

BERNARDO SANTA FE HOMEOWNERS' ASSOCIATION

C/o Association Management Group
Tel: (760) 931-4188 Fax: (760) 931-4188

2131 Las Palmas Drive, Suite A, Carlsbad, CA 92011-1524
Email: amg@sdamg.net

November 20, 2013

Members of the
BERNARDO SANTA FE HOMEOWNERS ASSOCIATION
Escondido, CA 92029

Dear Member:

Enclosed with this letter please find important information being sent to you as a member of the Bernardo Santa Fe Homeowners Association. Please find the following:

1. 2014 operating and reserve funding budget
2. Summary of Reserve Study Report
3. Assessment collection policy
4. Violation and fine policy
5. Alternative Dispute Resolution
6. Insurance disclosure statement
7. Architectural change process
8. Architectural application

The budget was adopted by the Board of Directors and reflects their plan to preserve and enhance the community. The monthly assessment rate remains at \$180 per month.

The Board of Directors has contracted for an analysis of the current reserve-funding program. A summary of that report is included. If you wish to receive a copy of the complete report, please contact Association Management Group.

The Board of Directors meets on the fourth Tuesday at 2:45 p.m. every other month at the Escondido Library. The agenda is posted at the Association guardhouse at least four days prior to the meeting.

Minutes will be available to the members for inspection at the office of the management company. Minutes are also be emailed to you within 10 days following the meeting date upon your email request.

The following is contact information for the manager responsible for receiving communication directed to the Association:

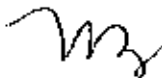
Ms. Vanessa Beebe
2131 Las Palmas Drive, Suite A
Carlsbad, CA 92011-1524
cs@sdamg.net

The above address may be used to pay assessments in person or by US Mail, including overnight mail.

If you have any questions or comments regarding the enclosed information or any other issues concerning the community association, please come to a Board meeting and speak with the Board or you may wish to contact management. Email requests are preferred.

Sincerely yours,

AS DIRECTED BY THE BOARD



Vanessa Beebe
Community Manager

Enclosure:As listed above

BERNARDO SANTA FE HOA

APPROVED OPERATING BUDGET JANUARY 01, 2014 - DECEMBER 31, 2014

	Average Unit/Month	Monthly Budget	Annual Budget	% of Budget
INCOME				
4011 ASSESSMENTS	180.00	20,340.00	244,080.00	99.98%
4042 LATE FEES	-	-	-	0.00%
4044 INTEREST INCOME	0.04	5.00	60.00	0.02%
4099 MISCELLANEOUS	-	-	-	0.00%
TOTAL INCOME	180.04	20,345.00	244,140.00	100.00%
EXPENSES				
MAINTENANCE EXPENSES				
5011 LANDSCAPING - CONTRACT	65.04	7,350.00	88,200.00	36.13%
5013 LANDSCAPING EXTRAS	6.19	700.00	8,400.00	3.44%
5026 TREE TRIMMING	7.96	900.00	10,800.00	4.42%
5100 GENERAL MAINTENANCE	3.54	400.00	4,800.00	1.97%
5400 GATE REPAIR	1.33	150.00	1,800.00	0.74%
5402 STREET SWEEPING	0.66	75.00	900.00	0.37%
TOTAL MAINTENANCE EXPENSES	84.73	9,575.00	114,900.00	47.06%
UTILITY EXPENSES				
6021 ELECTRICITY	0.88	100.00	1,200.00	0.49%
6031 WATER	37.74	4,265.00	51,180.00	20.96%
6050 TELEPHONE-GATE	0.49	55.00	660.00	0.27%
TOTAL UTILITY EXPENSES	39.12	4,420.00	53,040.00	21.73%
ADMINISTRATIVE EXPENSES				
7011 MANAGEMENT FEE - CONTRACT	9.25	1,045.00	12,540.00	5.14%
7015 MANAGEMENT FEE EXTRAS	0.80	90.00	1,080.00	0.44%
7122 LEGAL	0.04	5.00	60.00	0.02%
7126 COLLECTION EXPENSE	0.88	100.00	1,200.00	0.49%
7135 AUDIT & RESERVES	1.33	150.00	1,800.00	0.74%
7211 INSURANCE	2.88	325.00	3,900.00	1.60%
7316 LICENSES/FEES	0.09	10.00	120.00	0.05%
7319 TAXES	0.58	65.00	780.00	0.32%
7900 MEETING FACILITY	0.13	15.00	180.00	0.07%
7913 PRINTING & POSTAGE	2.65	300.00	3,600.00	1.47%
7914 ADMINISTRATIVE EXPENSES	1.42	160.00	1,920.00	0.79%
7915 BANK CHARGES	0.09	10.00	120.00	0.05%
7995 MISCELLANEOUS	0.04	5.00	60.00	0.02%
7995 BAD DEBT EXPENSE	-	-	-	-
TOTAL ADMINISTRATIVE EXPENSES	20.18	2,280.00	27,360.00	11.21%
RESERVE FUNDING ALLOCATIONS				
RESERVE FUNDING	36.02	4,070.00	48,840.00	20.00%
TOTAL RESERVE FUNDING EXPENSES	36.02	4,070.00	48,840.00	20.00%
TOTAL EXPENSES	180.04	20,345.00	244,140.00	100.00%
NET INCOME (LOSS)	-	-	-	0.00%

