Choice
MANAGEMENT SOLUTIONS

Date: November 28, 2025
To: Members of Hearthstone Village at Otay Ranch Homeowners Association
From: The Board of Directors
Re: Fiscal Year 2026 Annual Budget Report and Annual Policy Statement Summaries

Dear Members,

Pursuant to Civil Code section 5320, the Association is providing you with the following summary of the Annual Budget Report and Annual Policy Statement. If you prefer a full copy of the Reserve Study, please contact your community management team at Choice Management Solutions at info@choicemanagementsolutions.com with your request. The full report will then be provided to you at no cost.

The following summary of the Annual Budget Report and Annual policy statement contains the names of all of the reports, statements and summaries the Association is required to provide pursuant to law and/or the governing documents.

Summary of the Annual Budget Report and Annual Policy Statement

I. Annual Budget Report

1. Pro Forma Operating Budget for fiscal year 2026 prepared on an accrual basis – Page 5
   In order to maintain the financial integrity of our Association and to meet the ongoing maintenance costs which increase with the aging process, a fourteen percent (14%) increase in assessments will be effective January 1, 2026. As of January 1, 2026, the new assessments will be $239.00 per unit, per month. The Board has also approved for a five percent (5%) special assessment of $126.00 which is due on January 1, 2026.
2. Summary of the Association's Reserves – Page 7
   Based the Reserve Study conducted pursuant to Civil Code section 5550(a), the Association's reserves are 11.8% funded.
3. Assessment and Reserve Funding Disclosure Summary Form – Page 13
4. Summary of the Board Adopted Reserve Funding Plan
   The Board's plan to fund the reserves is to: pursue collection of past due amounts owed from unit owners and make monthly contributions to the reserves in order to meet the Association's obligation for the repair and replacement of all major components with an expected remaining life of 30 years or less, not including those components that the Board has determined will not be replaced or repaired.
5. Statement of Deferral/Decision to Not Undertake Repair/Replacement of Major Component(s)
   In accordance with Civil Code section 5300(b)(4) and as of the date of this letter, the Board of Directors does not plan to defer repairs or replacement of the following major components: roof, asphalt, concrete, landscape updates, etc.
6. Statement of Anticipated Special Assessment(s)
   As of the date of this letter, the Board of Directors anticipates that a special assessment will be required to repair, replace or restore any major components or to provide adequate reserves. The Board has approved for a five percent (5%) special assessment of $126.00 which is due on January 1, 2026.

7. Statement of Mechanism of Funding Reserves to Repair or Replace Major Components
   The Board of Directors uses the following mechanism or mechanism to fund reserves to repair or replace major components: annual contribution based on the budget.
8. Statement Addressing Procedures Used to Calculate and Establish Reserves
   Reserves are calculated pursuant to Civil Code section 5550(a) and the Board had a reserve study last conducted on 9/5/2025.
9. Statement of Association(s) Outstanding Loans
   There are no outstanding loans for this association.
10. Insurance Disclosure Information – Page 15
    The Association currently meets the minimum Civil Code requirements for insurance to provide the statutory limitations from liability for officers and directors and for the members if persons are injured on the common area.
11. Statement Regarding FHA Certification in Condominium Projects
    This common interest development is a condominium project. The association of this common interest development is not certified by the Federal Housing Administration.
12. Statement Regarding VA Certification in Condominium Projects
    This common interest development is a condominium project. The association of this common interest development is not certified by the federal Department of Veterans Affairs.
13. "Charges for Documents Provided" Disclosure Form is attached to this packet. – Page 16

II. Annual Policy Statement

1. Statement of Name and Address of Person Designated to Receive Official Communications on behalf of the Association.
   Name: Amber Korody-Hall
   Title: Community Association Manager
   Company: Choice Management Solutions Inc.
   Address: 3914 Murphy Canyon Road Ste A240
   San Diego, CA 92123
2. Statement of Members' Ability to Have Notices Sent to an Additional Address
   Owners have a right to submit a secondary address to the association for the purpose of receiving (1) annual reports the Association is required to provide to owners and for (2) mailings and notices related to assessment payments, delinquencies and foreclosures at an additional address.
3. Statement of the Posting Location for General Notices
   The location designated for posting of a General Notice is the community bulletin board.
4. Notice of Members' Rights to Receive General Notices by Individual Delivery
   Upon request, Members may receive general notices by individual delivery.
5. Notice of Members' Right to Minutes
   The minutes or a summary of minutes of a Board meeting, other than an executive session, shall be available to members within 30 days of the meeting.
6. Statement of Address for Overnight Payment of Assessments
   Overnight payments can be made as follows:
   Hearthstone Village at Otay Ranch HOA
   c/o Community Financials
   185 E Indiantown Rd #127
   Jupiter, FL 33477

7. Statement of Policy for Collection of Delinquent Accounts – Page 18
8. Statement of Assessment Collection Policies under Civil Code section 5730 – Page 24
9. Statement of Association's Discipline Policy and Schedule of Penalties – Page 26
10. Summary of Association's Dispute Resolution Procedures (ADR and IDR) – Page 29
11. Summary of Procedures for Architectural Review – Page 33
12. Miscellaneous Disclosures as required by law or governing documents
    A. Preparation of Review
    As provided in Article 14, Section 14.7 of the Declaration the Association will have a review prepared by a certified public accountant after the close of the fiscal year. That document and any information required by Corporations Code Section 8321 should be available to you within 120 days after the close of the fiscal year.
    B. Disclosure and Accounting of Reserves Borrowed for Litigation
    As required by Civil Code section 5520, we are disclosing that the Association has made a decision to transfer funds temporarily from the reserve fund as provided in Civil Code section 5510(b). A quarterly accounting of the expenses of litigation is available for inspection by members of the Association at the Association's office upon reasonable advance notice.
    C. Disclosure of Rental Restrictions
    The following provisions found in the Association's Rules & Regulations impose restrictions on rental or leasing of your property. The following briefly summarizes the nature of those provisions: units should be used for private, single-family residences only and no time sharing of units. However, you should review to the full text for a complete description of the requirements.
13. Optional Disclosures
    1. Architectural Modifications for Persons with Disabilities
    Apparent Architectural Violations or other Alleged Violations of our Governing Documents May Not Be Violations Due to Compliance with the Federal Fair Housing Act and/or the California Fair Employment and Housing Act.

    Occasionally residents may see something that appears to be a violation of our governing documents and rules. Appearances can be deceiving! Sometimes what seem to be "violations" are, in fact, "accommodations" required by law to be given to disabled residents. This is necessary to give disabled residents an equal opportunity to use and enjoy the premises. Please recognize that some disabilities may not be apparent just by looking at the person who has a disability. Also, the type of architectural change made may seem as if it is unrelated to any form of disability, but that is because there are so many different types of disabilities that require many different types of accommodations. These accommodations should not be interpreted as meaning the Association is not serious about enforcing community standards and rules, only that the Association is mindful of its legal duty to comply with disability protection laws.

    You probably already know from your dealings with doctors and pharmacies that they are required to be very protective of each patient's medical information. Article I, Section 1 of the California Constitution also includes a personal right to privacy. Thus, even if you ask about an apparent architectural or other violation, we may not be able to tell you very much, if anything, about it. About all we can say is that we are aware of it, and the Association authorized it to make an accommodation required by law.

We trust you will understand. If you have questions about this issue, please contact management.

2. Distribution of Mailing List to Owners
The Association is required by Civil Code section 5200(a), under the circumstances covered by the statute, to provide members with the name, property address, and mailing address of all members. Association members may opt out of sharing his or her name, property address, and mailing address by notifying the Association in writing that the member prefers to be contacted via the alternative process described in Corporations Code section 8330(c). The alternative method may require the member wanting the list to provide the materials to the Association for the Association to mail it to the members who have opted out without revealing the mailing list information to the requesting member. Any opt-out remains in effect until changed by the member.

