

May, 2011

Bear Brand Ranch Community Association
Laguna Niguel, CA

Dear Bear Brand Ranch Members:

The new fiscal year begins on July 1, 2011 for Bear Brand Ranch, which means that the Board has been analyzing the Association's past year's financial reports and projected future expenditures to create a budget for the next fiscal year.

After careful and lengthy consideration of current economic times and several different scenarios that included an evaluation of the Reserve Study and the Proforma Budgets from the current and past fiscal years, the Board has, in the best interest of the Association, approved the budget for 2011-2012 as enclosed. ***Please note that the monthly assessments will not be increased this year and will remain \$654.00 per month. There is no anticipated special assessment for the upcoming year.***

Please find enclosed the following documents per Civil Code requirement and after careful review of these, please retain them with your permanent property records for your future reference:

- 1) Proforma Operating Budget for the fiscal year July 1, 2011 through June 30, 2012.
- 2) Reserve Summary and Reserve Disclosure, including a 30-year projection as prepared by Reserve Data Analysis, 2010, projecting the required reserve funds needed for future replacement. A full copy of the Reserve Study is available to you at no charge upon request.
- 3) Delinquency Policy as it pertains to the collection of your monthly assessments.
- 4) Disclosure regarding Internal Dispute Resolution and Alternative Dispute Resolution, Civil Code Section 1369.510 through 1369.590; requiring owners and the Association to follow submission requirements for another form of dispute resolution prior to filing a civil action.
- 5) Association Insurance Coverage Disclosure, Civil Code Section 1365. Should all policies renew at the same level with the current carrier for the next term, you will not receive an updated disclosure. This summary of the Association's policies of insurance provides only certain information, as required by subdivision (e) of Section 1365 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association member may, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property, including personal property or, real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate coverage.
- 6) Fine Policy – relating to matters of compliance as it has been adopted.
- 7) Association's Architectural Review Procedures pursuant to Civil Code 1378 (c).

Please note that minutes of the Board of Directors meetings are available on your community website and they are also available during regular business hours at Progressive's office, by appointment. Should you wish to receive multiple or regular copies of these minutes, you may be charged a reasonable fee for copying and mailing. (\$5.00 per set).

Sincerely,

Your Board of Directors
Bear Brand Ranch Community Association

BEAR BRAND RANCH COMMUNITY ASSOCIATION
Proforma Operating Budget
July 1, 2011 through June 30, 2012

REVENUE	2010-2011 Monthly Budget	2011-2012 Monthly Budget
Member Fees- @ \$654.00	83,712.00	83,712.00
Late Fees	100.00	100.00
Lien Fees	0.00	0.00
Inerest - Operating	100.00	100.00
Interest-Reserves	100.00	100.00
Misc. Income	0.00	0.00
Delinquent Letter Charge	0.00	0.00
Architctural Revenue	800.00	800.00
TOTAL REVENUE	84,812.11	84,812.00
 OPERATING EXPENSES		
ADMINISTRATIVE		
Management Contract	4,062.00	4,265.00
Administrative Extras	500.00	871.00
Annual Meeting	200.00	100.00
Audit & Accounting	100.00	100.00
Reserve Study	121.00	121.00
Legal Expense	600.00	600.00
Collection Expense	50.00	1,000.00
Income Tax	200.00	200.00
Property Taxes	50.00	50.00
Insurance Expense	750.00	500.00
Gate Access/Patrol	24,000.00	22,000.00
Gateworks	1,709.00	1,709.00
Gate Directory Admin	0.00	300.00
Postage & Printing	200.00	100.00
Operating Contingency	1,592.00	1,592.00
Architctural Consultant	800.00	800.00
Reserve Payback	1,200.00	0.00

MAINTENANCE

Landscape Contract	12,915.00	13,303.00
Landscape Extras	1,000.00	1,500.00
Tree Trim/Maint	2,000.00	2,000.00
Irrigation Repairs	2,000.00	2,400.00
Weed Abatement	1,475.00	1,475.00
Gate Repairs	500.00	550.00
Plumbing Repairs	55.00	55.00
Repair & Maint	400.00	550.00
Repair & Maint Supplies	100.00	75.00
Light Maintenance	100.00	150.00
Light Supplies & Extras	200.00	400.00
Pest Control	1,000.00	800.00
Holiday Decorations	500.00	500.00
Janitorial Service	240.00	240.00
Janitorial Supply	100.00	100.00
Street Sweeping	320.00	320.00