* No increase in assessments.

Assessment and Reserve Funding Disclosure Summary For the Fiscal Year Ending December 31, 2014

(As illustrated by California Civil Code Section 1365.2.5)

(1) The regular assessment per ownership interest is \$180.00 per month, of which approximately \$45.13 is allocated to reserves.

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on the following page of the attached summary. NOT APPLICABLE

(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: **SEE ANSWER BELOW TO QUESTION #4 WHICH SUGGESTS THERE WILL BE INCREASES IN REGULAR ASSESSMENTS FOR RESERVE FUNDING.**

Date assessment will be due:	Amount per ownership interest per month or year:	Purpose of the assessment:
<i>(Intentionally left blank)</i>	<i>(Intentionally left blank)</i>	<i>(Intentionally left blank)</i>

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on the following page of the attached summary. NOT APPLICABLE

(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 X No

Yes, if the Association follows the recommended future reserve contribution increases as outlined in the reserve study and disclosed in the table of question (4) with consideration to the note below*.

No, if the Association does not follow the recommended future reserve contribution increases as outlined in the reserve study and disclosed in the table of question (4) with consideration to the note below*.

**Note: The information contained within the reserve study includes estimates of replacement value and life expectancies of the components and includes assumptions regarding future events based on information provided by and supplied to the Association's Board of Directors and/or management. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the date of this disclosure summary. Therefore, the actual replacement cost and remaining life may vary from the reserve study and the variation may be significant. Additionally, inflation and other economic events may impact the reserve study, particularly over a thirty (30) year period of time which could impact the accuracy of the reserve study and the funds available to meet the association's obligation for repair and/or replacement of major components during the next thirty (30) years. Furthermore, the occurrence of vandalism, severe weather conditions, earthquakes, floods or other acts of God cannot be accounted for and are excluded when assessing life expectancy of the components. The reserve study only includes items that the Association has a clear and express responsibility to maintain, pursuant to the Association's CC&Rs.*

(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(s) will be due:	Amount per ownership interest per month:
NOT REQUIRED	(Current amount) X (the increases)

(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 \$341,183.52, based in whole or in part on the last reserve study or update prepared by **SCT RESERVE CONSULTANTS, INC.** as of December 31, 2014. The projected reserve fund cash balance at the end of the current fiscal year is \$568,201.29, resulting in reserves being 166.54% percent funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required amount is \$13,351. (See explanation below).

Explanation: Cash Flow Methodology - a method of developing a reserve funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.



Assessment and Reserve Funding Disclosure Summary For the Fiscal Year Ending December 31, 2014

(As Illustrated by California Civil Code Section 1365.2.5)

(continued)

7) See below: 30-Year Reserve Funding Plan Table...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 \$(see "100% Funded" column 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 \$(see "Cash Flow (Balance with Funding Plan" column below), leaving the reserve at \$(see "Percent Funded" column below) percent funding. If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years will be \$(see "Cash Flow (Balance with Funding Plan" column below), leaving the reserve at \$(see "Percent Funded" column below) percent funding. 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 reserve funds was 1.00% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 3.00% per year.