3. Requirement for Owners to have Smoke and Carbon Monoxide Detectors in their Units
Owners are required by law to have operational smoke detectors and carbon monoxide detectors. [Health and Safety Code §§13113.8, 17926-17926.2] Please note that it is common for many detectors to last no longer than 10 years, so please test your detectors regularly, follow the manufacturer's instructions about replacement and replace them whenever their useful life ends. If you have tenants, there are battery-operated detectors that have tamper-resistant features to prevent removal of batteries. Some hard-wired detectors have batteries designed to last for the life of the detectors.

4. Location of Main Water Shutoff for Emergencies
To reduce damage due to an unexpected leak that may damage your property and the property of others, please take time to familiarize yourself with where the main water shutoff valves are. They are in the garages of each unit or on the outside of the building.

To ensure our records remain accurate and that you receive all Association communications in a timely manner, please take a moment to update your contact information. An Owner Information Update Form (Page 35) is enclosed for your convenience, and owners may also submit updates directly through the Choice Management Solutions website (www.choicemanagementsolutions.com). Keeping your contact details current helps us better serve you and stay connected throughout the year.

If you should have any questions regarding the enclosed, please contact the undersigned at info@choicemanagementsolutions.com.

Sincerely,

Amber Korody-Hall, CCAM, CMCA
Community Association Manager

Hearthstone Village at Otay Ranch HOA
Approved 2026 Budget

Description	2025 Annual	2026 Annual	2026 Monthly	2026 PUPM
INCOME				
Assessment Income	$ 395,640	$ 450,276	$ 37,523	$ 239
Special Assessment	$ 18,526	$ 19,782	$ -	$ -
Water Reimbursement	$ 90,000	$ 102,000	$ 8,500	$ -
Shared Costs Income	$ 72,000	$ 84,000	$ 7,000	$ -
TOTAL INCOME	**$ 576,166**	**$ 656,058**	**$ 54,672**	**$ 239**
ADMINISTRATION EXPENSES				
Management Service	$ 21,000	$ 22,020	$ 1,835	$ 12
Accounting Service	$ 10,488	$ 11,566	$ 964	$ 6
Legal - Collections	$ 10,000	$ 8,500	$ 708	$ 5
Licenses & Permits	$ 396	$ 396	$ 33	$ 0
Annual Meeting	$ 1,000	$ 1,600	$ 133	$ 1
Printing & Postage	$ -	$ 3,000	$ 250	$ 2
Reserve Study	$ 500	$ 500	$ 42	$ 0
Administration	$ 3,000	$ -	$ -	$ -
Legal & Professional Fees	$ 10,000	$ 8,500	$ 708	$ 5
Insurance - Liability	$ 8,510	$ 11,818	$ 985	$ 6
Workers Comp Insurance	$ 430	$ 430	$ 36	$ 0
Sub Metering Billing Fees	$ 8,007	$ 8,007	$ 667	$ 4
CPA Review/Audit/Tax Return	$ 1,200	$ 1,200	$ 100	$ 1
Taxes Fed & State	$ 276	$ 276	$ 23	$ 0
Contingency	$ -	$ 1,193	$ 99	$ 1
TOTAL ADMINISTRATIVE	**$ 74,807**	**$ 79,006**	**$ 6,584**	**$ 42**
LANDSCAPE MAINTENANCE				
Landscape Extras	$ 6,000	$ 3,500	$ 292	$ 2
Annual Turf Maint	$ -	$ 6,450	$ 538	$ 3
Irrigation Rep & Maint	$ 3,500	$ 3,500	$ 292	$ 2
Landscaping Service	$ 40,440	$ 40,044	$ 3,337	$ 21
Prior Landscape Service	$ 12,000	$ 12,000	$ 1,000	$ 6
Tree Maintenance	$ 20,000	$ 20,000	$ 1,667	$ 11
TOTAL LANDSCAPING	**$ 81,940**	**$ 85,494**	**$ 7,125**	**$ 45**

Hearthstone Village at Otay Ranch HOA
Approved 2026 Budget

Description	2025 Annual	2026 Annual	2026 Monthly	2026 PUPM
UTILITIES				
Gas	$ 144	$ 150	$ 13	$ 0
Water & Sewer	$ 228,000	$ 275,000	$ 22,917	$ 146
Trash Collection Service	$ 56,724	$ 60,000	$ 5,000	$ 32
Electricity	$ 6,144	$ 5,000	$ 417	$ 3
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TOTAL UTILITIES	**$ 291,012**	**$ 340,150**	**$ 28,346**	**$ 181**
GENERAL MAINTENANCE				
Shared Cost Agreement	$ 38,400	$ 38,400	$ 3,200	$ 20
Lighting Contract	$ 500	$ 1,500	$ 125	$ 1
Janitorial Service	$ 18,784	$ 20,040	$ 1,670	$ 11
Pest Control	$ 6,180	$ 6,180	$ 515	$ 3
Janitorial Extras	$ 2,200	$ 1,500	$ 125	$ 1
Fire Alarm Monitoring	$ 48,000	$ 48,000	$ 4,000	$ 25
Common Area Maintenance	$ 6,000	$ 9,000	$ 750	$ 5
Maintenance Supplies	$ -	$ 2,000	$ 167	$ 1
Fire Protection	$ 2,000	$ 2,000	$ 167	$ 1
Parking Patrol	$ -	$ 7,788	$ 649	$ 4
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TOTAL GENERAL MAINTENA	**$ 122,064**	**$ 136,408**	**$ 11,367**	**$ 72**
ALLOCATION TO RESERVES				
Reserve - Allocation/Transfer	$ 6,343	$ 15,000	$ 1,250	$ 8
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TOTAL ALLOCATION TO RES	**$ 6,343**	**$ 15,000**	**$ 1,250**	**$ 8**
TOTAL INCOME	**$ 576,166**	**$ 656,058**	**$ 54,672**	**$ 348**
TOTAL EXPENSES	**$ 576,166**	**$ 656,058**	**$ 54,672**	**$ 348**
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NET INCOME (LOSS)	**$ (0)**	**$ -**	**$ -**	**$ -**
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Reserve Analysis Report

Hearthstone Villages at Otay Ranch HOA

1840 Spring Straw Lane
Chula Vista, CA

Level II Study with Site Inspection

Fiscal Year End Date: December 31, 2025

MCCAFFERY
RESERVE CONSULTING
20 YEARS - 15,000 STUDIES

Phone: 858-764-1895

brian@mccafferyreserveconsulting.com
www.mccafferyreserveconsulting.com

Preface

A reserve study is a detailed report that assists common interest developments (CID) in planning for long-term common area repair and replacement expenses. These common areas differ for every development. They can include streets, roofs, recreational facilities and many other items.
A reserve study estimates the costs of common area repairs and replacements over a 30 year period. Each component is given a useful life, remaining life, and estimated cost. A reserve study then calculates the funds necessary to cover these expenses by creating funding plans.

The Big Picture - What are the significant figures to look at in the report?

- **The Component List –** What are our reserve components and when will they need maintenance

Every reserve study must start with a list of the components. The component summary contains the list of all the components, their useful and remaining lives, and their estimated costs. These numbers are the building blocks for most of the figures in the study.

- **Percent Funded -** What is our current financial standing

Probably the most important number in a reserve study is percent funded. It's almost like a credit score for an association. It tells them the current strength of their reserve fund.

Over 70% = Well Funded   Between 30-70% = Fairly Funded   Below 30% = Poorly Funded

The lower your percent funded the higher the risk of a special assessment. A low percent funded also increases the likelihood of deferred maintenance which can cause declining property values.

- **Funding Plans -** How much do we need to save for the future

The next important part of the study is the theoretical 30 year funding plans. The study contains 3 funding plans. It projects what the percent funded will be over the next 30 years if the CID follows each of these plans.