UTILITIES

Electricity	1,800.00	1,800.00
Water	4,000.00	4,000.00
Telephone	325.00	500.00

TOTAL OPERATING **65,164.00** **65,026.00**

RESERVE ALLOCATIONS

Component Allocation	19,648.00	19,786.00
----------------------	-----------	-----------

TOTAL RESERVE ALLOCATION **19,648.00** **19,786.00**

TOTAL REVENUE **84,812.00** **84,812.00**

TOTAL EXPENSES **84,812.00** **84,812.00**

Bear Brand Ranch Community Association
Laguna Niguel, California
RDA Owner's Summary

Bear Brand Ranch Community Association
RDA Owner's Summary

REPORT DATE: February 4, 2011
VERSION: 014
ACCOUNT NUMBER: 8927

Report Date	February 4, 2011	Parameters:	
Version	014	Inflation	2.00%
Account Number	8927	Annual Contribution Increase	2.00%
Budget Year Beginning	7/1/11	Investment Yield	1.00%
Ending	6/30/12	Taxes on Yield	30.00%
Total Units Included	127	Contingency	5.00%
Phase Development	5 of 5	Reserve Fund Balance as of	
		7/1/11:	\$472,583.00

Project Profile & Introduction

For budgeting purposes, unless otherwise indicated in this report, we have used the following placed-in-service dates for aging the original components in these areas of the community:

Main Entrance & Lower Streets in Gated Area.....July 1962
Rear Entrance & Upper Streets in Gated Area.....July 1992
Tot Lots & Grounds.....Various (see detail)

RDA Field Inspections: December 15, 2010; February 2004; May 2003
February 2002; April 1999

RDA Summary of Calculations

Monthly Contribution to Reserves Required:	\$14,054.18
(\$110.66 per unit per month)	
Average Net Monthly Interest Contribution This Year:	263.82
Net Monthly Allocation to Reserves 7/1/11 to 6/30/12:	\$14,318.00
(\$112.74 per unit per month)	

RDA Reserve Management Software
Copyright 2011, Edwin G. Edgley
All Rights Reserved

RESERVE DATA ANALYSIS • (714) 434-8396

DESCRIPTION	USE +/- LIFE	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Street - Concrete, Repairs	20	0	8	20,000	12,000
Streets - Asphalt Overlay, Lower	30	+5	23	600,000	53,506
Streets - Asphalt Overlay, Upper	30	0	29	600,000	0
Streets - Repairs, Annually	1	0	0	20,000	20,000
Streets - Slurry Seal	4	-1	2	100,000	33,333
*** CATEGORY SUMMARY:			1,340,000	291,048	118,840
Painting - Gate Houses, Exterior	4	+3	1	5,500	4,714
Painting - Gate Houses, Interior	4	0	0	1,776	1,776
Painting - Wrought Iron/Aluminum	2	0	1	3,672	1,836
*** CATEGORY SUMMARY:			10,948	8,327	8,327
Access - Barrier Arms	10	0	7	14,628	4,302
Access - Entry System	10	0	7	38,213	11,464
Access - Gate Operators, 2000	12	0	1	14,169	12,988
Access - Gate Operators, 2002	12	0	3	23,615	17,711
Access - Metal Gates, 1995	20	0	4	22,708	18,166
Access - Metal Gates, 2009	20	0	18	3,244	312
*** CATEGORY SUMMARY:			116,577	64,944	64,944
Fencing - Aluminum, Del Avion	30	0	26	24,037	3,205
Fencing - Wrought Iron, Rear	20	+2	3	5,182	4,475
Walls - Cobblestone, Repairs	35	0	6	30,587	25,343
*** CATEGORY SUMMARY:			59,806	33,023	29,819
Lighting - Repair and Maintenance	4	0	0	6,500	6,500
*** CATEGORY SUMMARY:			6,500	6,500	6,500
Rec Area - Wood Furnishings	20	0	4	3,500	2,800
Rec Area 1 - B-Ball Ct, Backboard	15	+4	2	981	878
Rec Area 1 - B-Ball Ct, Repairs	25	0	8	5,000	3,400
Rec Area 1 - Concrete Furnishings	20	0	3	3,424	2,910
Rec Area 2 - Concrete Furnishings	20	0	4	699	559
*** CATEGORY SUMMARY:			13,604	10,547	10,547
Gate House - Cabinets/Counters, Main	18	0	0	6,586	6,586
Gate House - Cabinets/Counters, Rear	18	0	0	4,485	4,485
Gate House - Doors, Main	25	0	0	7,498	7,498
Gate House - Doors, Rear	20	0	1	7,648	7,266
Gate House - Plumbing Fixtures, Main	25	+7	3	1,313	1,190
Gate House - Plumbing Fixtures, Rear	25	0	6	1,313	998
Gate House - Tile Roofs	40	0	11	4,635	3,360