30-Year Reserve Funding Plan Table

Fiscal Year: January 01, 2014 - December 31, 2014							
Year	End of Year			Revenue			Expenditures
	100% Funded	Cash Flow (Balance with Funding Plan)	Percent Funded (EOY)	Contribution, Interest, Spec Assos	Contribution Unit/Month	Contribution % Change	Components, Taxes, Deferred Exp
2013	\$321,946	\$515,000	159.96%				
2014	\$341,184	\$588,201	168.54%	\$66,552	\$45.13		\$13,351
2015	\$357,412	\$618,258	172.98%	\$67,051	\$45.13	0.00%	\$16,995
2016	\$387,143	\$682,762	176.36%	\$67,687	\$45.13	0.00%	\$3,183
2017	\$389,190	\$694,075	188.16%	\$67,928	\$45.13	0.00%	\$55,915
2018	\$396,164	\$755,943	190.82%	\$68,417	\$45.13	0.00%	\$7,148
2019	\$426,492	\$821,533	192.63%	\$69,088	\$45.13	0.00%	\$3,478
2020	\$440,978	\$868,386	196.92%	\$69,542	\$45.13	0.00%	\$22,687
2021	\$424,935	\$877,687	206.55%	\$69,650	\$45.13	0.00%	\$60,350
2022	\$435,184	\$917,085	210.74%	\$70,029	\$45.13	0.00%	\$30,631
2023	\$441,721	\$950,262	215.13%	\$70,362	\$45.13	0.00%	\$37,186
2024	\$467,354	\$1,007,748	215.63%	\$70,924	\$45.13	0.00%	\$13,439
2025	\$477,806	\$1,048,393	219.42%	\$71,335	\$45.13	0.00%	\$36,689
2026	\$507,062	\$1,111,290	219.16%	\$71,952	\$45.13	0.00%	\$9,054
2027	\$540,568	\$1,179,513	218.20%	\$72,628	\$45.13	0.00%	\$4,405
2028	\$563,508	\$1,231,794	218.59%	\$73,155	\$45.13	0.00%	\$20,874
2029	\$326,653	\$877,090	268.51%	\$69,795	\$45.13	0.00%	\$424,499
2030	\$360,959	\$937,119	259.62%	\$70,220	\$45.13	0.00%	\$10,191
2031	\$386,173	\$984,677	254.98%	\$70,698	\$45.13	0.00%	\$23,140
2032	\$425,744	\$1,050,920	246.84%	\$71,350	\$45.13	0.00%	\$5,107
2033	\$419,387	\$1,055,585	251.70%	\$71,422	\$45.13	0.00%	\$66,756
2034	\$441,083	\$1,095,693	248.41%	\$71,806	\$45.13	0.00%	\$31,698
2035	\$479,548	\$1,157,877	241.45%	\$72,416	\$45.13	0.00%	\$10,232
2036	\$521,478	\$1,225,213	234.95%	\$73,084	\$45.13	0.00%	\$5,748
2037	\$270,505	\$714,264	264.05%	\$68,240	\$45.13	0.00%	\$579,189
2038	\$315,800	\$769,913	243.80%	\$68,558	\$45.13	0.00%	\$12,909
2039	\$349,579	\$809,580	231.58%	\$68,959	\$45.13	0.00%	\$29,313
2040	\$383,210	\$837,830	218.63%	\$69,245	\$45.13	0.00%	\$40,875
2041	\$389,834	\$838,522	215.10%	\$69,264	\$45.13	0.00%	\$68,571
2042	\$435,766	\$890,318	204.31%	\$69,756	\$45.13	0.00%	\$17,962
2043	\$487,911	\$948,872	194.48%	\$70,338	\$45.13	0.00%	\$11,783
30-Year Sum:				\$2,101,333			\$1,667,461



BERNARDO SANTA FE

HOMEOWNERS' ASSOCIATION

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Email: amg@sdamc.net

ASSESSMENT COLLECTION POLICY

Effective January 1, 2014

The Board of Directors for Bernardo Santa Fe Homeowner's Association has adopted the following policy for the collection of homeowner's assessments:

1. **Due Date:** Homeowner's assessments are due and payable on the 1st day of each month, whether or not a homeowner ("Owner") receives a bill from the Association.
2. **Payment Location:** The Association is the collector of the assessments, late fees and interest. Assessments may be paid by check or by electronic payments. Please contact the Association in writing to make arrangements for electronic payments. Please submit all payments including overnight mail deliveries to the Association business address:

Bernardo Santa Fe Homeowners' Association
c/o Association Management Group
2131 Las Palmas Drive, Suite A
Carlsbad, CA 92011-1524

3. **Returned Check / Payment Charge:** A Return Check / Payment Charge of \$25.00, in addition to any bank charges and late charge, if applicable, will be assessed against an Owner's account whose check has been returned or whose electronic payment is not made by the bank for any reason.
4. **Late Charge:** On the 16th day following the due date of any assessment, the assessment is delinquent and, a Late Charge of \$10 shall be applied to any unpaid balance without further notice. A reminder notice may be sent to remind the Owner of the delinquency.
5. **Pay or Lien Letter:** On the 30th day following the due date of any assessment a Pay or Lien Letter will be sent to the Owner at a cost to the Owner of \$125.00, which is added to the amount of any delinquent assessment. In addition, beginning on the 30th day following the due date of any assessment, interest on the entire amount of the delinquent assessment (and all amounts added thereto) shall be charged at the rate of ten percent (10%) per annum.
6. **Payment Plan:** An Owner may submit a written request to meet with the Board to discuss a payment plan for any delinquent assessment. If the Owner's request is postmarked within fifteen (15) days of the postmark date of the Pay or Lien Letter, the Board shall meet with the Owner in executive session within forty-five (45) days of the postmark of the Owner's request, if there is a regularly scheduled Board meeting within that period. Payment plans must incorporate any assessments that