<u>Current Funding Plan</u> – This plan is based on what the association is currently contributing to its reserve fund. This information is supplied by the board or management

<u>Recommended Funding Plan</u> – This is McCaffery's recommendation, if a CID follows the recommended plan they should end up well funded and near the 100% funded level.

<u>5% Threshold Funding Plan</u> - The threshold funding plan is a 30 year cash flow plan that calculates the minimum amount a CID should contribute so their reserve balance won't fall below 5% funded and cause the need for a special assessment. The percent funded will at some point fall into poorly funded levels but will never drop below 5%. If a CID has a funding plan that is below this threshold plan they should also plan on a future special assessment and/or a deferred maintenance. (Following this plan does carry higher risk of a special assessment if a component fails early or costs more than expected)

Executive Summary

Hearthstone Villages at Otay Ranch HOA

This is a Homeowners Association with 157 Condominium Units.

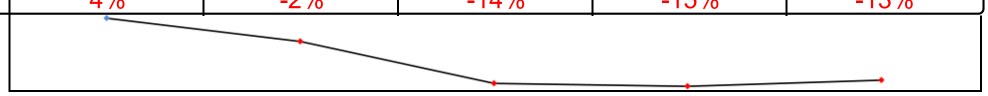
The common area components include: asphalt, fencing, and building exterior.

This is a level II annual update with site inspection performed on August 5, 2025.

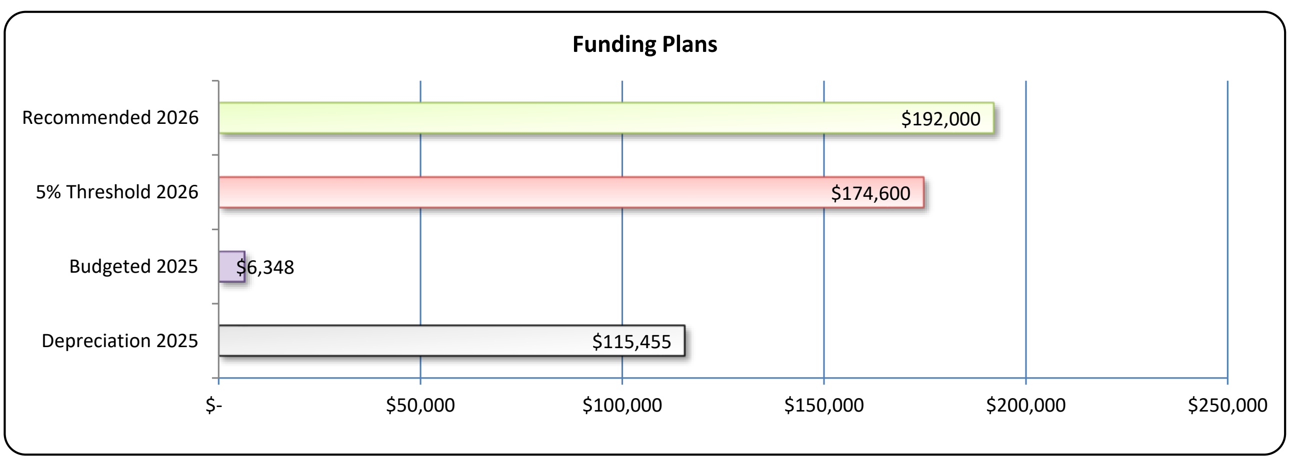
Reserve Fund Balance at Fiscal Year End

Fully Funded Reserve Balance		$ 1,697,545
Projected Balance	December 31, 2025	$ 199,787
Under Funded (Deficiency in Reserve Funding)		$ 1,497,758
Deficiency in Reserve Funding Per Unit		$ 9,539.86
Percent Funded		**11.8%**

5 Year Percent Funded Projection	2026	2027	2028	2029	2030
	4%	-2%	-14%	-15%	-13%



Funding Plans	Annually	Monthly	Per Unit Monthly
Depreciation of Components in 2025	$ 115,455	$ 9,621	$ 61.28
Budgeted Reserve Contribution 2025	$ 6,348	$ 529	$ 3.37
5% Threshold Reserve Contribution for 2026	$ 174,600	$ 14,550	$ 92.68
Recommended Reserve Contribution for 2026	**$ 192,000**	**$ 16,000**	**$ 101.91**



Theoretical 30 Year Funding Plans

Hearthstone Villages at Otay Ranch HOA

Before Tax Interest Rate	1.5%
Annual Inflation Rate	3.0%
Annual Funding Increase	3.0%

Above 70% = Well Funded (Low Risk of Special Assessment) — Between 30% and 70% = Fairly Funded — Below 30% = Poorly Funded (Higher Risk of Special Assessment)

Year End	Annual Expenses	Fully Funded Balance	Current Funding Plan			Recommended Funding Plan			5% Threshold Funding Plan		
			Contribution	Balance	% Funded	Contribution	Balance	% Funded	Contribution	Balance	% Funded
2025	$ -	$ 1,697,545	$ 6,348	$ 199,787	12%	$ -	$ 199,787	12%	$ -	$ 199,787	12%
2026	$ 139,032	$ 1,717,027	$ 6,538	$ 70,290	4%	$ 192,000	$ 255,752	15%	$ 174,600	$ 238,352	14%
2027	$ 121,876	$ 1,759,215	$ 6,735	$ (43,797)	-2%	$ 197,760	$ 335,472	19%	$ 179,838	$ 299,889	17%
2028	$ 208,830	$ 1,712,303	$ 6,937	$ (245,690)	-14%	$ 203,693	$ 335,367	20%	$ 185,233	$ 280,791	16%
2029	$ 42,559	$ 1,847,590	$ 7,145	$ (281,105)	-15%	$ 209,804	$ 507,642	27%	$ 190,790	$ 433,233	23%
2030	$ -	$ 2,036,862	$ 7,359	$ (273,746)	-13%	$ 216,098	$ 731,354	36%	$ 196,514	$ 636,245	31%
2031	$ 287,499	$ 1,924,898	$ 7,580	$ (553,665)	-29%	$ 222,581	$ 677,406	35%	$ 202,409	$ 560,700	29%
2032	$ 29,412	$ 2,092,831	$ 7,807	$ (575,269)	-27%	$ 229,258	$ 887,413	42%	$ 208,482	$ 748,180	36%
2033	$ 113,113	$ 2,179,540	$ 8,041	$ (680,341)	-31%	$ 236,136	$ 1,023,747	47%	$ 214,736	$ 861,025	40%
2034	$ 13,808	$ 2,380,636	$ 8,283	$ (685,866)	-29%	$ 243,220	$ 1,268,516	53%	$ 221,178	$ 1,081,311	45%
2035	$ 21,154	$ 2,584,339	$ 8,531	$ (698,489)	-27%	$ 250,516	$ 1,516,906	59%	$ 227,813	$ 1,304,190	50%
2036	$ 412,324	$ 2,375,757	$ 8,787	$ (1,102,026)	-46%	$ 258,032	$ 1,385,367	58%	$ 234,648	$ 1,146,077	48%
2037	$ 23,128	$ 2,586,629	$ 9,051	$ (1,116,103)	-43%	$ 265,773	$ 1,648,793	64%	$ 241,687	$ 1,381,827	53%
2038	$ 76,495	$ 2,751,049	$ 9,322	$ (1,183,276)	-43%	$ 273,746	$ 1,870,776	68%	$ 248,938	$ 1,574,997	57%
2039	$ 136,740	$ 2,860,332	$ 9,602	$ (1,310,414)	-46%	$ 281,958	$ 2,044,056	71%	$ 256,406	$ 1,718,288	60%
2040	$ 13,337	$ 3,111,594	$ 9,890	$ (1,313,860)	-42%	$ 290,417	$ 2,351,797	76%	$ 264,098	$ 1,994,824	64%
2041	$ 132,463	$ 3,246,955	$ 10,187	$ (1,436,137)	-44%	$ 299,130	$ 2,553,741	79%	$ 272,021	$ 2,164,305	67%
2042	$ 2,456,132	$ 878,887	$ 10,492	$ (3,881,777)	-442%	$ 308,104	$ 444,019	51%	$ 280,182	$ 20,819	2%
2043	$ 22,170	$ 1,077,832	$ 10,807	$ (3,893,139)	-361%	$ 317,347	$ 745,856	69%	$ 288,587	$ 287,549	27%
2044	$ 39,381	$ 1,270,028	$ 11,131	$ (3,921,389)	-309%	$ 326,867	$ 1,044,530	82%	$ 297,245	$ 549,726	43%
2045	$ 161,272	$ 1,342,238	$ 11,465	$ (4,071,196)	-303%	$ 336,673	$ 1,235,599	92%	$ 306,162	$ 702,862	52%
2046	$ 12,643	$ 1,583,613	$ 11,809	$ (4,072,029)	-257%	$ 346,773	$ 1,588,264	100%	$ 315,347	$ 1,016,109	64%
2047	$ 21,393	$ 1,829,208	$ 12,163	$ (4,081,259)	-223%	$ 221,224	$ 1,811,918	99%	$ 324,807	$ 1,334,765	73%
2048	$ 41,771	$ 2,066,770	$ 12,528	$ (4,110,502)	-199%	$ 227,861	$ 2,025,187	98%	$ 334,552	$ 1,647,567	80%
2049	$ 104,458	$ 2,250,499	$ 12,904	$ (4,202,056)	-187%	$ 234,697	$ 2,185,804	97%	$ 344,588	$ 1,912,411	85%
2050	$ 358,335	$ 2,172,212	$ 13,291	$ (4,547,100)	-209%	$ 241,738	$ 2,101,993	97%	$ 354,926	$ 1,937,687	89%
2051	$ 264,499	$ 2,200,313	$ 13,690	$ (4,797,909)	-218%	$ 248,990	$ 2,118,014	96%	$ 365,574	$ 2,067,827	94%
2052	$ 22,250	$ 2,498,719	$ 14,101	$ (4,806,058)	-192%	$ 256,460	$ 2,383,994	95%	$ 376,541	$ 2,453,136	98%
2053	$ 75,364	$ 2,756,328	$ 14,524	$ (4,866,898)	-177%	$ 264,153	$ 2,608,544	95%	$ 387,837	$ 2,802,406	102%
2054	$ -	$ 3,111,095	$ 14,959	$ (4,851,938)	-156%	$ 272,078	$ 2,919,750	94%	$ 272,078	$ 3,116,520	100%
2055	$ -	$ 3,484,668	$ 15,408	$ (4,836,530)	-139%	$ 280,240	$ 3,243,786	93%	$ 280,240	$ 3,443,508	99%