RESERVE DATA ANALYSIS • (714) 434-8396

Bear Brand Ranch Community Association
RDA Owner's Summary

Bear Brand Ranch Community Association
RDA Standard Projections

REPORT DATE: February 4, 2011
VERSION: 014
ACCOUNT NUMBER: 8927

Beginning Accumulated Reserves: \$472,583

YEAR	CURRENT REPLACEMENT COST	ANNUAL CONTRIBTN	ANNUAL INTEREST CONTRIBTN	ANNUAL EXPENDITRS	PROJECTED ENDING RESERVES	FULLY FUNDED RESERVES	PERCENT FULLY FUNDED
11-2	1,823,133	168,650	3,166	98,957	545,442	713,648	76%
12-3	1,859,596	172,468	4,020	52,009	669,920	822,617	81%
13-4	1,896,788	167,346	3,847	198,653	642,461	772,171	83%
14-5	1,934,723	169,406	3,885	166,829	648,923	757,757	86%
15-6	1,973,418	172,145	4,501	86,793	738,776	831,749	89%
16-7	2,012,886	175,850	5,527	32,209	887,945	968,717	92%
17-8	2,053,144	178,578	5,332	210,479	861,374	920,593	94%
18-9	2,094,207	181,676	5,937	99,147	949,841	993,886	96%
19-0	2,136,091	185,122	6,621	91,713	1,049,871	1,079,829	97%
20-1	2,178,813	189,025	7,736	34,864	1,211,768	1,231,662	98%
21-2	2,222,389	192,204	7,886	176,754	1,235,103	1,237,918	100%
22-3	2,266,837	196,139	9,056	35,196	1,405,105	1,399,326	100%
23-4	2,312,174	194,824	10,019	67,567	1,542,379	1,532,781	101%
24-5	2,358,417	194,865	10,134	188,550	1,558,828	1,542,888	101%
25-6	2,405,585	198,642	10,218	194,681	1,573,007	1,550,259	101%
26-7	2,453,697	191,586	11,215	63,642	1,712,166	1,701,820	101%
27-8	2,502,771	207,909	12,179	73,137	1,859,116	1,850,018	100%
28-9	2,552,826	213,555	12,484	179,164	1,905,991	1,891,475	101%
29-0	2,603,883	218,978	12,295	255,535	1,881,729	1,855,893	101%
30-1	2,655,961	208,098	13,641	34,486	2,068,982	2,060,349	100%
31-2	2,709,080	230,507	14,714	79,166	2,235,038	2,225,127	100%
32-3	2,763,261	233,401	16,054	55,807	2,428,685	2,422,385	100%
33-4	2,818,527	241,737	16,259	224,167	2,462,513	2,447,525	101%
34-5	2,874,897	236,735	9,945	1,154,729	1,554,464	1,485,696	105%
35-6	2,932,395	218,410	10,686	132,852	1,650,708	1,603,580	103%
36-7	2,991,043	215,914	11,529	107,849	1,770,303	1,755,210	101%
37-8	3,050,864	252,703	11,018	316,994	1,717,029	1,690,578	102%
38-9	3,111,881	247,023	11,652	170,908	1,804,796	1,785,908	101%
39-0	3,174,119	260,753	12,601	129,861	1,948,289	1,931,996	101%
40-1	3,237,601	263,368	6,650	1,121,830	1,096,477	1,023,597	107%

