the fiscal year.

***Limits on Board authority to levy regular and special assessments:***

Special assessments, by their nature, can either be imposed during the annual budget cycle to fund a non-recurring or extraordinary expense or such assessments can be levied at other times during the year when unanticipated expenses arise. So long as the Board of Directors makes a timely distribution of the annual budget, the Board has the discretion in any fiscal year to increase the regular assessment by as much as 20% over the amount of the regular assessment imposed during the immediately prior year. This authority to increase the regular assessment by any amount that is less than twenty percent more than the prior year's assessment can be exercised by the Board without necessity of obtaining member approval for the increase. Board-imposed special assessments cannot exceed (in the aggregate during any fiscal year) five percent of the association's budgeted gross expenses for the year in which the special assessment(s) is/are imposed.

***Member approval requirements for certain assessments:***

Regular assessment increases and special assessments in excess of these percentage caps must be approved by the members. The required affirmative vote is a majority of the members who cast ballots, when ballots are received from at least fifty percent of all members. The Board of Directors of a community association is also prevented from increasing the amount of the regular assessment levied against its members without first obtaining member approval if the Board fails to distribute a budget to all members within the 15 day window prior to the beginning of the fiscal year that is imposed by section 5300(b)(1) of the Civil Code.

***The exception for "emergency assessments":***

An exception to these member approval requirements is carved out by Civil Code section 5605(b)-(c), 5610(a)-(c) for any assessment that would otherwise be a special assessment that the Board must levy to respond to an "emergency situation". The Code then identifies three types of emergency situations, namely (i) an extraordinary expense ordered by a court; (ii) an extraordinary expense that is needed to repair or maintain any portions of the development for which the association is responsible where a threat to personal safety is discovered; or (iii) an extraordinary expense needed to repair or maintain any portion of the development for which the association is responsible that could not have been reasonably foreseen by the board when it prepared and distributed the annual budget to the members. If the Board relies on this last type of "emergency situation" as a justification for imposing an assessment without member approval, the Board must adopt a resolution containing findings as to the necessity of the extraordinary expense and why the expense could not have been reasonably foreseen at the time the budget was prepared

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and distributed. All members must receive a copy of that resolution at the time they receive their notice of the assessment.

**2. Obligation to Notify Members of Regular Assessment Increases and Special Assessments.** Before your Board of Directors can increase the amount of the annual regular assessment or levy and collect a special assessment from the members, the Association must first give all members a notice of the increase in the regular assessment or of the levy the special assessment. That notice must be given by first class mail not less than 30 or more than 60 days prior to the due date (Civil Code section 5615). In the case of regular assessment increases, that notice would typically come as part of the annual budget distributed to all owners not less than 30 or more than 60 days prior to the beginning of the fiscal year (Civil Code section 5300(b)(1); see paragraph 1, above). Because Civil Code section 5300 does not mandate that the annual budget of community associations be sent by first class mail, a separate mailing will be required to comply with the pre-assessment notice requirement if the budget is, for example, delivered to each member personally.

**3. Annual Obligation to Notify Members of the Association's Lien and Assessment Collection Procedures:** Civil Code section 5320(a) requires community associations to provide their members with a statement describing the association's policies and practices in enforcing lien rights or other legal remedies for default in the payment of association assessments. This statement is in addition to the Civil Code 5730; 4040(b) notice described in paragraph 15 of this Policy and, like that statutory notice, this statement of collection policies and practices must be delivered to the members of our Association during the 60 day period immediately prior to the beginning of the Association's fiscal year. This document is intended to comply with both Civil Code sections 5320(a) and 5730; 4040(b).

**4. When Do Levied Assessments Become Delinquent?** The earliest permissible due date for a regular or special assessment is 15 days after the notice of assessment is given, unless the declaration of CC&Rs provides a longer time period for payment, in which case the longer time period shall apply (Civil Code section 5650(b)). The Declaration of CC&Rs for this development states that assessments are delinquent 15 days after the due date.

**5. What Expenses and Fees Can Be Recovered From a Delinquent Owner During the Assessment Collection Process?** Once an assessment becomes delinquent, your Association is entitled, by both the Davis-Stirling Act and our governing documents, to recover the following sums from you (Civil Code sections 5650(b) and 5675, 5685(a), 5725(a)):

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- (A) the amount of the delinquent assessment;
- (B) reasonable costs incurred to collect the assessment (including reasonable attorney's fees).
- (C) a late charge not exceeding 10 percent of the amount of the delinquent assessment or \$10.00, whichever is greater;
- (D) interest on all sums (assessments, costs, late charges and legal fees) at a rate not in excess of 12 percent per annum. Interest begins to accrue from and after the time the delinquent assessment is 30 days past due.

