

**RAMS HILL COMMUNITY ASSOCIATION
NOTICE TO HOMEOWNERS**

November 9, 2004

Dear Homeowner:

The Association's fiscal year will end December 31, 2004. The information contained herein is being provided to each homeowner pursuant to California Civil Code. Please review this information and keep it with your other important papers.

The Board of Directors has spent the last couple of months working on next years budget. During this process, the Board took into consideration the month-to-month operations of the Association and the strength of the Associations reserve funds for future expenditures. **After careful consideration, the Board has voted to not to increase next year's per lot assessment! The per lot assessment shall remain \$125 per month until further notice. Additionally, the Board does not anticipate the need for a special assessment in the coming year.**

Included in this package are the following:

1. The 2005 operating budget and delinquency policy.
2. The most current reserve study summary (reviewed this year by the Board of Directors pursuant to Section 1365 of the California Civil Code).
3. A statement as to whether the Board of Directors anticipates a levy of one or more special assessments to cover the cost of repair, replacement or restoration of any major component or provide adequate reserves thereof. (Included above)
4. A copy of the Association's insurance policy declaration page and summary page where available. Owners should contact their own personal insurance agent with this information to make sure they are adequately covered for any event that may occur in this Association.
5. A summary of the Alternative Dispute Resolution law*.

California Civil Code stipulates that each owner has the right to have copies of the minutes of meetings of the Board of Directors. Upon written request, minutes are available for pick up at the management company office between the hours of 9:00 a.m. and 4:00 p.m., Monday through Friday. The cost of these minutes is \$.50 per page. Minutes of meetings are available approximately 30 days after each meeting.

*Section 1354 of the California Civil Code stipulates that parties of the Association in disagreement must submit their dispute to a form of alternative dispute resolution such as mediation or arbitration before any legal action can be filed against the other party. For a copy of the complete resolution civil code contact the Board of Directors or management company.

All questions regarding this information or any other Association matter should be directed to the property management company or your Board of Directors.

**RAMS HILL COMMUNITY ASSOCIATION
2005 BUDGET
December Year End**

Acct #	INCOME	Total Units	Unit Dues	Inc. per Unit	Monthly	Annual
4100	Association Dues	400	\$ 125.00	\$ 125.00	\$ 50,000.00	\$ 600,000.00
4140	Legal Reimbursement			\$ -	\$ -	\$ -
4200	Entrance Maintenance			\$ 10.68	\$ 4,270.00	\$ 51,240.00
4300	Late Fees			\$ -	\$ -	\$ -
4500	Interest			\$ 3.33	\$ 1,333.00	\$ 15,996.00
4550	NFS Charges			\$ -	\$ -	\$ -
4600	Miscellaneous			\$ -	\$ -	\$ -
	TOTAL INCOME:			\$ 139.01	\$ 55,603.00	\$ 667,236.00
	EXPENSES:			Cost per Unit	Monthly	Annual
	ADMINISTRATIVE EXPENSES:					
5105	Office Expenses			\$ 1.00	\$ 400.00	\$ 4,800.00
5110	Audit/Tax returns			\$ 0.15	\$ 60.00	\$ 720.00
5112	Reserve Study - update			\$ 0.19	\$ 75.00	\$ 900.00
5120	Insurance Premium			\$ 3.82	\$ 1,528.00	\$ 18,336.00
5130	Federal Taxes			\$ 1.00	\$ 400.00	\$ 4,800.00
5135	State Taxes			\$ 0.27	\$ 107.00	\$ 1,284.00
5140	Legal			\$ 1.00	\$ 400.00	\$ 4,800.00
5145	Consulting			\$ -	\$ -	\$ -
5150	Management/Accounting Fee			\$ 13.63	\$ 5,450.00	\$ 65,400.00
5175	Vehicle Expenses			\$ -	\$ -	\$ -
5180	Bad Debt			\$ -	\$ -	\$ -
5190	Licenses/Permits			\$ -	\$ -	\$ -
	MAINTENANCE EXPENSES:					
5320	Pest Control			\$ 0.13	\$ 50.00	\$ 600.00
5350	Landscape Maintenance			\$ 38.45	\$ 15,378.00	\$ 184,536.00
5360	Landscape Supplies			\$ 0.69	\$ 275.00	\$ 3,300.00
5370	Janitorial Services			\$ 0.50	\$ 200.00	\$ 2,400.00
5400	Gate Repairs			\$ 0.25	\$ 100.00	\$ 1,200.00
5410	Waterfall Maintenance			\$ 0.28	\$ 110.00	\$ 1,320.00
5430	Tree Trimming			\$ 2.50	\$ 1,000.00	\$ 12,000.00
5480	Plumbing Repairs			\$ 0.19	\$ 75.00	\$ 900.00
5510	Maintenance & Repairs			\$ 0.50	\$ 200.00	\$ 2,400.00
5520	Common Area Supplies			\$ 0.11	\$ 45.00	\$ 540.00
5550	Electrical Repairs			\$ 0.20	\$ 80.00	\$ 960.00
	OPERATIONAL					
5030	Payroll			\$ 19.40	\$ 7,760.00	\$ 93,120.00
5050	Payroll Taxes			\$ 2.25	\$ 900.00	\$ 10,800.00
5070	Office utilities			\$ 1.75	\$ 700.00	\$ 8,400.00
	UTILITIES:					
5910	Electrical			\$ 2.13	\$ 850.00	\$ 10,200.00
5915	Telephone			\$ 0.50	\$ 200.00	\$ 2,400.00
5920	Water			\$ 18.75	\$ 7,500.00	\$ 90,000.00
5925	Refuse removal			\$ 0.63	\$ 250.00	\$ 3,000.00
	TOTAL EXPENSES:			\$ 110.23	\$ 44,093.00	\$ 529,116.00
6000	Allocation to Reserves			\$ 28.78	\$ 11,510.00	\$ 138,120.00
	TOTAL			\$ 139.01	\$ 55,603.00	\$ 667,236.00