Note: All future projections are theoretical. The estimated lives and costs of components will likely change over time depending on factors such as inflation rates and levels of maintenance. Reserve analysis should be performed annually to account for these factors.

Component Summary

Hearthstone Villages at Otay Ranch HOA

Category Component	Approx. Quantity	Unit of Measure	Useful Life	Remaining Life	Unit Cost	Total Cost	Cost Source
Roofing							
Tile Underlayment & Repairs	144000	SF	35	16	$ 10.00	$ 1,440,000	1
Gutters & Downspouts	157	Each	30	10	$ 954	$ 149,739	1
						$ 1,589,739	
Painting							
Stucco		Unit Owner Responsibility					1
Doors & Shutters	157	Each	6	1	$ 409	$ 64,174	1
Metal Railing Perimeter (50%)	1200	LF	6	1	$ 7.63	$ 4,578	1
Metal Railing Interior	1050	LF	6	1	$ 7.63	$ 8,012	1
Safety Painting	1	Allowance	6	6	$ 8,900	$ 8,900	3
						$ 85,663	
Asphalt							
Slurry Seal & Repair	64944	SF	4	3	$ 0.23	$ 15,208	4
Overlay & Replace	64944	SF	25	5	$ 2.70	$ 175,349	1
Concrete Repairs	1	Allowance	15	15	$ 51,095	$ 51,095	4
Paver Maintenance	1	Allowance	10	2	$ 8,720	$ 8,720	1
						$ 250,372	
Fencing/Rails							
Wall Repairs	1	Allowance	12	3	$ 8,720	$ 8,720	1
Metal Railing Perimeter (50%)	1200	LF	30	10	$ 52.32	$ 31,392	1
Metal Railing Interior	1050	LF	30	10	$ 50.14	$ 52,647	1
Trash (Storage) Door	1	Set	20	3	$ 3,270	$ 3,270	1
						$ 96,029	
Common Areas							
Grills	2	Each	8	1	$ 3,107	$ 6,213	1
Outdoor Kitchen Counter	1	Allowance	15	5	$ 7,000	$ 7,000	1
Stucco Repairs	1	Allowance	6	0	$ 4,232	$ 4,232	1
Trellis at Grills & Trash	1	Allowance	30	10	$ 27,250	$ 27,250	1
Lighting Repairs & Replacements	1	Allowance	5	1	$ 1,500	$ 1,500	1
FOB Readers	1	Allowance	12	2	$ 8,817	$ 8,817	1
						$ 55,012	
Landscaping							
Irrigation System Upgrade	1	Allowance	12	1	$ 16,350	$ 16,350	1
Landscape Replacements	1	Allowance	10	2	$ 13,080	$ 13,080	1
Irrigation Booster Pump	1	Each	16	0	$ 5,450	$ 5,450	1
Concrete Mow Curb Repairs	1	Allowance	12	0	$ 8,720	$ 8,720	1
Tree Removals	1	Allowance	3	0	$ 10,000	$ 10,000	3
Tree Trimming		Included in Operating Budget					1
						$ 53,600	
Lighting							
Unit Fixtures		Unit Owner Responsibility					1
Exterior Fixtures	140	Each	25	5	$ 175	$ 24,500	1
Landscape & Bollard Lighting	1	Allowance	21	2	$ 32,700	$ 32,700	1
Street Lights	13	Each	25	5	$ 1,090	$ 14,170	1
						$ 71,370	
Signage							
Parking Signs	60	Each	20	17	$ 120	$ 7,200	1
Meter Room Signs	70	Each	25	0	$ 100	$ 7,000	1
Fire Signage	200	Each	25	0	$ 100	$ 20,000	1
Street & Stop Signs	1	Allowance	25	5	$ 5,000	$ 5,000	1
						$ 39,200	
Miscellaneous							
Mailboxes	157	Each	25	5	$ 140	$ 21,980	1
Entry Monument (50%)	1	Allowance	20	3	$ 3,500	$ 1,750	1
Fire Extinguisher Cabinets	70	Each	30	1	$ 500	$ 17,500	1
Termite Treatment		Unit Owner Responsibility					1
Utility Doors	35	Bldgs	30	10	$ 1,308	$ 45,780	1
Fire Alarms	35	Bldgs	22	2	$ 3,815	$ 133,525	1
Submeters	157	Each	16	0	$ 463	$ 72,730	1
Common Utilities Repair	1	Allowance	8	0	$ 10,900	$ 10,900	1
Common Utilities Replace (long life component, visual inspection not possible, unpredictable life and cost, see preface)							
Balcony Inspection/Repairs (CC 5551)		Unit Owner Responsibility					1
						$ 304,165	

Category Component	Approx. Quantity	Unit of Measure	Useful Life	Remaining Life	Unit Cost	Total Cost	Cost Source
Contingency							
5%							1
				TOTALS		**$ 2,545,150**	

Notes: Any other items not listed are included in operating budget.