*** CATEGORY SUMMARY: Monument Signs - Refurbish 35 0 6 33,478 10,000 10,000 31,383 8,286 8,286 31,383 8,286 8,286

*** CATEGORY SUMMARY: Irrigation - Backflow Devices, Fair 24 0 13 2,414 2,414 2,414 1,106 2,414 2,414 1,106 2,414 2,414

Irrigation - Backflow Devices, Poor 24 0 0 2,414 2,414 2,414 42,057 42,057 42,057 170 170 0

Irrigation - Controllers, Fair 15 +16 2 44,958 2,544 2,544 5,098 5,098 5,098 50,846 50,846

Irrigation - Enclosures, Good 15 0 14 2,544 20,392 2,719 5,098 5,098 5,098 53,564 53,564

*** CATEGORY SUMMARY: Irrigation - Enclosures, Poor 25 0 0 77,820 5,098 5,098 5,989 5,989 5,989 19,600 19,600

Irrigation - Booster Pumps, Fair 18 0 7 9,800 19,600 19,600 19,600 19,600 19,600 10,000 10,000

Irrigation - Booster Pumps, Poor 18 0 0 19,600 10,000 10,000 10,000 10,000 10,000 70,000 70,000

Landscape - French Drain, Repairs 2 0 0 10,000 15,000 15,000 15,000 15,000 15,000 15,000 15,000

Landscape - Slopes Refurbishment 10 0 3 15,000 154,400 154,400 154,400 154,400 154,400 120,589 120,589

*** CATEGORY SUMMARY: Landscape - V Ditch, Repairs 2 0 0 154,400 1,823,133 1,823,133 450,079 450,079 450,079 31,411 31,411

*** CATEGORY SUMMARY: TOTAL ASSET SUMMARY: CONTINGENCY @ 5.00%: GRAND TOTAL: 628,211 31,411 659,622 472,583 472,583

Percent Fully Funded: 72%

NOTE: In some cases, the projected ending reserves may exceed the fully funded reserves during years following high expenditures. This is a result of the provision for a contingency in the report, which in the projections, is never expended. The contingency is continually adjusted according to present needs and any excess is redistributed among all assets considered.

Bear Brand Ranch Community Association

Assessment and Reserve Funding Disclosure Summary For the Fiscal Year July 1, 2011 through June 30, 2012

- (1) The regular assessment per ownership interest is \$ 65400 per month. *Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page ___ of the attached summary.*
- (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:

Date assessment will be due:	Amount per ownership interest per month or year (If assessments are variable, See note immediately below):	Purpose of the assessment:
N/A		
	Total: \$	

Note: If assessments vary by the size of the type of ownership interest, the assessment applicable to this ownership interest may be found on page ___ of the attached report.

- (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 that have not yet been approved by the board or the members?

Approximate date assessment will be due:	Amount per ownership interest per month or year:
N/A	
	Total:

- (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 1365.2.5, the estimated amount required in the reserve fund at the end of the current fiscal year is \$659,622, based in whole or in part on the last reserve study or update prepared by Reserve Data Analysis California, LLC as of February 4, 2011. The projected reserve fund cash balance at the end of the current fiscal year is \$472,583, resulting in reserves being 72 percent funded at this date. The current deficiency in reserve funding expressed on a per unit basis is \$1,473.
- (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 budget years is (b), and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is (a), leaving the reserve at (c) percent funding. *(See recommendation below)*

Year Ending	Projected Reserve Balance (a)	Estimated Amount Required in Reserves (b)	Percent Fully Funded (c)
2011-2012	\$545,442	\$713,648	76%
2012-2013	\$669,920	\$822,617	81%
2013-2014	\$642,461	\$772,171	83%
2014-2015	\$648,923	\$757,757	86%
2015-2016	\$738,776	\$831,749	89%

If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years will be (a), leaving the reserve at (b) percent funding. *(See approved budget below)*

Year Ending	Projected Reserve Balance (a)	Percent Fully Funded (b)
2011-2012	\$614,445	86%
2012-2013	\$809,345	98%
2013-2014	\$862,799	112%
2014-2015	\$953,632	126%
2015-2016	\$1,130,757	136%

At the time this summary was prepared, the assumed long-term before tax interest rate earned on reserve funds was 1% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 2% per year.