**RAMS HILL COMMUNITY ASSOCIATION
DELINQUENCY POLICY RESOLUTION
(Reflects changes due to the passage of AB 1317)**

Be it resolved that the Board of Directors for the Rams Hill Community Association adopted a delinquency policy in accordance with the legal documents (Declarations of Covenants, Conditions and Restrictions) governing the association. The Policy approved is as follows:

Assessments are due and payable to **Rams Hill Community Association** on the **FIRST DAY OF THE MONTH**. Billings are provided as a courtesy to the homeowner and are not required by the Community Documents.

Unpaid assessments become past due on the sixteenth (16th) day of the month. A late fee of **\$10.00** will be charged for a past due account if payment is not received by the fifteenth (15th) day. Any payments received by the association are applied first to the delinquent principle, then to any interest, late charges or collection costs imposed.

Assessment Due Date: First day of each month.

At 15 days past due: A late fee of \$10.00 (payable to the Association) is added to the account and is immediately due. The account becomes delinquent and interest may accrue per annum on the delinquent total. (Civil Code Section 1366)

At 60 days past due: A charge will be assessed to the owners account and a "Pay or Lien" letter will be issued to the owner explaining that if full payment is not received within 30 days, a lien will be filed against the property. (Civil Code Section 1366)

At 90 days past due: A charge will be assessed to the owners account and a lien will be filed against the property. The Homeowners Association will also issue a notice that if full payment is not received within 30 days, foreclosure proceedings will be initiated (Civil Code Section 1366)

At 120 days past due: A "Notice of Foreclosure" or "Notice of Filing of Personal Lawsuit" will be issued explaining that if full payment is not received within 10 days, the account will go into foreclosure or the Homeowners Association will file a personal lawsuit. Fees for this action shall be the responsibility of the account owners.

At 130 days past due: The attorney will institute the legal action mentioned above and all legal fees will be the responsibility of the account owner. (Civil Code Section 1366)

Payment under protest: Homeowners who contest amounts owed must contact the management for specific instructions.

Note: All costs for the referenced actions are the responsibility of the homeowner. These costs are subject to change without notice and therefore are not noted in this policy. Failure of the Homeowners Association to strictly comply with this resolution is not a waiver of its right to collect Homeowner Association assessments.

There is a \$25.00 charge for all NSF or returned checks.



SCT RESERVE CONSULTANTS

P.O. BOX 892605

TEMECULA, CA 92589-2605

PHONE (951) 600-9893 FAX (951) 600-1547 E-MAIL Graves@ez2.net

**Executive Summary
of the Reserve Study for**

**RAMS HILL
COMMUNITY ASSOCIATION**

SCT Reserve Consultants is pleased to provide this Level I Reserve Study. In order to comply with the California Civil Code, specifically the Davis-Stirling Common Interest Development Act, section 1365, we are providing the following information to the Homeowners within the RAMS HILL COMMUNITY ASSOCIATION.