accrue during the payment plan period. Acceptable payment plans must include a lump sum payment of no less than half the debt paid at the onset of the agreement. The remaining balance due must be paid in no more than six (6) equal payments in addition to the current assessment payment due quarterly. Payment plans shall not impede an Association's ability to record a lien against the homeowner's property ("separate interest"). Additional late fees shall not accrue during the payment plan period if the homeowner complies with the terms of the payment plan. In the event of a default on any payment plan, the Association may resume its efforts to collect the delinquent assessments from the time prior to entering into the payment plan.

7. **Lien:** On the 60th day following the due date of any assessment, a Lien will be placed against the Owner's property at a cost of \$300.00, which is added to the Owner's account. The Lien will include the amount of the delinquent assessment, plus late charges, reasonable costs incurred in collecting the delinquent assessment (including reasonable attorney's fees) and interest which are payable by the Owner. The Board of Directors shall approve placing a lien against the Owners' property in an open meeting.
8. **Notice of Default:** On the 90th day following the due date of any assessment, a Notice of Default notice will be sent to the Owner and recorded, and the Association or its designated agent will diligently proceed with foreclosure pursuant to California Civil Code Sections 5660 through 5720. The notice will include the amount of the delinquent assessments, late charges, reasonable costs incurred in collecting the delinquent assessment (including reasonable attorney's fees) and interest which are payable by the Owner.
9. **Foreclosure:** The Board of Directors shall not proceed with non-judicial foreclosure unless and until the amount of delinquent assessments are in excess of one thousand eight hundred dollars (\$1,800.00) or are more than 12 months delinquent. The Association may use judicial or non-judicial foreclosure or in lieu of foreclosure, or concurrently, it may file a Superior Court or a Small Claims Court lawsuit against the Owner(s) personally to collect the delinquent assessments, late charges, reasonable costs incurred in collecting the delinquent assessment (including, without limitation, filing fees and reasonable attorney's fees) and interest, as more fully provided in Sections 5705 through 5720 of the Civil Code. Once foreclosure is commenced, no partial payments will be accepted on an assessment account.
10. **Costs incurred by the Association:** Any and all costs incurred by the Association to collect delinquent assessments, including, without limitation, actual reasonable attorneys' fees and costs, will be charged directly to the Owner. The Owner must pay these costs before the Association will release the lien.
11. **Application of Payments:** Monetary payments received from an Owner will be credited to balances on the Owner's account in the following order, and within each category from the oldest to newest (FIFO):

- a. Emergency assessments
- b. Special assessments
- c. Regular assessments
- d. Personal Charges for reimbursement
- e. Monetary penalties or fines
- f. Late Charges
- g. Legal fees and costs
- h. Interest

12. Association's Rights: In the event of a default on any payment plan, the Association may resume collection on delinquent assessment from the time prior to entering into the payment plan. In addition, when the account has been turned over to the Association's legal counsel, the Association and its legal counsel will not accept partial payments and will reject such partial payments until the Owner's account is brought current and paid in full. Owners shall not send any assessment payments to the Association once the matter has been turned over to the Attorney for collection; such payments shall only be accepted by the Association's legal counsel. Any payments delivered to the collection agent shall be forwarded to the attorney's office; the attorney shall release the lien when payment in full is made by the delinquent Owner.

13. Compliance with Civil Code:

NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure, or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's

property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code, inclusive)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common area damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5675 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 5685 of the Civil Code)

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

PAYMENTS

When an owner makes a payment, the owner may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 5655 of the Civil Code)

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an

association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share interest may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exists. (Section 5665 of the Civil Code)

The board must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 5665 of the Civil Code)

Acceptable payment plans must include a lump sum payment of no less than half the debt paid at the onset of the agreement. The remaining balance due must be paid in no more than six (6) equal payments in addition to the current assessment payment due quarterly.

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POLICY FOR VIOLATION DETERMINATION

Effective January 1, 2006

Be it hereby resolved that the Board of Directors of the Bernardo Santa Fe Homeowners' Association has duly adopted the following method of addressing and validating violations of the Rules & Regulations and the Covenants, Conditions and Restrictions (CC&Rs) of the Association. Violations, specifically or non-specifically outlined in the CC&R.s, shall be separated into three (3) general categories.