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. The preparer of this form will be indemnified and held harmless against all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which may become subject in connection of this engagement, because of any false, misleading or incomplete information which has been relied upon by others, or which may result from any improper use or reliance on the disclosure by you or any third party.

BEAR BRAND RANCH COMMUNITY ASSOCIATION

Collection Policies – Effective July 6, 2010

Prompt payment of Assessments by all owners is critical to the financial health of the Association and to the enhancement of the property values of our homes. Your Board of Directors takes very seriously its obligation under the Declaration of Covenants, Conditions and Restrictions (CC&Rs) and the California Civil Code to enforce the members' obligation to pay assessments. The policies and practices outlined shall remain in effect until such time as they may be changed, modified, or amended by a duly adopted resolution of the Board of Directors. Therefore, pursuant to the CC&Rs and Civil Code Section 1365 (d), the following are the Association's assessment practices and policies:

1. Assessments, late charges, interest and collection costs, including any attorneys' fees, are the personal obligation of the owner of the property at the time the assessment or other sums are levied (Civil Code Section 1367(a); Civil Code Section 1367.1(a)).
2. Regular monthly assessments are due and payable on the first day of each month. A courtesy billing statement is sent each month to the billing address on record with the Association. **However, it is the owner of record's responsibility to pay each assessment in full each month regardless of whether a statement is received.** Special assessments are due and payable on the date specified by the Board on the Notice of Assessment, which date will not be less than thirty (30) days after the date of notice of the special assessment.
3. Any payments made shall be first applied to assessments owed, and only after the assessments owed are paid in full, shall such payments be applied to late charges, interest, and collection expenses, including attorneys' fees, unless the owner and the Association enter into an agreement providing for payments to be applied in a different manner.
4. Assessments not received within thirty (30) days of the stated due date are delinquent and shall be subject to a late charge of ten percent (10%), of the amount of the assessment, for each delinquent assessment per unit.
5. An interest charge at the rate of 10% per annum will be assessed against any outstanding balance, including delinquent assessments, late charges and cost of collection, which may include attorneys' fees. Such interest charges shall accrue thirty (30) days after the assessment becomes due and shall continue to be assessed each month until the account is brought current.
6. If the special assessment is payable in installments and an installment payment of that special assessment is delinquent for more than thirty (30) days, all installments will be accelerated and the entire unpaid balance of the special assessment shall become immediately due and payable. The remaining balance shall be subject to a late charge and interest as provided above.
7. A first notice of past due assessment ("late letter") will be prepared and mailed once an assessment becomes delinquent for 30 days (that is, has not been paid within 60 days of the original due date). A forty dollar (\$40) charge for the late letter will be made against the delinquent member's account.

IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION.

8. If an assessment is not received within forty-five (45) days after the assessment becomes delinquent, the Association or its designee, in the event the account is turned over to a collection agent, will send a pre-lien letter to the owner as required by Civil Code Section 1367(a) (for liens that may record before January 1, 2003) or 1367.1 (a) (for liens that may record on or after January 1, 2003), by certified and first class mail, to the owner's mailing address of record advising of the delinquent status of the account and impending collection action. The owner will be charged a fee for the pre-lien letter.
9. If an owner fails to pay the amounts set forth in the pre-lien letter within thirty (30) days of the date of the letter, the Association will authorize a collection agent to record a lien for the amount of any delinquent assessments, late charges, interest and/or costs of collection, including attorney's fees, against the owner's property. The owner will be charged for the fees and costs of preparing and recording the lien. Thirty (30) days following recordation of the lien, the lien may be enforced in any manner permitted by law, including, without limitation, judicial or non-judicial foreclosure (Civil Code Section 1367(e); Civil Code Section 1367.1(g)).
10. An owner is entitled to inspect the Association's accounting books and records to verify the amounts owed pursuant to Corporations Code Section 8333.
11. In the event it is determined that the owner has paid the assessments on time, the owner will not be liable to pay the charges, interests, and costs of collection associated with collection of those assessments.
12. Any owner who is unable to pay assessments will be entitled to make a written request for a payment plan to be considered by the Board of Directors. An owner may also request to meet with the Board in executive session to discuss a payment plan. The Board will consider payment plan requests on a case-by-case basis and is under no obligation to grant payment plan requests.
13. An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.
14. An owner may dispute the assessment debt by submitting a written request for dispute resolution to the association pursuant to the association's meet and confer IDR procedure, as set forth in Civil Code Section 1363.810 et seq.
15. An owner may also request alternative dispute resolution with a neutral third party before the association initiates foreclosure against the owner's separate interest, except that binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.
16. Nothing herein limits or otherwise affects the Association's right to proceed in any lawful manner to collect any delinquent sums owed to the Association.