Assessment and Reserve Funding Disclosure Summary
Hearthstone Villages at Otay Ranch HOA

(1) The current regular assessment per ownership interest per month is:

$ 239.00 per month for the year ending 12/31/25

(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: As of 11/26/2025

Date Assessment is Due	Amount per unit	Purpose of Assessment
1/1/2026	$126.00	Increase income
Total:	$126.00	

(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 [ ] No [X]

Note: This calculation assumes the association will raise their current reserve contribution 3% per year over the next 30 years.

(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?

Increase the monthly reserve contribution by $ 89.31 per unit

For more detail see attached theoretical 30 year funding plans.

Note: This calculation assumes the association will raise their current reserve contribution 3% per year over the next 30 years.

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

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the civil code the estimated amount required in the reserve fund at the end of the current fiscal year is:
$ 1,697,545
based in whole or in part on the last reserve study or update prepared by McCaffery Reserve Consulting as of 12/31/2025 the projected reserve fund cash balance at the end of the current fiscal year is: $ 199,787 resulting in the reserves being 12% funded at this date.

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the civil code the projected required amount in reserves, projected reserve fund cash balance and projected percent funded for each of the next 5 years is:

Year	Amt Required	Proj. Balance	% Funded
2026	$ 1,717,027	$ 70,290	4%
2027	$ 1,759,215	$ (43,797)	-2%
2028	$ 1,712,303	$ (245,690)	-14%
2029	$ 1,847,590	$ (281,105)	-15%
2030	$ 2,036,862	$ (273,746)	-13%

For more detail see attached theoretical 30 year funding plans.

Note: This calculation assumes the association will raise their reserve contribution 3% per year over the next 30 years.

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 was : 1.50% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was: 3.00% per year

(b) For the purposes of preparing a summary pursuant to this section:
(1) "Estimated remaining useful life" means the time reasonably calculated to remain before a major component will require replacement.
(2) "Major component" has the meaning used in Section 5550. Components with an estimated remaining useful life of more than 30 years may be included in a study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary.
(3) The form set out in subdivision (a) shall accompany each pro forma operating budget or summary thereof that is delivered pursuant to section 5300. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in subdivision (a) is provided.
(4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. This shall not be construed to require the board to fund reserves in accordance with this calculation.

The Preparer of this form will be indemnified and held harmless against all losses, claims, action, damages, expenses or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement, because of any false, misleading or incomplete information which has been provided to Preparer by others and relied upon by Preparer which may result from any improper use or reliance on this disclosure.

Click2Bind Insurance Services, LLC
5205 Kearny Villa Rd, Ste 102
San Diego, CA 92123-1420
(P) 877.463.0064 | (C) 619.507.2924
CA #0L01814| AZ #3000312992 | NV #3373119
art@click2bind.com

Annual Insurance Disclosure for Hearthstone Village at Otay Ranch HOA

Property Insurer:				Philadelphia Indemnity
Coverage Limit:	$	750,000	Effective:	01/03/2025
Deductible:	$	5,000	Expiration:	01/03/2026
General Liability Insurer:				Philadelphia Indemnity
Per Occurrence:	$	2,000,000	Effective:	01/03/2025
Aggregate:	$	4,000,000	Expiration:	01/03/2026
Deductible:	$	0		
Fidelity / Crime Insurer:				Philadelphia Indemnity
Coverage Limit:	$	150,000	Effective:	01/03/2025
Deductible:	$	2,500	Expiration:	01/03/2026
Directors & Officers Liability Insurer:				Philadelphia Indemnity
Coverage Limit:	$	1,000,000	Effective:	01/03/2025
Retention:	$	2,500	Expiration:	01/03/2026
Umbrella / Excess Liability Insurer:				Philadelphia Indemnity
Per Occurrence:	$	2,000,000	Effective:	01/03/2025
Retention:	$	10,000		01/03/2026
Workers Compensation Insurer:				Technology Insurance Company
Coverage Limit:	$	5,000,000	Effective:	01/03/2025
Deductible:		0	Expiration:	01/03/2026
Earthquake/Flood Insurer (Non-SFHA):				
Coverage Limit:	$	-	Effective:	-
Deductible:		-	Expiration:	-

This summary of the association's policies of insurance provides only certain information, as required by Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.

CHARGES FOR DOCUMENTS PROVIDED AS REQUIRED BY SECTION 4525*

The seller may, in accordance with Section 4530 of the Civil Code, provide to the prospective purchaser, at no cost, current copies of any documents specified by Section 4525 that are in the possession of the seller. A seller may request to purchase some or all of these documents but shall not be required to purchase ALL of the documents listed on this form.

CHECK OR COMPLETE APPLICABLE COLUMN OR COLUMNS BELOW			
Document	**Civil Code Section Included**	**Fee for Document**	**Location of Availability**
Articles of Incorporation or statement that not incorporated	Section 4525(a)(1)	$40.00	Fee through www.homewisedocs.com, free through owner portal at www.hoaaccounting.com
CC&Rs	Section 4525(a)(1)	$60.00	Fee through www.homewisedocs.com, free through owner portal at www.hoaaccounting.com
Bylaws	Section 4525(a)(1)	$45.00	Fee through www.homewisedocs.com, free through owner portal at www.hoaaccounting.com
Operating Rules	Section 4525(a)(1)	$45.00	Fee through www.homewisedocs.com, free through owner portal at www.hoaaccounting.com
Age restrictions, if any	Section 4525(a)(1)	$0.00	Included with CC&Rs
Rental restrictions, if any	Section 4525(a)(9)	$20.00	Fee through www.homewisedocs.com, free through owner portal at www.hoaaccounting.com
Annual budget report or summary, including reserve study	Sections 5300 and 4525(a)(3)	$60.00	Fee through www.homewisedocs.com, free through owner portal at www.hoaaccounting.com Note: Document distributed 30 days prior to fiscal year end to all owners.
Assessment and reserve funding disclosure summary	Sections 5300 and 4525(a)(4)	$0.00	Included with Annual Budget Report
Financial statement review	Sections 5305 and 4525(a)(3)	$45.00	Fee through www.homewisedocs.com, free through owner portal at www.hoaaccounting.com

Assessment enforcement policy	Sections 5310 and 4525(a)(4)	$0.00	Included with Annual Budget Report
Insurance Summary	Sections 5300 and 4525(a)(3)	$0.00	Included with Annual Budget Report
Regular assessment	Section 4525(a)(4)	$0.00	Included with Annual Budget Report
Special Assessment	Section 4525(a)(4)	$35.00	Fee through www.homewisedocs.com, free through owner portal at www.hoaaccounting.com
Emergency assessment	Section 4525(a)(4)	$35.00	Fee through www.homewisedocs.com, free through owner portal at www.hoaaccounting.com
Other unpaid obligations of seller	Sections 5675 and 4525(a)(4)	$0.00	Addressed with escrow or refinance through www.homewisedocs.com
Approved changes to assessments	Sections 5300 & 4525(a)(4),(8)	$0.00	Included with Annual Budget Report
Settlement notice regarding common area defects	Sections 4525(a)(6), (7), and 6100	$0.00	Addressed with escrow or refinance through www.homewisedocs.com
Preliminary list of defects	Sections 4525(a)(6), 6000, & 6100	$0.00	Addressed with escrow or refinance through www.homewisedocs.com
Notice of Violations	Sections 5855 and 4525(a)(5)	$0.00	Addressed with escrow or refinance through www.homewisedocs.com
Required statement of fees	Section 4525	$259.00	Addressed with escrow or refinance through www.homewisedocs.com
Minutes of regular board meetings conducted over the previous 12 months, if requested	Section 4525(a)(10)	$75.00	Fee through www.homewisedocs.com, free through owner portal at www.hoaaccounting.com

* The information provided by this form may not include all fees that may be imposed before the close of escrow. Additional fees that are not related to the requirements of Section 4525 shall be charged separately.