Architectural Violations shall include, but not be limited to: failure to obtain architectural approval prior to initiating improvement and/or failure to construct improvements in accordance with provisions of architectural approval. Upon receipt of notification or physical inspection by Management, owner will be immediately notified of the violation and an enforcement policy will be enacted.

Visible Violations shall include, but not be limited to: parking, vehicular restrictions and exterior maintenance. Upon noticing of violation observed by Management, through physical inspection or by Board Member, or upon written complaint signed by an owner, owner will be immediately notified of the violation and an enforcement policy will be enacted. The said violation statement must include details such as date and location of violation; name(s), address(es) and/or phone number(s) of witnesses. If a vehicle is involved, a complete description, including license number and Parking Permit number, if present; and, if possible, a photograph, would be appreciated in addition to the written complaint.

Nuisance Violations shall include, but not be limited to: noise, odor, Common Area damage, behavior or control of pets, and/or behavior or control of owners' children, family members or guests. Upon written complaint signed by an owner, or physical witnessing by Management or Board Member, owner will immediately be notified of violation and an enforcement policy will be enacted. The said violation statement must include details, such as date(s) and location(s) of violations; name(s), address(es) and/or phone number(s) of witnesses. If a series of similar events has occurred, these violations must be documented in detail.

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VIOLATION POLICY

Effective January 1, 2006

To establish a violation of the governing documents of the Association, proof of said violation must be obtained. A Board Member or Management Representative can substantiate proof through visual observance. Proof can also be substantiated upon written notification of two (2) owners of two (2) separate residences.

First Action: Owner shall receive a general warning notice outlining the nature of the alleged violation and requesting correction and/or remedy of said violation.

Subsequent Action: Should owner fail to correct the violation, appropriate penalty fines will be assessed. Should owner continue to fail to correct the violation, the Board shall exercise the option of filing a Notice of Non-Compliance against the property and/or initiate legal action.

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COMPLAINT AND RULE ENFORCEMENT POLICY

Effective January 1, 2006

- 1. Homeowners need to file a formal written complaint and forward it to the Bernardo Santa Fe Homeowners' Association, in care of the Management Company. A signed and dated letter should comprehensively lay out the basis of the complaint and provide the information regarding when, where, who, what and how the violation occurred.**
- 2. An owner is strictly liable for violations of these Rules by his or her guests or tenants. Where a tenant is in violation of a Rule, the owner will be served notice and have the responsibility for subsequent action as outlined hereafter as though they stand in the shoes of the offender.**
- 3. When the complaint is received, the Management Company will send a formal complaint letter to the offending owner of record at his or her last known address. This letter will state the nature of the offense, the deadline for correction and the date of the Board Meeting at which the complaint will be heard. This letter may include the amount of the assessment to be levied if not corrected, as well as any assessment to be levied for any repetition of the violation.**
- 4. All complaints will be heard in the Executive Session Board of Directors Meeting. If the offending owner has corrected the violation, the Board will impose no assessment and will close that complaint. If the violation has continued, the Board will determine what sanction is appropriate for the violation. Should the offending owner not appear at a scheduled hearing, the Board may make a determination on the matter in his or her absence. Any such determination would be binding.**
- 5. Notice of the Board action will be sent to the owner of record at his or her last known address.**

BERNARDO SANTA FE

HOMEOWNERS' ASSOCIATION

City Association Management Group
Tel: (760) 931-4180 Fax: (760) 931-4188

2131 Las Palmas Drive, Suite A, Carlsbad, CA 92011-1524
Email: amg@sdmag.net

PENALTY AND FINE POLICY

Effective January 1, 2006

- 1. Assessments for a first offense for any one violation will be \$50.00. Subsequent violations of the same Rule will be assessed at the rate of \$50.00 times the number of previous offenses, including the present offense. In addition to any assessment levied, the Board shall impose any additional sums, which amounted to actual cost, to the Association to repair the Association property or correct the violation. The Board of Directors may also suspend the voting rights or right to use the Association's recreational facilities, or any combination thereof, for any Rule violated. Any such suspension, however, shall not exceed thirty (30) days in length.**
- 2. All assessments and charges imposed against an owner for a violation of the Rules will be applied to the offending owner's account and will appear on the owner's next statement of account. Unpaid balances will be subject to additional late fees, interest and charges as applied to the statement. Unpaid assessments shall become a lien against the offender's real property. Unsatisfied liens may result in foreclosure proceedings.**
- 3. Seven (7) days following the mailing of the letter notifying the owner of the Board's actions, Management may check on the complaint to determine if the violation is reoccurring. If the complaint has not been corrected, a new complaint will be filed and the procedure outlined above will be repeated. The offending owner would be subject to the multiple assessment provisions outlined herein. If the violation has been corrected, no further action will be taken.**
- 4. All homeowners of record and tenants will receive a copy of this complaint procedure and a copy of the complaint form. Additional copies will be available from the Management Company.**
- 5. All letters and notices required under this procedure shall be mailed in the United States mail, first-class postage prepaid, and addressed to the offending owner at the last known address listed with the Management Company.**