**6. Regardless of Whether the Association Records a Lien On Your Property During the Collection of Past-Due Assessments, All Owners Have a Personal Obligation to Pay Assessments and Charges.** Regular and special assessments, together with late charges, reasonable fees and costs of collection, reasonable attorney's fees, if any, and interest, if any, determined in accordance with Civil Code section 5600, are a debt of the owner of the separate interest at the time that the assessment or other sums are levied (Civil Code section 5660). Once delinquent, the assessment and other permitted costs of collection only become a lien on the owner's separate interest when a Notice of Assessment Lien is recorded in the Office of the County Recorder against the separate interest. Because these assessments and related charges constitute a personal obligation of each owner, the association has a right to look to the owner, personally, to pay the debt and may pursue collection of that debt in a court action (typically a small claims court proceeding). Your Association is not limited to seeking recovery of the delinquent assessment from the sale of the owner's lot in foreclosure.

**7. Prerequisites for Recording a Notice of Delinquent Assessment; 30 Day Pre-Lien Notice to the Delinquent Owner.** Before a Notice of Delinquent Assessment can be recorded in the chain of title to the lot or unit of a delinquent owner, the owner's association must send the owner a certified notice providing information regarding the sums claimed as being delinquent (Civil Code section 5650(a), 5660, 5660(a)-(f)). No lien can be recorded until 30 days after this notice has been given. This certified notice from the Association must include the following information:

- (A) a general description of the collection and lien enforcement procedures of the Association and the method of calculation of the amount that is claimed

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to be owed (this summary of assessment collection procedures is intended to satisfy that disclosure requirement).

(B) a statement that the notified owner has the right to inspect the Association's records pursuant to Corporations Code section 8333;

(C) a statement in 14-point capital letters (or boldface type):  
**“IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS. IT MAY BE SOLD WITHOUT COURT ACTION”;**

(D) an itemized statement of the charges owed by the owner, including items on the statement which indicate the amount of any delinquent assessments, the fees and reasonable costs of collection, reasonable attorneys fees, and late charges, and interest, if any;

(E) a statement that the owner shall not be liable to pay the charges, interests and costs of collection if it is determined that the assessment was paid on time to the association;

(F) a statement that the notified owner has a right to meet with the board (see part 9, below).

**8. Application of Payments Made On Account of Delinquent Assessments.**

When an owner makes any payments on account of delinquent assessments and other amounts claimed as due and owing, the association must first apply the payment in reduction of the amount of delinquent assessments, and only after the assessment delinquency is paid in full can payments be applied to the fees and other costs (Civil Code section 5655). With each payment the owner can request, and the association must provide, a receipt indicating the date of the payment and the person to whom the payment was made. The association must also provide its members with a mailing address for overnight payment of assessments. In the case of your Association, that overnight mailing address is as follows: Tavern Shores Association, c/o 645 West Lake Blvd. Suite 8, Tahoe City CA, 96145.

**9. Owner's Right to Dispute Delinquency Amount or to Request a Meeting With the Board.** Upon receipt of the section Civil Code section 5650(a), 5660, 5660(a)-(f) certified notice described in paragraph 7, above, the noticed owner has two possible courses of action that can be taken at this point in the collection process, namely:

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(A) the owner has the right to dispute the debt stated in the pre-lien notice by submitting to the board of directors a written explanation of the reasons for his or her dispute regarding the claimed assessment delinquencies. The statute does not state a time limit on the right of an owner to provide this written explanation to the Board. However the statute states that the board has 15 days to respond, in writing, to the owner's protest (with the time period being computed the date of the postmark of the owner's explanation (if mailed) or within 15 days of receipt of the explanation) (Civil Code section 5670); and/or

(B) the noticed owner has a right to request a meeting with the board of directors to discuss a payment plan for the delinquent assessment so long as the request for a meeting is made within 15 days following the postmark on the association's pre-lien notice to the owner (Ibid). That meeting must take place within 45 days (calculated from the postmark on the owner's request) and must be conducted in executive session (see discussion below). When an owner has made a timely request for a meeting to discuss a payment plan, the association must provide the requesting owner with the association's standards for payment plans, if any standards have been adopted. There is no statutory authorization for the board to delegate this meeting obligation to a property manager, but the board can designate a committee of one or more members to meet with the owner if there is no regularly scheduled board meeting that is scheduled to occur within 45 days of the owner's request. This right to demand a meeting with the board of directors is not available to developer/owners who are selling lots pursuant to a Department of Real Estate Public Report and yet become delinquent in the payment of assessments.