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

18. If an owner's check is returned by the bank, the check will not be re-deposited. The owner will be sent a notice stating that the association requires a replacement check which will include reimbursement for the fee charged by the bank and any handling fees associated with the returned check.

19. Owners may notify the association of a secondary address for purposes of collection notices. Upon receipt of a written request by an owner identifying a secondary notice, the association shall send any notices required by Section 1367.1 of the Civil Code to the secondary address provided.

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

21. **The mailing address for overnight payment of assessment is:** Progressive Community Management, 27405 Puerta Real, Suite 300, Mission Viejo, CA 92691.

Mailed to membership May, 2011

CIVIL CODE SECTION 1365.1

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 for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Section 1367.4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 1366, 1367.1, and 1367.4 of the Civil Code)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged by a member or a member's guests, if the governing documents provide for this. (Sections 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. (Sections 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 reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 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 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. (Section 1367.1 of the Civil Code)

The board of the directors must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 1367.1 of the Civil Code)

Mailed to the membership May, 2011

ALTERNATIVE DISPUTE RESOLUTION SUMMARY

California *Civil Code* Sections 1369.510 through 1369.590 require community associations and their homeowners to offer to participate in some form of Alternative Dispute Resolution (“ADR”) prior to initiating certain types of lawsuits in superior court. ADR means mediation, arbitration, conciliation, or other nonjudicial procedure that involves a neutral party in the decision making process. ADR may either be binding or non-binding, as may be agreed to by the parties. This Summary of the ADR statutes is being distributed as required by California *Civil Code* Section 1369.580.

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

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

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

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

II. Compliance Procedures

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

- A. A brief description of the dispute between the parties;
- B. A request for ADR;
- C. When directed to an owner, the request must be accompanied by a copy of the ADR statutes;
- D. A notice to all parties that they are required to respond within 30 days of receipt, or else the offer of ADR is deemed rejected; and

Service of the Request must be by personal delivery, first-class mail, express mail, facsimile transmission, or other means reasonably calculated to provide the intended recipient actual notice of the Request. If the Request is accepted, ADR must be completed within 90 days of the receipt of the acceptance, unless the parties sign a written agreement extending the completion date.

The cost of ADR is to be borne by the parties. Unless the parties agree, no oral or written evidence or statements made in an ADR proceeding, other than arbitration, are admissible as evidence in a later lawsuit.

Each homeowner should consult with his or her own attorney regarding appropriate compliance with the ADR statutes.

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

Should a party unreasonably refuse to participate in ADR before the lawsuit is filed, the court may, in its discretion, take this refusal into consideration in determining the amount of attorneys' fees and costs ultimately awarded at trial. In accordance with the disclosure requirement of California *Civil Code* Section 1369.590, please be advised that:

“Failure of a member of the Association to comply with the alternative dispute resolution requirements of Section 1369.520 of the Civil Code may result in the loss of your right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law.”