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ALTERNATIVE DISPUTE RESOLUTION (ADR)

The California Legislature has established a public policy in this state which encourages the use of Alternative Dispute Resolution (ADR) to resolve conflicts which arise in condominiums, planned developments and other common interest developments.

The new law amends California Civil Code Sections 1369.510 *et seq.* and requires that certain types of disputes between homeowner associations and their members, or between association members, be submitted to ADR. ADR may take the form of mediation, arbitration, conciliation or other non-judicial procedure that involves a neutral party in the decision-making process. The new law prohibits the filing of a lawsuit seeking to enforce the association's governing documents unless the parties have endeavored to submit their dispute to ADR, unless the lawsuit claims monetary damages in excess of \$5,000.00. Cal. Civ. Code § 1369.520.

The law also requires each homeowners association to distribute a summary of California Civil Code Section 1369.510 *et seq.* to its members annually either at the time the annual budget is distributed or in the manner specified in Corporations Code Section 5016.

Rather than attempt to summarize the law, which may result in a misunderstanding of what the law states, the Association is providing a copy of Section 1369.510 *et seq.* in its entirety below. **PLEASE NOTE, CIVIL CODE section 5965 states: FAILURE OF A MEMBER OF THE ASSOCIATION TO COMPLY WITH THE ALTERNATIVE DISPUTE RESOLUTION REQUIREMENTS OF SECTION 5930 OF THE CIVIL CODE MAY RESULT IN THE LOSS OF THE MEMBER'S RIGHT TO SUE THE ASSOCIATION OR ANOTHER MEMBER OF THE ASSOCIATION REGARDING ENFORCEMENT OF THE GOVERNING DOCUMENTS OR THE APPLICABLE LAW.**

§5925. ADR Definitions

As used in this article:

(a) "Alternative dispute resolution" means mediation, arbitration, conciliation, or other nonjudicial procedure that involves a neutral party in the decision making process. The form of alternative dispute resolution chosen pursuant to this article may be binding or nonbinding, with the voluntary consent of the parties.

(b) "Enforcement action" means a civil action or proceeding, other than a cross-complaint, for any of the following purposes:

- (1) Enforcement of this act.
- (2) Enforcement of the Nonprofit Mutual Benefit Corporation Law (Part 3 (commencing with Section 7110) of Division 2 of Title 1 of the Corporations Code).
- (3) Enforcement of the governing documents.

§5930. ADR Required Before Filing Certain Actions

(a) An association or a member may not file an enforcement action in the superior court unless the parties have endeavored to submit their dispute to alternative dispute resolution pursuant to this article.

(b) This section applies only to an enforcement action that 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 stated in Sections 116.220 and 116.221 of the Code of Civil Procedure.

(c) This section does not apply to a small claims action.

(d) Except as otherwise provided by law, this section does not apply to an assessment dispute.

§5935. Initiating ADR by Request for Resolution

(a) Any party to a dispute may initiate the process required by Section 5930 by serving on all other parties to the dispute a Request for Resolution. The Request for Resolution shall include all of the following:

- (1) A brief description of the dispute between the parties.
- (2) A request for alternative dispute resolution.
- (3) A notice that the party receiving the Request for Resolution is required to respond within 30 days of receipt or the request will be deemed rejected.
- (4) If the party on whom the request is served is the member, a copy of this article.

(b) Service of the Request for Resolution shall be by personal delivery, first-class mail, express mail, facsimile transmission, or other means reasonably calculated to provide the party on whom the request is served actual notice of the request.

(c) A party on whom a Request for Resolution is served has 30 days following service to accept or reject the request. If a party does not accept the request within that period, the request is deemed rejected by the party.

§5940. Time for Completing ADR Process and Cost Splitting

(a) If the party on whom a Request for Resolution is served accepts the request, the parties shall complete the alternative dispute resolution within 90 days after the party initiating the request receives the acceptance, unless this period is extended by written stipulation signed by both parties.

(b) Chapter 2 (commencing with Section 1115) of Division 9 of the Evidence Code applies to any form of alternative dispute resolution initiated by a Request for Resolution under this article, other than arbitration.