The meet and confer option that is now provided under Civil Code section 5670, 5705(b), 5673, 5665 is in addition to the owner's right to pay the delinquent sums under protest pursuant to Civil Code section 5658 (see part 11, below). That option to pay the claimed amounts under protest does not arise until after the Association has recorded a Notice of Delinquent Assessment (see next paragraph).

**10. Association's Right to Record a Notice of Delinquent Assessment.** Thirty days following the mailing by the Association to the defaulting owner of the certified pre-lien demand notice required by Civil Code section 5650(a) (see part 7, above), the Association is entitled to record, in the county where the development is located, a Notice of Delinquent Assessment (Civil Code section 5675, 5685(a), 5725(a)). This is the document that creates a lien against the delinquent owner's separate interest (lot or unit). Certain penalty assessments may not be collected by the use of lien and foreclosure remedies (see part 13, below). For all other assessments and sums that can be collected through the use of lien and foreclosure remedies, the recorded Notice of

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Delinquent Assessment, which begins the lien process must include all of the following information:

(A) the amount of the assessment and the other sums that have been charged in accordance with Civil Code section 5650(b);

(B) a legal description of the owner's separate interest that is being liened;

(C) the name of the record owner(s) of that separate interest; and

(D) in order for the lien to be enforced by non-judicial foreclosure as provided in Civil Code section 5700(a), 5710(a), 5735, 5710(c)(1)-(2), the name and address of the trustee authorized by the association to enforce the lien by sale.

(E) The Notice of Delinquent Assessment must be signed by the person designated in the CC&Rs as having that authority, by the president of the Association, or by a person who is designated by the association as having authority to sign and record the Notice on behalf of the Association.

(F) The Notice of Delinquent Assessment must be mailed to all record owners of the liened separate interest within 10 days after its recordation. That mailing must be by registered or certified mail.

**11. Owner's Option, Following Recordation of Notice of Delinquent Assessment, of Paying Amounts Claimed Due Under Protest.** For a period of 30 days following the date when the Notice of Delinquent Assessment is recorded, no further action can be taken by the Association to enforce the lien. This 30 day forbearance requirement is stated in Civil Code section 5700(a), 5710(a), 5735, 5710(c)(1)-(2) and is also implied by the fact that the owner(s) whose property is subjected to the lien have/has the right to pay the full amount of all liened assessments and other charges under protest. That right to pay the disputed amounts under protest must be tendered to the association by certified mail within 30 days from recordation of the association's Notice of Delinquent Assessment. The protest letter must be accompanied by payment of (A) the amount of the assessment in dispute; (B) the late charges imposed through the date of payment; (C) accrued and unpaid interest; and (D) all reasonable costs of collection and attorney's fees not to exceed \$425.00. (Civil Code section 5658)

Upon receipt of a timely payment under protest, the Association is obligated to inform the owner that the owner has the right to resolve the dispute through the use of

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alternative dispute resolution as set forth in Civil Code section 5935 or through the use of other procedures to resolve the dispute that may be available through the association. Owners who are delinquent in the payment of assessments can only utilize this payment under protest procedure two times in any calendar year or three times in any five calendar years, unless the owner and the Association mutually agree to further ADR proceedings. If the ADR process results in a determination in favor of the owner (i.e., that the assessment levy was not done properly), the owner is entitled to an award of reasonable interest (no specific rate is stated) to be paid by the association on the total amount the owner paid under protest (Civil Code section 5658). The Civil Code section 5925 ADR process may be binding or non-binding, depending on the proposal advanced by the proponent party and the ADR process begins with the service of a document termed a "Request for Resolution" that must include certain stated information. Once served, the Request for Resolution must be met with an acceptance or rejection of the ADR proposal from the receiving party within 30 days. If the ADR proposal is accepted, the statute contemplates a 90 day ADR process and if the proposal is rejected, the propounding party is free to seek redress by court action. It is the policy of this Association that any owner who exercises these payment under protest rights must include in his or her payment-under-protest notice, either a Request for Resolution that proposes a specific form of ADR or, in the alternative, a notice that the protesting owner would like to appear before the Board of Directors in the manner contemplated by paragraphs 9(A) or 9(B) of these collection policies. If the owner does not indicate a preference in his or her protest notice, the Association shall assume that the owner wishes to appear before the Board and the owner shall be notified of the date, time and location of that hearing.