Hearthstone Village at Otay Ranch HOA

Delinquency Policy

ASSESSMENT COLLECTION AND FULL PAY POLICY FOR ASSESSMENTS

1. **DUE DATES:**

All Regular Assessments shall be due and payable. in advance, in equal monthly installments, on the first day of each month. Special Assessments shall be due and payable on the due date specified by the Board in the notice imposing the assessment or in the ballot presenting the special assessment to the members for approval. In no event shall a Special Assessment be due and payable earlier than thirty (30) days after it is imposed.

2. **PAYMENT RECEIPTS/ OVERNIGHT PAYMENT LOCATION:**

Owners can request a receipt from the Association which shall indicate the date of payment and the person who received it. Any request for a receipt of payment must be submitted directly to the Association's business address (separately from any actual payment). Overnight payment of assessments may be sent/ delivered to the following address:

Hearthstone Village at Otay Ranch HOA
c/o Community Financials
185 E Indiantown Rd #127
Jupiter, FL 33477

3. **APPLICATION:**

Payments received on delinquent assessments shall be applied to the Owner's account as follows: payment shall be applied to the principal owed first. Payments on principal shall be applied to the Owner's account by the "balance forward payment" method, i.e., in reverse order so that the oldest arrearages of the principal are retired first. Only after the principal owed is paid in full shall such payments be applied to interest, late charges, collection expenses, administration fees, attorneys' fees, or any other amount due to the Association which result in continued delinquencies.7

4. **LATE CHARGE:**

All assessments shall be delinquent if not paid within fifteen (15) after they become due and will result in the imposition of a late charge of 10% of the delinquent assessment or ten dollars ($10.00), whichever is greater. Furthermore, the Association shall be entitled to recover any reasonable collections costs, including attorneys' fees, that the Association then incurs in its efforts to collect the delinquent sums.

5. **LATE LETTER:**

If a delinquent assessment payment is not paid within twenty-five (25) days after it becomes due, a late letter will be sent to the member reminding them of their obligation to pay assessments in a timely manner.

6. **INTEREST:**
If an assessment payment is not paid within thirty (30) days of its original due date, interest may be imposed on all sums due, including the delinquent assessment, collection costs, and late charges, at an annual percentage rate of twelve percent (12%) OR the rate specified within the CC&RS, whichever is less.

7. **SECONDARY ADDRESS:**
Upon receipt of a written request by an Owner identifying a secondary address for the purposes of assessment collection notices, the Association shall send additional copies of any collection notices required by this Collection Policy to the secondary address provided. The Owner's notice of a secondary address must be in writing and mailed to the Association in a manner that shall indicate that the Association has received it. The Association shall only send notices to the indicated secondary address at the point in time the Association receives the written request.

8. **PAY OR LIEN LETTER:**
If an assessment payment from the Owner is not paid within thirty-five (35) days after its original due date (for example, if an Owner fails to pay an assessment which was due on June 1 and the failure to pay continues through July 5th, then the June assessment would not have been paid within 35 days after its original due date), a notice of delinquency (Pay or Lien Letter) shall be sent to the Owner by regular first-class mail and certified mail, return receipt requested. The Pay or Lien Letter shall provide at least 30 days' written notice to a delinquent Owner prior to recording an Assessment Lien and further provide an itemized statement of the charges owed, including a breakdown of:

(a) the principal amount owed; (b) any late charges with the method of calculation used to determine such charges; (c) any attorneys' fees incurred; and (d) a description of collection practices, including the right of the association to the reasonable costs of collection. A copy of the Association's collection policy shall be attached to the Pay or Lien Letter.

9. **INTERNAL DISPUTE RESOLUTION PROCESS[1]:**
The Association shall offer to meet and confer with a delinquent owner to resolve any dispute related to the total amount due from the delinquent Owner to the Association and/or the Association's Collection Policy ("Meet and Confer Offer"). The Association's Meet and Confer Offer shall either be placed within the Association's Pay or Lien Letter or in a separate written communication to the delinquent Owner. An Owner who wishes to accept the Meet and Confer Offer must do so by submitting his/her/it's written request to facilitate the meet and confer with the Association, which written request must be

[1] Pursuant to a 1994 California decision, Park Place Estates Homeowners Association Inc. v. Naber (1994) 29 CaLApp, 4th 427. The appellate court held that homeowners have an independent obligation to pay monthly assessments and do not have a right to set off or withhold payments of assessments.

received by the Association within twenty (20) days of the date of the Meet and Confer Offer. The Association shall designate a prompt date and time for the meet and confer, at a location that shall either be the Association's principal office, or another convenient location as designated by the Association. The Association shall designate a Board officer, along with its CID Manager to participate in the meet and confer with the delinquent Owner. Prior to recording a lien for delinquent assessments, the Association shall participate in any meet and confer so accepted by the delinquent Owner, provided, however, that the Owner's acceptance of the Association's Meet and Confer Offer is made within twenty (20) days of the date of the Meet and Confer Offer.

10. **SHOW CAUSE HEARING:**
Additionally, a delinquent Owner may be given a written notice (either in the Pay or Lien Letter or in a separate written document, as determined by the Board of Directors) of a hearing before the Board of Directors, wherein the Owner shall be invited to show good cause why (a) the Owner's voting privileges; **[Cable? (b) the operation of the cable television service to the Owner's [Lot/Unit]]**; and/or (c) the Owner's privileges for use of the common area/recreational facilities (hereinafter collectively "Membership Privileges") should not be suspended for non-payment of the delinquent assessment(s) ("Show Cause Hearing").

The notice and hearing procedures shall be in accordance with the following:

Written notice shall be mailed to the Owner not less than ten (10) days prior to the date of such hearing by first class or certified mail at Owner's last known address as shown on the Association's records. The notice shall set forth the amount of delinquency owed by the Owner and the time, date and place on which the hearing shall be held;

a. The Board of Directors shall provide an opportunity for the Owner to be heard, orally or in writing, at the Show Cause Hearing prior to making any determination on the suspension of any Membership Privileges.

b. In the event good cause is not shown and the Owner's account has not been brought current, then the Board may suspend any of the Owner's Membership Privileges. The Board shall hold the hearing in Executive Session; provided, however, if the Board is requested by a Member to have his/her matter be heard in an open Board meeting, then the matter must be heard in an open Board meeting, and not in Executive Session.

c. After the Show Cause Hearing, the Board of Directors shall provide within fifteen (15) days written notice to the Owner of the suspension of any Membership Privileges.

11. **ASSESSMENT LIEN:**
a. If the delinquent Owner does not bring his/her account current within the deadline set forth in the Pay or Lien Letter, the Board of Directors shall approve the recordation

of an assessment lien against the delinquent Owner's property. The Board's decision to record the assessment lien shall be by a majority vote of a quorum of the Board members at an open Board meeting. The Board's action should refer to the Lot/parcel number of the property that is delinquent, rather than the name of the owner. The Assessment Lien shall be recorded in the County Recorder's Office itemizing all sums that are then delinquent, including the delinquent assessment(s), the then current monthly assessment amount which will also accrue and be a part of the lien, interest, late charges, collection costs and reasonable attorneys' fees. Recording this notice creates a lien, which is subject to foreclosure, against the delinquent Owner's property.

b. At the same time, the Association shall advise the Association's collection agent/bank that it should accept no further monies from this delinquent Owner until the assessment lien has been 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 law firm. Any payments delivered to the collection agent shall be forwarded to the attorney's office; the attorney shall then release the lien if payment in full was made by the delinquent Owner. A charge of up to $425.00 for attorneys' fees shall be charged to the Owner at this stage (pursuant to Civil Code§ 13.66.3(a)).