(c) The costs of the alternative dispute resolution shall be borne by the parties.

§5945. Effect of ADR on Statutes of Limitation

If a Request for Resolution is served before the end of the applicable time limitation for commencing an enforcement action, the time limitation is tolled during the following periods:

- (a) The period provided in Section 5935 for response to a Request for Resolution.
- (b) If the Request for Resolution is accepted, the period provided by Section 5940 for completion of alternative dispute resolution, including any extension of time stipulated to by the parties pursuant to Section 5940.

§5950. Filing ADR Certificate when Filing Court Action

(a) At the time of commencement of an enforcement action, the party commencing the action shall file with the initial pleading a certificate stating that one or more of the following conditions are satisfied:

- (1) Alternative dispute resolution has been completed in compliance with this article.
- (2) One of the other parties to the dispute did not accept the terms offered for alternative dispute resolution.
- (3) Preliminary or temporary injunctive relief is necessary.

(b) Failure to file a certificate pursuant to subdivision (a) is grounds for a demurrer or a motion to strike unless the court finds that dismissal of the action for failure to comply with this article would result in substantial prejudice to one of the parties.

§5955. Referral to ADR and Stay of Court Action by Stipulation

(a) After an enforcement action is commenced, on written stipulation of the parties, the matter may be referred to alternative dispute resolution. The referred action is stayed. During the stay, the action is not subject to the rules implementing subdivision (c) of Section 68603 of the Government Code.

(b) The costs of the alternative dispute resolution shall be borne by the parties.

§5960. Refusal to Participate in ADR; Effect on Award of Fees and Costs

In an enforcement action in which attorney's fees and costs may be awarded, the court, in determining the amount of the award, may consider whether a party's refusal to participate in alternative dispute resolution before commencement of the action was reasonable.

§5965. Annual Disclosure of ADR Procedures to Members

(a) An association shall annually provide its members a summary of the provisions of this article that specifically references this article. The summary shall include the following language:

"Failure of a member of the association to comply with the alternative dispute resolution requirements of Section 5930 of the Civil Code may result in the loss of the member's right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."

(b) The summary shall be included in the annual policy statement prepared pursuant to Section 5310.

MEET AND CONFER PROCEDURE:

In addition to the statutory procedure set forth above, the Association has adopted an informal "meet and confer" procedure to resolve disputes between the Association and a member involving their rights, duties or liabilities under California Civil Code Section 1369.510 et seq., the Nonprofit Mutual Benefit Corporation Law (Division 2 of Title 1 of the Corporations Code (Part 3, commencing with Corporations Code Section 7110)) or under the Association's governing documents. That procedure is as follows:

Either the association or the member may request in writing that the other side meet and confer in an effort to resolve the dispute. A quorum of the Board of Directors will attend the meet and confer session. At the meeting, the parties must explain their positions to each other and must confer in good faith in an effort to resolve the dispute. Any resolution of the dispute agreed to by the parties shall be memorialized in writing and shall be signed by the homeowners and by a designated signer on behalf of the Association.

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INSURANCE DISCLOSURE STATEMENT

The Bernardo Santa Fe Homeowners' Association has various types of insurance coverage placed with LaBarre/Oksnee Insurance. The policy renews in May of each year. The Declaration sheet is mailed to each homeowner prior to the renewal date. It is your responsibility to forward it to your mortgage company. The Management Company will not respond from or to your mortgage company with requests for proof of insurance. If you require another copy of the Declaration sheet, you may be charged a fee of \$10.00.

Some of the types of coverage that the Homeowners' Association carries are as follows:

Building Coverage	\$100,000
General Liability Coverage	\$2 million
Directors & Officers Insurance	\$1 million
Fidelity Bond.....	\$500,000
Deductible Amount	\$1,000

The Association insurance coverage meets or exceeds the minimum level of coverage specified by California Civil Code 1365.89

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 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 does not cover your property, including personal property or real property improvement to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a liability 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.

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PROCEDURE FOR OBTAINING APPROVAL OF ARCHITECTURAL CHANGES

Effective January 1, 2006

The procedure for obtaining approval for any architectural change shall be as follows:

Complete plans and specifications showing the nature, kind, shape, color, size, height, and material to be used and location of any proposed improvements, alterations or landscaping, as well as the proposed contractor and any other information as required by the Board, shall be prepared by the requesting owner and submitted to the architectural committee along with any fee or deposit established in the architectural rules. A duplicated request shall be submitted to the Board at the same time as the submittal to the architectural committee. The Board may establish a construction deposit and require that it be paid with the plans and specifications.