**12. Pursuit of Non-Judicial Foreclosure to Collect Assessments.** Once all of these pre-foreclosure notice and hearing procedures have been satisfied (paragraphs 7 through 11, above) and a period of 30 days has elapsed since the Notice of Delinquent Assessment was recorded, the Association is authorized to enforce the lien through any means permitted by law, including sale by the court, sale by the trustee designated in the Notice of Delinquent Assessment, or sale by a trustee substituted pursuant to Civil Code section 2934(a) (Civil Code section 5700(a), 5710(a), 5735, 5710(c)(1)-(2)). Any sale by a trustee in a non-judicial foreclosure must be conducted in accordance with Civil Code section 2924, 2924b and 2924c, applicable to the exercise of powers of sale in a mortgage or deed of trust and the fees of the trustee may not exceed the amounts prescribed in Civil Code section 2924c and 2924d.

Non-judicial foreclosure is a very detailed process, which permits the trustee identified in the Association's Notice of Delinquent Assessment to sell the liened separate interest without necessity of filing a judicial foreclosure action in the Superior Court. The process begins with the recording of a Notice of Default (Civil Code section

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2924c(b)). That recorded notice is then served on the owners of record of the property and other persons who have recorded a request for a copy of any Notice of Default. Once the Notice is recorded, a period of three months must elapse before a Notice of Sale can be recorded and served. During that period, the delinquent owner has a right to stop the process by paying the amounts in default in full (Civil Code section 2924c(a)). Once the three months have passed, the trustee can give Notice of Sale for a date that is at least 20 days later in accordance with very specific publication, posting and recording requirements imposed by Civil Code section 2924 f(b). The foreclosure statutes also provide for postponements of the process. Ultimately, if the trustee's sale proceeds it is conducted as a public auction in the county in which the separate interest is located, during normal business hours on any business day. **ANY OWNER WHOSE SEPARATE INTEREST IS IN FORECLOSURE IS URGED TO CONSULT WITH COMPETENT LEGAL COUNSEL OF THE OWNER'S SELECTION IN ORDER TO BE PROPERLY ADVISED OF THE OWNER'S RIGHTS AND OPTIONS AND THE TECHNICAL REQUIREMENTS OF THE FORECLOSURE PROCESS.**

**13. Limitations on the Use of Non-Judicial Foreclosure to Collect Certain Monetary Charges or Penalty Assessments.**

(A) Limitations During the Period of Developer Control: For so long as any separate interests in a common interest development are being sold pursuant to a Public Report issued by the California Department of Real Estate, any monetary penalty imposed by a community association as a disciplinary measure for a member's failure to comply with the development's governing documents or as a means of reimbursing the association for costs incurred by the association in the repair of damage to common areas and facilities by a member, or in bringing the member and his or her separate interest into compliance with the governing documents may not be characterized as an assessment that may become a lien against the member's separate interest that may be enforceable by a sale of the interest in accordance with the non-judicial foreclosure provisions of Civil Code sections 2924, 2924(b), and 2924(c). 10 Cal. Code of Regs. Section 2792.26(c). Assessment collection costs, late payment penalties and interest charges on delinquent assessments are not subject to this limitation. This Association **IS NOT** under developer control as of the date of the distribution date of these procedures.

(B) Limitations Following the Period of Developer Control. Once all sales of subdivision interests pursuant to a Public Report have ended, Civil Code section 5725 prohibits monetary charges imposed by an association as a means of reimbursing the association imposed by the association as a disciplinary measure for failure of a member to comply with the governing documents of the development (other than late



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payments for delinquent assessments) from being characterized or treated in the governing documents as an assessment that may become a lien against the owner's separate interest enforceable by non-judicial foreclosure pursuant to Civil Code sections 2924, 2924(b) and 2924(c). However the same Civil Code section permits the use of lien and non-judicial foreclosure remedies to collect monetary charges imposed by the association as a means of reimbursing the association for costs incurred by the association in the repair of damage to common areas and common facilities for which the member or the members' guests or tenants were responsible, BUT only if the governing documents specifically state that such lien and foreclosure remedies can be used.