12. **Pre-Foreclosure Actions:**

a. No earlier than thirty (30) days after the Notice of Assessment lien has been recorded. the Association shall make a written pre-foreclosure offer to meet and confer with the delinquent Owner, consistent with the process identified in paragraph 8 herein (except that the timeline for the delinquent Owner to accept a meet and confer would be thirty-five (35) days from the date of the Owner's receipt of this pre-foreclosure offer) or alternative dispute resolution consistent with Civil Code §1369.50, et. seq. ("IDR/ADR Offer"). Owner shall have thirty-five (35) days from the date of the IDR/ADR Offer to decide whether or not Owner wishes to pursue dispute resolution or a particular type of alternative dispute resolution (except that binding arbitration is not available to any delinquent Owner if the Association intends to initiate a judicial foreclosure).

b. Prior to initiating foreclosure, the Board of Directors must, in executive session, approve the decision to proceed with foreclosure by a majority vote of a quorum of the Board of Directors. The Board shall record the Board's executive session decision in the minutes of the next meeting of the Board open to the members by referencing the lot/parcel number of the property that is delinquent.

c. The Board of Directors shall not proceed with any form of foreclosure unless and until the amount of delinquent assessments (exclusive of any accelerated assessments, late charges, fees, costs of collection, attorney's fees or interest) equals or exceeds One Thousand Eight Hundred Dollars ($1,800.00) or the assessments have been delinquent for more than twelve (12) months ("Threshold"). Once the Threshold has been met and all other requirements identified above have been completed, the Board may proceed with foreclosure of the assessment lien pursuant to the Association's governing documents and Civil Code §1367. The procedure used shall be private foreclosure pursuant to Civil Code §2924, et seq, and Civil Code §1367. The foreclosure action shall include:

i. A Notice of Default and Election to Sell shall be recorded at the county Recorder's Office and a ninety-day reinstatement period shall begin.

ii. A Title Report shall be obtained from a title company at a cost of approximately $350.00 and this shall also be charged to the delinquent Owner.

iii. Furthermore, an additional $300.00 attorneys' fees and costs shall be charged at this stage.

13. If the Association determines that the property is over-encumbered, or otherwise makes a determination that a lawsuit is appropriate, the Association shall file a personal lawsuit against the delinquent Owner to recover all delinquent assessments owing to the Association. If a lawsuit is necessary to collect the delinquent assessments from the Owner, all expenses, costs and attorneys' fees in connection with said lawsuit, including but not limited to pre- and post- judgment costs for filing fees, personal service, witness fees, interest, execution of judgment and/or writ fees shall be recovered from the Owner defendant.

14. If the delinquency is still not cured ninety (90) days after the Notice of Default and Election to Sell was recorded, the attorney shall proceed to record and publish the Notice of Trustee's Sale. This Notice must also be published three (3) times during a three-week period and posted in a public place. At this final stage, there shall be additional publication costs, as well as attorneys' fees of $125.00. If a non-judicial foreclosure sale is completed by the Association against the delinquent Owner's property, the Owner shall have the right to redeem the property for a period of time up to and including ninety (90) days after the date of the Trustee's Sale.

15. When a delinquent Owner has paid in full all delinquent assessments and charges, the attorney shall prepare a Release of Lien which shall be recorded in the County Recorder's Office of San Diego County, California within 21 days of receipt of the sums necessary to satisfy the delinquent amount and mail a copy of the lien release to the Owner of the residential [Lot/Unit].

16. **PAYMENT PLAN STANDARDS:** The Association hereby establishes the following payment plan standards:

a. Payment within 60 Days: If an Owner can bring himself/herself/itself current within sixty (60) days, inclusive of assessments which accrue within the sixty (60) days of the payment plan, the Association will forbear filing an Assessment Lien and the Owner will not incur the Assessment lien costs if the payment plan is strictly followed. The payment plan shall include an administrative cost of $75.00. By agreeing to the 60 day payment plan, the Owner further agrees that if he/she/it fails to make any of the payments identified in the payment plan, the Association shall have the right to file an Assessment Lien without recommencing the pre-lien or Pay or lien Notice process.

b. Payment Exceeding 60 Days: In light of the length of time of this payment plan, payment plans exceeding sixty (60) days shall require that the Association record its Assessment Lien to establish itself as a secured creditor. The payment plan shall also include an administrative cost of $100 or $25.00 per month of each month of the plan, whichever is greater. All costs related to the recordation of the Assessment Lien shall be part of this payment plan. The payment plan would require payment of all delinquent assessments amortized over the length of the payment plan, along with all assessments which will accrue during the payment plan. The Association shall further require that the Owner sign a Forbearance Agreement which identifies his/her/its obligations of repayment consistent with the payment plan and further provides that if there is a default under the payment plan, the Association can proceed with the collection process as particularly identified within the Forbearance Agreement. Payment plans under this paragraph 13.b should normally not exceed six (6) months.

17. **REQUEST FOR PAYMENT PLAN:**
An Owner may submit a written request to the Association for a payment plan consistent with either paragraph 13.a or 13.b above. An Owner can also submit a written request to meet with the Board to identify which payment plan the Owner chooses, as identified in paragraph 13 above. The Board is required to meet with the Owner in executive session within 45 days of the postmark of the request for the meeting, if the request is mailed within fifteen days of the date of the postmark of the Pay or Lien Notice. If there is no regularly scheduled board meeting within the 45-day timeline, the Board has designated the Assessment Dispute Resolution Committee to meet with the Owner.

FEE SCHEDULE*

Late Letters	**$ 25.00**
Intent to Lien Letter	**$ 75.00**
Pay or Lien Letter	**$ 75.00**
Lien	**$250.00**
Payment Plans	**$ 25.00** Per month of plan or
	$100.00 (whichever is greater)
Attendance at IDR/ADR or	**$ 75.00** per hour per staff member.

*Fees are subject to increase without notice.

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)

Rules Enforcement Policy

All Owners, Residents and Guests are required to abide by all established rules. Anyone refusing to abide by these rules will face enforcement action by the Board of Directors. The Property Management Company, acting for the Association, has been instructed by the Board of Directors to require the compliance of persons on Hearthstone Village property with the Rules and Regulations, Architectural Guidelines, Bylaws and Declaration. If there is a violation, the property management company has been instructed to obtain the names and addresses of violators, take enforcement action and report this information to the Board of Directors.

The following procedure will apply to all violations and infractions of the governing documents and Rules and Regulations. Owners may report violations to the Management Company or Board of Directors by submitting a written notice describing the violations. The Board of Directors, Management Company, or committee appointed by the Board may also note any violation discovered during a walk-through or by personal knowledge of any of its members or representatives. At the time a violation is noted or reported, action will be taken as follows:

1. A first notice to correct the violation will be sent by the Management Company. The first notice will contain a description of the violation, and instructions regarding response to the notice and correction of the violation.
2. If the violation continues, or if the report is otherwise unsatisfactory after the notice, the owner will receive a notice of monetary penalty and be afforded an opportunity to appear before the Board or an appointed committee either by appearing personally or by submitting written testimony. At the request of the Owner, a hearing date shall be at least five (5) days before the effective date of the monetary penalty. The notice shall be delivered to the owner personally or by first class or registered mail to the last address of the owner shown written testimony in determining whether to impose penalty.
3. If the violation continues, or it the response is otherwise unsatisfactory, even after the imposition of a monetary penalty. the Board or its appointed committee may impose additional or continuing fines until such time as the matter is satisfactorily resolved,
4. If the violation continues, the Board may refer the matter to the Association's legal counsel. If the lawsuit is filed, the homeowner may be liable for the Association's legal costs and fees.

Fine Schedule

The Board has discretion to assess fines for first-time violations within the ranges set forth below based upon the nature and severity of the violation. In addition to the fines listed in the fine schedule, the Board is authorized by the Declaration to levy an assessment upon the violating Owner for expenses and costs incurred by the

Association due to the Owner's violation. Additionally, if property is damaged due to the violation, the violating owner will be charged for the costs of restoring the property to its original condition. Fines for continuing or repeated violations may be doubled at the discretion of the Board and may be levied as often as weekly for continuing violations. The Board of Directors can take action to suspend a membership right or privilege per Section 4.3.2 of the CC&R's. providing the homeowner with notification as per the Civil Code § Section 1363 (h).