The architectural committee shall review the submission and provide a written recommendation as to approval or disapproval of any such submission, including the reasons for any decision, to the requesting owner within 45 days of receipt by the committee of all required materials.

Owners wishing to appeal a disapproval from the architectural committee shall resubmit the request to the Board of Directors within 30 days of receipt of the architectural committee's written recommendation. The Board of Directors shall review the submittal within 30 days of receipt of the request for reconsideration and shall provide a written response within 30 days of receipt of the resubmission including the reasons for the Board's response.

In the event the architectural committee or Board fails to provide a written response to the requesting homeowner within 60 days of receipt of the request from the owner, the owner may notify the Board in writing that a response has not been received. If the Board fails to respond within 30 days of the receipt of the notice, approval will not be required and the relative covenants shall be deemed to have been fully satisfied.

Once an owner has obtained approval for an architectural submittal, work on such approved submittal shall promptly commence and shall be completed within a reasonable time period.

Owners are directed to the CC&R's Article V, Architectural Control, which begins on page 9 for more specific information about architectural change requirements.

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2131 Las Palmas Drive, Suite A, Carlsbad, CA 92011-1524
Email: amg@sdamg.net

Please complete this application and attach (2) copies of your proposed property improvements. Mail or deliver to:

BERNARDO SANTA FE HOMEOWNERS' ASSOCIATION
c/o Association Management Group
2131 Las Palmas Drive, Suite A
Carlsbad, CA 92011
E-Mail: amg@sdamg.net

I. HOMEOWNER INFORMATION

NAME: _____ DATE: _____

PROPERTY ADDRESS: _____

MAILING ADDRESS: _____

STREET CITY/STATE ZIP

EMAIL ADDRESS: _____

HOME NUMBER: _____ WORK NUMBER: _____

II. ARCHITECT, ENGINEER OR OWNER'S REPRESENTATIVE (if applicable):

NAME: _____ PHONE NUMBER: _____

MAILING ADDRESS: _____

STREET CITY/STATE ZIP

III. DESCRIPTION OF CHANGES DESIRED:

(give full details of purpose and/or reason, type and colors of materials to be used and location on the property)

IV. NEIGHBOR AWARENESS: (Not Approval)

The intent is to advise your neighbors who own property adjacent, facing or impacted by the improvement to your property line or unit. No approval is required, this is simply verification that impacted neighbors are made aware of your application. Neighbors shall sign this form and may add their comments on a sheet of paper that may be attached to this application.

No Objection

NEIGHBOR'S NAME & ADDRESS _____

SIGNATURE _____

No Objection

NEIGHBOR'S NAME & ADDRESS _____

SIGNATURE _____

No Objection

NEIGHBOR'S NAME & ADDRESS _____

SIGNATURE _____

PLEASE INCLUDE THE FOLLOWING INFORMATION WITH YOUR REQUEST (ATTACH ADDITIONAL DRAWINGS TO THIS FORM):

- 1) Description of improvement.
- 2) Location of residence on lot and the dimensions from lot lines.
- 3) Complete dimensions of improvement proposed.
- 4) Measurements of improvements in relation to residence and lot lines.
- 5) Description of materials and color schemes.
- 6) Drawings to show affected elevations.
- 7) Height of trees at maturity.

I UNDERSTAND AND AGREE THAT:

The above and attached information is complete and accurate to the best of my knowledge. Improvement work/installation is to be at no cost whatsoever to the Association. Any further maintenance, repairs or damage related to, or caused by this improvement shall be the responsibility of the owner, heirs or assigns. Any deviation from the approved plans and specifications outlined in the application shall require subsequent approval from the Architectural Control Committee. Failure to obtain such subsequent approval will nullify the approval of the Architectural Control Committee and said improvements shall be deemed to have been undertaken without the Committee's approval.

I understand that my proposed improvements may require a permit from the City/County Building Department or other government agencies and I will obtain all required permits before commencing any work. I agree I will do no work that will change the existing drainage patterns. I am aware that any changes may result in substantial damage to adjacent properties.

I will assume the responsibility for any work under the above proposed improvement that I or my contractor complete which may, in the future, adversely affect adjacent properties. I will assume responsibility for all future maintenance of this addition or improvement.

SIGNATURE: _____ DATE: _____
OWNER (authorization of representative must be attached)

DO NOT COMPLETE -- ARCHITECTURAL REVIEW COMMITTEE ONLY

COMMITTEE COMMENTS:

APPROVAL WITHOUT CONDITION OR RESTRICTION

CONDITIONAL APPROVAL

DISAPPROVAL REASONS: _____

DATE: _____

COMMITTEE SIGNATURES: _____

DATE: _____

DATE: _____