The following study has been prepared with several assumed factors taken into account: a 2.00% inflation rate; a 2.00% return on investment (interest earned); an estimated remaining life of each reserve component; and an estimated current replacement cost of each reserve component.

Typically, any component that needs to be maintained or replaced within two years should be budgeted and paid for through normal operating or property maintenance funds and is not included as part of this study.

As of January 1, 2005, the estimated reserve fund balance is \$573,000.00 and the estimated current replacement cost is \$1,422,670.00 of the portfolio of reserve components. The projected future replacement cost of the portfolio is \$1,604,333.00, calculated at an annually compounded inflation rate of 2.00%. The Association's level of funding which is based upon the estimated reserve fund balance divided by the reserve components' fully funded amount is 52.81%. This is referred to as Percent Funded. The Association would be 100.00% funded if there was \$1,084,960.00 in the reserve fund. These numbers, by themselves, are not a clear indicator of financial strength and could indicate underfunding, overfunding, or adequate funding.

Our original analysis of the cash flow for this association indicated future adequate funding if there were no annual increases to the Reserves. We recommend the Board of Directors allocate a total of \$13,441.00 per month towards the reserve fund. The analysis of the cash flow indicates that at this time we see no need to increase future reserve contributions. The Board of Directors may raise or lower this amount, however, it will impact the level of funding on reserves.

The following table represents additionally required information pursuant to the Davis-Stirling Common Interest Development Act, section 1365.

Executive Summary

(continued)

Category	Estimated Remaining Useful Lives	Estimated Future Replacement Cost	Funding Requirement	Categories of Fund Balance at December 31, 2004
3200 Miscellaneous	8 to 8	\$2,343.32	\$163.81	\$246.30
3300 Paint	0 to 0	\$5,000.00	\$893.51	\$4,895.83
3500 Waterfall	4 to 4	\$15,154.05	\$1,702.07	\$3,033.96
3600 Entry System	2 to 10	\$27,074.64	\$2,353.26	\$8,636.54
3700 Streets	0 to 9	\$1,226,923.39	\$146,371.54	\$506,664.23
3800 Landscape	0 to 19	\$278,190.67	\$17,006.72	\$35,221.57
3870 Plumbing	15 to 16	\$12,274.32	\$511.69	\$1,396.24
3880 Electrical	1 to 9	\$10,938.13	\$907.60	\$3,360.47
Kiosk	1 to 8	\$26,434.12	\$2,350.11	\$9,544.84
Totals:		\$1,604,332.64	\$172,260.31	\$573,000.00

Year 2005 Reserve Budget (AICPA Approved)

Category	100% Funded	Percent Funded	Beginning Balance January 1, 2005	Annual Reserve Allocation (Contribution)	Monthly Reserve Allocation (Contribution)	Annual Interest	Expenditure	Ending Balance December 31, 2005
3200 Miscellaneous	\$468.66	52.55%	\$246.30	\$153.38	\$12.78	\$10.43	\$0.00	\$410.11
3300 Paint	\$5,000.00	97.92%	\$4,895.83	\$836.61	\$69.72	\$56.89	\$5,000.00	\$789.34
3500 Waterfall	\$5,772.97	52.55%	\$3,033.96	\$1,593.70	\$132.81	\$108.38	\$0.00	\$4,736.04
3600 Entry System	\$16,433.47	52.55%	\$8,636.54	\$2,203.42	\$183.62	\$149.84	\$0.00	\$10,989.80
3700 Streets	\$963,153.30	52.60%	\$506,664.23	\$137,051.64	\$11,420.97	\$9,319.90	\$99,000.00	\$554,035.77
3800 Landscape	\$66,919.09	52.63%	\$35,221.57	\$15,923.86	\$1,326.99	\$1,082.87	\$10,800.00	\$41,428.30
3870 Plumbing	\$2,656.74	52.55%	\$1,396.24	\$479.11	\$39.93	\$32.58	\$0.00	\$1,907.93
3880 Electrical	\$6,394.26	52.55%	\$3,360.47	\$849.81	\$70.82	\$57.79	\$0.00	\$4,268.07
Kiosk	\$18,161.76	52.55%	\$9,544.84	\$2,200.48	\$183.37	\$149.64	\$0.00	\$11,894.95
Totals:	\$1,084,960.26	52.81%	\$573,000.00	\$161,292.00	\$13,441.00	\$10,968.31	\$114,800.00	\$630,460.31