IV. Association's Policy of Early Dispute Resolution:

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

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

Mailed to homeowners: May 2011

INSURANCE SUMMARY
BEAR BRAND RANCH COMMUNITY ASSOCIATION

MASTER POLICY	
Insurance Carrier:	Philadelphia Indemnity Insurance
Policy Number:	#PHPK648615
Expiration Date:	11/22/11
Agent's Name and Phone:	LaBarre/Oksnee (949) 588-0711
Commercial Property Coverage:	\$1,000,000.00 per occurrence
Deductible:	None
Limit of Liability:	\$2,000,000.00 aggregate
DIRECTORS & OFFICERS LIABILITY	
Insurance Carrier:	Liberty Mutual
Policy Number:	#CAP003497-0110
Expiration Date:	11/22/11
Agent's Name and Phone:	LaBarre/Oksnee (949) 588-0711
Limit of Liability:	\$1,000,000.00 aggregate
Deductible:	\$5,000.00 per occurrence
FIDELITY BOND	
Insurance Carrier:	Philadelphia Indemnity Insurance
Policy Number:	#PHPK648615
Expiration Date:	11/22/11
Agent's Name and Phone:	LaBarre/Oksnee (949) 588-0711
Coverage Limit:	\$600,000.00
Deductible:	\$2,500.00 per occurrence
COMMERCIAL UMBRELLA	
Insurance Carrier:	Great American Insurance
Policy Number:	#UM2386961-0623
Expiration Date:	11/22/11
Agent's Name and Phone:	LaBarre/Oksnee (949) 588-0711
Coverage Limit:	\$5,000,000.00

If renewal occurs in the next 12 months with the same provider, no further disclosure will be made.

BEAR BRAND RANCH ASSOCIATION

FINE POLICY

When people stray from the reasonable requirements of the Governing Documents, it often creates problems, polarizes neighbors, and disappoints expectations on the part of residents that the Association will enforce the CC&Rs and Rules and Regulations. Our Bylaws and CC&Rs authorize fining for violations of the Governing Documents and California law requires distribution of a policy in the event the Association might consider the use of fines. Bear Brand Ranch has had a fine policy in place for over a decade.

The Board considers fine and penalties only as an alternative to be exercised after reasonable efforts to work with homeowners to encourage them to voluntarily cure violations have failed.

The Board of Directors has the authority to impose a fine for each violation found to be true after the homeowner has had an opportunity to object in writing (or personal appearance) to the Management Company's Agent or the Board. Any such explanation or mitigation offered by the homeowner shall be considered in imposing the fine. The decision of the Board is final.

The fine quantification is based on the severity of the violation, whether previous notices were sent to the homeowner, and the homeowner's presentation of explanations or mitigating circumstances which led to the violation.

In addition to the amount of the fine imposed, if the Board finds that the Association was required to incur any expense as the result of the conduct of the homeowner, the conduct of a family member, guest, contractor, household employee, pet, or anyone else on the Association ground by the homeowner's invitation or permission, the homeowner shall be liable for the amount of the expense in addition to any amount imposed as a fine.

In the event the Board is required to take legal action to collect on fines, which have been imposed on a homeowner, the homeowner shall also be liable for all attorney fees and court costs incurred by the Association.

The Board also has the power to initiate legal action against the homeowner to restrain continued and repeated violation of the Governing Documents, to recover the Association's costs caused by the homeowner, the family, tenant, guest, contractors, household employee, pet or anyone else on the Association ground by the homeowner's invitation or permission.

Fines may be imposed on per occurrence. For continuing violations, fines may be imposed on a per day, per week, or per month basis. Fines may be imposed concurrently with other action by the Board to address a violation if it is necessary.

Notification Procedures

First Violation:

Upon the receipt by the Management Company Agent of a complaint, the homeowner will be sent a notice by the Management Company Agent, first-class or registered mail, or personal delivery, advising the homeowner of an alleged violation and seeking the homeowner's cooperation in correcting the situation. In all instances, unless legal action is required, the name(s) of the complainant will not be revealed to the presumed violator.

This notice will indicate the nature of the violation and will alert the homeowner to the potential of a fine should the violation not be corrected or should the violation continue. The exception to this notice without imposition of a fine will be in the case of a homeowner who ignores a "cease and desist order" or any other violation in which the Board perceives the homeowner willfully has refused to comply on previous occasions.

The notification letter will provide the homeowner with the opportunity to refute the allegation either in writing or in person within 15 days or establish a date certain agreeable to the Board that the violation will be corrected. The homeowner shall also have the right to appeal any notice to the Board at its next regularly scheduled meeting.

The Management Company Agent will maintain a file of all violations by member.