Use Restrictions	$100-$500
Vehicle and Parking Restrictions	$100-$500
Unauthorized Improvements to property	$250-$10,000
Hazardous Activities (Risk of harm to person or property)	$500-$5,000
Any other violation of the CC&Rs, Rules and Regulations or Architectural Guidelines not specifically mentioned herein (i.e., trash cans, pet owner responsibilities, etc.)	$100-$500

Special Note: Should a violation occur which imposes a financial obligation to the Association; the party responsible for the violations shall reimburse, by way of special non-lien assessment, the Association for this financial obligation. If, for example, a party damages a fence, tree, or other common property, repair and replacement costs will be charged to the owner responsible.

Procedure for Disciplinary Hearing

If you have been invited to attend a hearing for an alleged violation of the Governing Documents, the following procedure will be followed:

1. You will be introduced to the Board and other Association representatives.

2. The acting chairperson will summarize the reason for your invitation to the hearing.

3. You may present written or oral evidence to state your position.

4. The requirements of the Governing Documents will be reviewed for clarification of issues.

5. The Board may ask you questions.

6. You may ask the Board questions and make a final statement.

7. Your participation in the foregoing is appreciated by the Board. The Board will deliberate and vote in closed session.

You will be notified of the Board's decision, in writing, within fifteen (15) days.

Alternative Dispute Resolution Procedures

The California Legislature has established a public policy in this state that requires the use of Alternative Dispute Resolution ("ADR") before resorting to litigation to resolve certain conflicts that arise in condominiums, planned developments and other common interest developments. The law requires every association to distribute a summary of California Civil Code sections 5925 through 5965 to its members annually in its Annual Policy Statement prepared pursuant to Civil Code section 5310.

Rather than attempt to summarize the law, which is lengthy, and may result in omissions or misunderstandings of what the law provides, we are providing a copy of law 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."

Please note that the section headings below are not a part of the law, but are present only to assist you in identifying the contents of each section.

§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.

Internal Dispute Resolution Process

The Association Board reserves its right to draft and provide its own Internal Dispute Resolution ("IDR") process, consistent with the requirements set forth in Civil Code §§ 5900-5910. Until such time as the Board adopts a different internal dispute resolution process, the statutory procedure set forth in Civil Code §5915 below shall apply.

§5915. Default IDR Procedure

(a) This section applies to an association that does not otherwise provide a fair, reasonable, and expeditious dispute resolution procedure. The procedure provided in this section is fair, reasonable, and expeditious, within the meaning of this article.

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

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

(2) A member of an association may refuse a request to meet and confer. The association shall not refuse a request to meet and confer.

(3) The board shall designate a director to meet and confer.

(4) The parties shall meet promptly at a mutually convenient time and place, explain their positions to each other, and confer in good faith in an effort to resolve the dispute. The parties may be assisted by an attorney or another person at their own cost when conferring.

(5) A resolution of the dispute agreed to by the parties shall be memorialized in writing and signed by the parties, including the board designee on behalf of the association.

(c) A written agreement reached under this section binds the parties and is judicially enforceable if it is signed by both parties and both of the following conditions are satisfied:

(1) The agreement is not in conflict with law or the governing documents of the common interest development or association.

(2) The agreement is either consistent with the authority granted by the board to its designee or the agreement is ratified by the board.

(d) A member shall not be charged a fee to participate in the process.

Installations (Architectural Guidelines)

Unless Improvements were installed by the Declarant, the Association or with the approval of the Board and/or Architectural Committee, installations, whether interior or exterior, including but not limited to the following, are PROHIBITED:

- Clotheslines
- Balcony, patio or deck covers
- Wiring
- Air conditioning equipment (except as installed by the Declarant)
- Water softeners
- Other equipment and machines
- Improvements to deck or balcony railings
- Other additions or alteration to any Residential Unit
- Fences, awnings, ornamental screens, screen doors, dog runs, low patio walls, sunshades or walls of any nature
- Basketball backboards or other fixed sports apparatus
- Owners desiring to replace floor coverings in upper Residential Units must obtain prior written consent of the Board (and/or Architectural Control Committee) in order to ensure the replacement flooring and its installation is compatible with the noise mitigation materials installed by Declarant.

Hearthstone Village at Otay Ranch HOA

Architectural Request Form

Please submit this request well in advance of the Board of Directors meeting and allow at least a week after the meeting to receive a written response on the request. Approval must be granted, in writing, prior to the commencement of construction.

I hereby request approval of the installation of the following improvement(s) to my unit(s). Describe the proposed improvement(s), attach a drawing and/or picture of construction, dimensions, type of material, location on the lot, contractor brochures, etc. (Please print legibly & use the back of this form if you need more space to write.)

____

____

____

It is understood that the homeowner is responsible for any damage done to the common area during and/or after construction of improvements. It is further understood that it is the responsibility of the unit owner to maintain the improvements at standards set by the association in the future and is not the responsibility of the association. If the unit is sold, the purchaser must be notified of the improvement and their responsibility to maintain it. A building must be obtained if required and comply with all city and county building codes.

NAME OF CONTRACTOR: ________________________

CONTACT NAME:____________ PHONE NUMBER:_________________

PROPOSED DATE(S) OF CONSTRUCTION: ____________________

OWNER NAME: __________________________

ADDRESS & UNIT: _________ _Unit #____, Chula Vista CA___

PHONE NUMBER: ____________________ EMAIL ADDRESS: _______________________

FOR THE BOARD OF DIRECTORS' USE (PLEASE DO NOT WRITE BELOW THIS LINE)

Submitted: _______________________

Application is: ( ) Approved ( ) Denied ( ) Incomplete

Comments: ____

____

Signed: _____________________ Title: ________________ Date: ______________

Hearthstone Village at Otay Ranch HOA, c/o Choice Management Solutions, Inc.
3914 Murphy Canyon Road Ste A240, San Diego, Ca 92123
Email: Info@Choicemanagementsolutions.com

MANAGEMENT SOLUTIONS

Unit Information Update Form

General Information

Community (HOA) Name:____

Owner(s) Name: ____

Email Address(s):________________________Phone Number:______________

Onsite Street Address:______________________City:________Zip Code:______

Mailing Address:______________________City:________Zip Code:________

Please check the appropriate description below for your property:

☐ Owner Occupied ☐ Rented Out ☐ Vacant/Vacation ☐ Undeveloped Lot

Vehicle Information

Vehicle 1 – Make:______Model:____Color:____License Plate #/State:________

Vehicle 2 – Make:______Model:____Color:____License Plate #/State:________

Vehicle 3 – Make:______Model:____Color:____License Plate #/State:________

Tenant Information (If Applicable)

Dates of Tenancy: Move In Date: __________ to __________

Tenant 1 Name: ____

Email Address: ______________________Phone Number:________________

Tenant 2 Name: ____

Email Address: ______________________Phone Number:________________

Management Company (If Applicable)

Company Name:______________________Contact Name:________________

Email Address:______________________Phone Number:________________

Pet Information (If Applicable)

Pet 1 Name:________Type:________Color:________Weight:____________

Pet 2 Name:________Type:________Color:________Weight:____________

Electronic Communication Authorization

By signing this section, I hereby agree to accept electronic mail as the method of delivery, to the extent legally permissible, for any and all association correspondence and or documents required by law and/or governing documents to be distributed to members. I understand that this authorization will remain in effect until the association receives a written notice from me terminating the authorization.

Owner Name:____________Signature:__________________Date:________

Please complete and return by emailing to info@ChoiceManagementSolutions.com or by **mailing** to:
Choice Management Solutions, 3914 Murphy Canyon Road Ste A240, San Diego CA 92123