ACORD CERTIFICATE OF LIABILITY INSURANCE

OP ID BA
RAMSH-3

DATE (MM/DD/YYYY)
12/22/03

PRODUCER
 LaBarre/Oksnee Insurance
 Agency, Inc.
 85 Argonaut Suite 110
 Aliso Viejo CA 92656
 Phone: 949-588-0711 Fax: 949-588-1275

INSURED
 Rams Hill Community Assn.
 Professional HOA Consultants
 8181 Mission Gorge Road, Ste. E
 San Diego CA 92120

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW

INSURERS AFFORDING COVERAGE		NAIC #
INSURER A:	Philadelphia Indemnity Ins. Co	
INSURER B:	Great American Ins. Co. of N.Y	
INSURER C:		
INSURER D:		
INSURER E:		

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR ADD'L LTR	INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
A	X	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR <input checked="" type="checkbox"/> D&O \$1,000,000 GEN'L AGGREGATE LIMIT APPLIES PER <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO. <input type="checkbox"/> LOC	PHPK040796	01/01/04	01/01/05	EACH OCCURRENCE \$1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$100,000 MED EXP (Any one person) \$5,000 PERSONAL & ADV INJURY \$1,000,000 GENERAL AGGREGATE \$2,000,000 PRODUCTS - COMP/OP AGG \$2,000,000
A	X	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS	PHPK040796 PHPK040796	01/01/04 01/01/04	01/01/05 01/01/05	COMBINED SINGLE LIMIT (Ea accident) \$1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
		GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT \$ OTHER THAN AUTO ONLY EA ACC \$ AGG \$
A	X	EXCESS/UMBRELLA LIABILITY <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE DEDUCTIBLE <input checked="" type="checkbox"/> RETENTION \$10,000	PENDING	01/01/04	01/01/05	EACH OCCURRENCE \$5,000,000 AGGREGATE \$ \$ \$
		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below OTHER				WC STAT. TORY LIMITS OTH ER E L EACH ACCIDENT \$ E L DISEASE - EA EMPLOYEE \$ E L DISEASE - POLICY LIMIT \$
A		PROPERTY	PHPK040796	01/01/04	01/01/05	\$1000 DED \$100,000
A		FIDELITY BOND	PHPK040796	01/01/04	01/01/05	\$1000 DED \$100,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS
 COMMON AREA PROPERTY COVERAGE: \$100,000 THROUGH PHILADELPHIA INS. CO.


CERTIFICATE HOLDER

PROFESS

Professional HOA Consultants
 8181 Mission Gorge Road, Ste. E
 San Diego CA 92120

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 10 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE




HOME OFFICE	SAN FRANCISCO	POLICY DECLARATIONS
CALIFORNIA WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY POLICY THESE DECLARATIONS ARE A PART OF THE WORKERS' COMPENSATION POLICY INDICATED HEREON.		

THIS INSURANCE IS EFFECTIVE FROM
 12:01 A.M., PACIFIC STANDARD TIME
 05-15-04 TO 03-31-05 AND SHALL
 AUTOMATICALLY RENEW EACH 03-31
 UNTIL CANCELLED

CONTINUOUS POLICY 1780784-04

RAMS HILL COMMUNITY ASSOCIATION	DEPOSIT PREMIUM	\$1,334.00
8181 MISSION GORGE #E SAN DIEGO, CALIF 92120	MINIMUM PREMIUM PREMIUM ADJUSTMENT PERIOD	\$650.00 MONTHLY N SD

NAME OF EMPLOYER- RAMS HILL COMMUNITY ASSOCIATION
 (A NON-PROFIT CORP.)

TRADE NAMES- RAMS HILL COMMUNITY ASSOCIATION

LOCATIONS- 001 DSRT VST & DSRT VST TRC
 BORREGO SPRINGS CA 92004

1. WORKERS' COMPENSATION INSURANCE - PART ONE OF THIS POLICY APPLIES TO THE WORKERS' COMPENSATION LAWS OF THE STATE OF CALIFORNIA.
2. EMPLOYER'S LIABILITY INSURANCE - PART TWO OF THIS POLICY APPLIES TO LIABILITY UNDER THE LAWS OF THE STATE OF CALIFORNIA. THE LIMIT OF OUR LIABILITY INCLUDING DEFENSE COSTS UNDER PART TWO IS,
 \$1,000,000