Continuation of the violation or second offense for same violation

Should a second complaint be lodged against a homeowner or the violation cited in the first offense letter be continued, another letter will be sent to the offending homeowner by the Management Company Agent. This second letter for the same violation or continuing violation will contain a notice that a fine will be imposed by the Management Company Agent as specified in the "Schedule of Fines" and the homeowner given 15 days to offer an explanation or refute the allegation, either to the Management Company Agent or to the Board. The Management Company Agent or the Board may rescind the fine if the finding is that the violation did not in fact occur or other mitigating circumstances were present. The Decision of the Board is final.

Schedule of fines

First offense, regardless of violation (with the exception of failure to comply with cease and desist order).....\$ 0.00
Failure to comply with cease and desist order..... \$1,000.00/day

Second offense (occurring after receipt of notification letter)

dog off leash in common area..... 200.00
overnight parking of automobiles on the street..... 100.00
excessive speed (more than 15 mph) 100.00
parking of vehicle other than those allowed by CC&Rs in driveway..... 100.00
non compliance (lack of home maintenance, mossy roofs,
dead landscape etc..... 100.00
other.....TBD by Board

Third or continuing offense (occurring after receipt of second notification letter/fine)

Doubling of fine for second offense for each continued or repeated violation until violation is corrected.

This policy to be distributed annually to the membership as required by Civil Code.

Mailed to the membership May, 2011

BEAR BRAND RANCH COMMUNITY ASSOCIATION
Civil Code Section 1378 (c)
Architectural Review Procedures

**Types of Changes Requiring Approval by the
Architectural Committee/Design Review Committee**

- 1) All proposed exterior modifications, alterations, additions or changes must be submitted to the Association for review and approval, through the managing agent prior to any installation or commencement of change.
- 2) The above mentioned modifications that require said process are detailed in the Association's Architectural Guidelines and/or CCR's.

**Procedure used to Review and Approve
or Disapprove a Proposed Change**

- 1) Homeowner shall submit all of the following:
 - a) Application Form
 - b) Plans and Specifications (3 sets of plans)
 - c) Neighbor Awareness Form
 - d) Photographs, brochures and/or material samples (3sets), when applicable.
These may not be returned to owner.
 - e) Deposit & Fees required with submittal
New Construction- \$800 architectural review fee (non-refundable);
\$25,000 deposit (refundable); \$25,000 road use fee (non-refundable)
Renovation/Addition - \$800 architectural review fee (non-refundable);
\$15,000 deposit (refundable); \$15,000 road use fee (non-refundable)
Minor landscape, exterior painting - \$800.00 review fee (non-refundable)
\$5,000 deposit (refundable); \$5,000 road use fee (non-refundable)
- 2) Processing of Application:
 - a) Homeowner to send complete application package to the management office.
 - b) If incomplete, the managing agent will return it to the homeowner as denied and note the deficiency of the application package for the homeowner's resubmittal.

- c) *If the application package is complete, the managing agent will log it, acknowledge receipt to the homeowner and transmit the application package to the Committee pursuant to their review and meeting protocol.*
- d) *All changes to the exterior of the residence must be specifically called out in detail and in accordance with the Association's guidelines.*
- e) *If there are easements or plans for re-location of an existing improvement, the application/plan must depict the original location of same and the proposed new location.*
- f) *Failure of the Association to respond to the homeowner will deem the application denied per the CC&R's.*
- g) *A default approval due to untimely Association response does not provide any rights to the homeowner to violate alteration of the common area, or Association-maintenance areas regardless of submittal information.*
- h) *The Committee shall review each application package for aesthetics to determine if the application meets the community's guidelines; and that the appearance of said changes will be in harmony and not detract from the overall theme and beauty of the community.*
- i) *Homeowners must defer to their professional consultant to determine if a City/County permit is needed and/or if utility or other City/County easements exist. Verification of accurate property lines is the homeowner's responsibility and if a neighbor property line dispute arises, it is a neighbor to neighbor matter to resolve.*
- j) *The Committee will complete its review and remit the application package back to the managing agent, advising if it is approved or denied and any reasons for the denial. Management will log the transmittal and remit one set of the application package back to the homeowner with the approval/denial communications as set forth by the Committee.*
- k) *If the application is denied, the homeowner is required to begin the application process once again, in accordance with the Association's guidelines.*

Mailed to Homeowners- May 2011