**14. Alternative of Pursuing Collection in a Small Claims Court Proceeding.** Both Civil Code section 5680 and 5700(b) permit community associations to sue delinquent owners personally (rather than pursuing lien and foreclosure remedies) or to take a deed in lieu of foreclosure on account of delinquent assessments. Due to the fact that most assessment collections involve amounts that are under \$5000, the typical judicial remedy would be a small claims court action.

**15. Consequences of Failing to Follow the Statutorily Mandated Notice and Other Procedures That Are a Prerequisite to Lien Recordation.** If it is determined that a community association's lien previously recorded against an owner's separate interest was recorded in error, the party who recorded the lien (typically the association) must, within 21 calendar days, record or cause to be recorded in the office of the County Recorder a lien release or notice of rescission and provide the owner of the separate interest with a declaration that the lien filing and recording was in error and a copy of the lien release or notice of rescission.

**16. Annual Notice to Members of Assessment and Assessment Collection Rules:** In support of the Civil Code assessment collection and enforcement rules summarized above, Civil Code section 5730 and 4040(b) requires community associations to distribute to each member, during the 60 day period immediately preceding the beginning of the association's fiscal year, of a notice, printed in 12-point type, that reads as set forth in **Exhibit "A"** of this Collection Policy.

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**EXHIBIT "A"**

**CIVIL CODE SECTION 5730 NOTICE REGARDING  
COMMUNITY ASSOCIATION ASSESSMENT RIGHTS AND  
FORECLOSURE AND OTHER COLLECTION REMEDIES**

Civil Code section 5730 & 4040(b) requires that the following notice be provided to each member of an association operating within a California common interest development (as defined in Civil Code section 4080) during the 60-day period immediately preceding the beginning of the association's fiscal year. This notice must be printed in at least 12 point type:

**NOTICE REGARDING 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 in this Notice for further information. A portion of the information in this notice applies only to liens recorded by community associations on account of delinquent assessment obligations on or after January 1, 2003. You may wish to consult a lawyer if your dispute an assessment levied by your association.

**ASSESSMENTS AND NONJUDICIAL FORECLOSURE**

The failure to pay association assessments may result in the loss of an owner's property without court action, often referred to as non-judicial foreclosure. When using 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 lien is not paid. Assessments become delinquent 15 days after they are due, unless the governing documents of the association provide for a longer time for the payment of assessment (see Civil Code sections 5600 and 5650).

In a 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 (see Civil Code sections 5600 and 5650).

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

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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 (Civil Code section 5650).

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail. Among these documents, the association must send a description of its collection and lien enforcement procedures and the method of calculation the amount. The association 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 (Civil Code section 5650).

If a lien is recorded against an owner's property in error, the person who recorded the lien is require to record a lien release within 21 days, and to provide an owner certain documents in this regard (see Civil Code section 5650).

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 ON ACCOUNT OF ASSOCIATION ASSESSMENTS  
OR OTHER CHARGES**

When an owner makes a payment on account of assessments or other permitted costs or charges, 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 the payment. The association must inform owners of a mailing address for overnight payments (See Civil Code section 5650). When an owner makes a payment on account of assessments or other permitted costs or charges, 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 the payment. The association must inform owners of a mailing address for overnight payments (See Civil Code section 5650). For Dollar Hill No 2 Homeowners Association, this address is POB 1229, Kings Beach, CA 96143, 8096 N Lake Blvd., Kings Beach, CA 96143.

An owner may dispute an assessment debt by giving the board of the association a written explanation, and the board must respond within 15 days if certain conditions are met. An owner may pay assessments that are in dispute in full under protest, and then request alternative dispute resolution with respect to the disputed payment (see Civil Code sections 5658 and 5930).

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An owner is not liable for charges, interest, and cost of collection if it is established that the assessment was paid properly and on time (see Civil Code section 5650).

**MEETINGS AND PAYMENT PLANS**

An owner of a separate interest that is not a time-share may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exist (see Civil Code section 5650)

The board of directors of a common interest owners' association 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 (see Civil Code section 5650).