CODE NO. PRINCIPAL WORK AND RATES EFFECTIVE FROM 05-15-04 TO 03-31-05

		BASE RATE	INTERIM BILLING RATE*
9066	HOMEOWNERS ASSOCIATIONS--NOT BUILDING OPERATIONS	18.19	15.52

*****BUREAU NOTE INFORMATION*****

FEIN 330014963

TOTAL ESTIMATED ANNUAL PREMIUM \$13,343



HOME OFFICE

SAN FRANCISCO

POLICY DECLARATIONS

CALIFORNIA WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY POLICY

THESE DECLARATIONS ARE A PART OF THE WORKERS' COMPENSATION POLICY INDICATED HEREON.

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CONTINUOUS POLICY 1780784-04

* INTERIM BILLING RATES WILL BE USED ON PAYROLL REPORTS. THEY TAKE INTO ACCOUNT RATING PLAN CREDITS (OR DEBITS) WHICH WILL APPLY AT FINAL BILLING AND AN ESTIMATE OF YOUR PREMIUM DISCOUNT AS DETAILED BELOW.

RATING PLAN CREDITS (DEBITS) EFFECTIVE FROM 05-15-04 TO 03-31-05

RATING PLAN MODIFIER	1.00000
ESTIMATED PREMIUM DISCOUNT MODIFIER	<u>0.85297</u>
COMPOSITE FACTOR APPLIED TO BASE RATES TO DERIVE INTERIM BILLING RATES	0.85297

*
* PREMIUM DISCOUNT SCHEDULE EFFECTIVE FROM 05-15-04 TO 03-31-05 *
* ESTIMATED MODIFIED PREMIUM IS DISCOUNTED ACCORDING TO THE FOLLOWING SCHEDULE: *
* FIRST ABOVE *
* \$2,500 \$2,500 *
* 0.0% 17.5% *
*

THE ESTIMATED PREMIUM DISCOUNT IS BASED ON AN ESTIMATE OF YOUR PAYROLL. ACTUAL PREMIUM DISCOUNT APPLIED AT FINAL BILLING WILL BE BASED ON THE ACTUAL PAYROLL REPORTED ON YOUR POLICY AND SUBJECT TO AUDIT.

Alternative Dispute Resolution Summary

Request for Resolution

Prior to the filing of litigation for the purpose of obtaining a court order to enforce or interpret the governing documents, whether initiated by an individual owner or the homeowners Association, it is required that the parties endeavor to submit their dispute to a form of Alternative Dispute Resolution such as mediation or arbitration.

Any party wishing to initiate this process must do so by serving on the other party to the dispute a Request for Resolution, which includes the following information:

1. A complete description of the dispute between the parties;
2. A request for alternative dispute resolution; and
3. A notice that the party receiving the Request for Resolution is required to respond thereto within 30 days of receipt or it will be deemed rejected.

The Request for Resolution can be delivered via certified mail or personally served by any individual over 18 years of age who is not a party to the dispute. If Alternative Dispute Resolution is accepted by the party upon whom the request is served, the process is required to be completed within 90 days of receipt, unless both parties agree in writing to extend the time. The costs of the process are to be borne by the parties.

Filing Litigation

In the event the other party to the dispute responds that they are not willing to participate in Alternative Dispute Resolution ("ADR") or fails to respond within the 30 days period, litigation may be initiated. Besides filing the complaint, which initiates the lawsuit, the plaintiff must also file a certificate stating that they have complied with the requirements of ADR outlined above. The failure to file a certificate is a basis for immediate dismissal of the lawsuit.

Exceptions

The new law does provide certain exceptions to this procedure. In other words, there are circumstances where the Request for Resolution does not need to be made prior to filing a lawsuit. The following is a summary of those situations:

1. At the time of filing the lawsuit there are 120 days or less left to the expiration of the statute of limitations.
2. The action is for collection of homeowner association assessments.
3. The lawsuit, in addition to seeking enforcement of the governing documents, is also seeking damages in excess of \$5,000.
4. The circumstances require an immediate emergency court order such as a temporary restraining order.
5. A determination by the court that dismissal of the action for failure to comply with the Request for Resolution procedure would result in substantial prejudice to one of the parties.

Failure of any member of the Association to comply with the prefiling requirements of Section 1354 of the Civil Code may result in the loss of your rights to sue the Association or another member of the Association regarding enforcement of the governing documents.