

J.D. BROOKS

RESERVE STUDIES

133 E. DE LA GUERRA #195
SANTA BARBARA, CA 93101

TOLL FREE: (800) 736-2053
FAX: (800) 736-2368



EUCALYPTUS GROVE HOA

GOLETA, CA

RESERVE STUDY REPORT: NOVEMBER 19, 2004

RECOMMENDATIONS FOR THE BUDGET YEAR PERIOD

FROM: JANUARY 1, 2005

THROUGH: DECEMBER 31, 2005

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MEMBER



LOS ANGELES

SAN FRANCISCO

SAN DIEGO

INTRODUCTION

This Reserve Study is an evaluation of the association's Common Area Components and their Reserve Funds. It was prepared after a thorough on-site inspection performed on: August 12, 2004

The goal is to keep the Reserve Funds at a sufficient level for future repair and/or replacement of these components and to disclose this information formally to the Association.

Eucalyptus Grove HOA

a condominium development consisting of thirteen: three-story buildings plus pool house, is located in: Goleta, CA

The development is comprised of 179 units built in 1984.

The Association's Fiscal Year End is December 31.

This study's Reserve Component Inventory lists the components that require reserve funding.

The Projected Reserve Fund Balance at Fiscal Year End 2004 is \$354,400.

The Ideal Reserve Fund Balance at Fiscal Year End 2004 is \$569,656.

Therefore, the Reserve Fund is theoretically 62% Funded.

The Current (2004) Annual Reserve Contribution is set at approximately \$135,304.

J.D. Brooks recommends maintaining this Contribution or reducing to \$106,877

(The Deficit-Reduction Contribution) with a contribution increase of 3% annually.

This funding plan *should* keep the association's Reserve Fund above \$305,395 over a thirty-year period.

The Repair / Replace Estimates and other parameters used in this study were estimated with the assistance of information obtained from one or more of the following:

- 1 The Association's Board of Directors.
- 2 The Association's Property Manager.
- 3 Vendor (Subcontractor) Proposal / Contract for work.
- 4 Vendor (Subcontractor) experience with the Association.
- 5 Construction estimating reference books & databases.
- 6 J.D. Brooks database of area construction costs and similar reserve studies.

This reserve study does not imply a warranty or guarantee of any form.

The named Association, by receiving this study, agrees to release J.D. Brooks from any claims and/or lawsuits.

RESERVE STUDY SUMMARY

ASSOCIATION INFORMATION:

Name of Association: **EUCALYPTUS GROVE HOA**
Location: **GOLETA, CA**
Number of Units: **179**
Approximate Age of Complex: **20**

This report recommends contributions for Budget Year:

Beginning: **JANUARY 1, 2005**
Ending: **DECEMBER 31, 2005**

Reserve Study Report Date: **NOVEMBER 19, 2004**
Current Fiscal Year End: **DECEMBER 31, 2004**

CURRENT FUNDS SUMMARY:

Projected Reserve Balance at Current Fiscal Year End: **\$354,400**
Ideal Reserve Balance at Current Fiscal Year End: **\$569,656**

PERCENT FUNDED: 62%

CURRENT RESERVE CONTRIBUTIONS:

	Annual	Monthly	Monthly Per Unit
2004 Budgeted Reserve Contribution:	\$135,304	\$11,275	\$62.99

RECOMMENDATIONS FOR BUDGET YEAR 2005

RESERVE CONTRIBUTION MODELS:

2005 J.D. Brooks Recommendation In Box

	Annual	Monthly	Monthly Per Unit
2005 Straight-Line Contribution:	\$79,049	\$6,587	\$36.80
2005 Deficit Reduction Contribution:	\$106,877	\$8,906	\$49.76
2005 Cash-Flow (Minimum) Contribution:	\$79,948	\$6,662	\$37.22

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RESERVE STUDIES

RESERVE STUDY DEFINITIONS

AVG. NET INTEREST ON RESERVE SAVINGS:

Average amount (after tax) of interest re-invested into the Reserve Account

CASH-FLOW (MINIMUM) CONTRIBUTION:

Calculated by not allowing the Reserve Balance to ever fall below (5% of the Total Replacement Cost of all the components) over a thirty-year period.

This Funding Plan should keep the Reserve Fund Balance just above \$0.

CONTINGENCY:

Hypothetical Reserve Component for unforeseen items or circumstances { 0% unless requested otherwise}.

DEFICIT REDUCTION ANNUAL CONTRIBUTION:

Equals (the Straight-Line Annual Contribution) plus {(the Underfunded Balance if any) divided by (the Remaining Life)}.

F.Y.E. (FISCAL YEAR END):

End of the accounting budget year.

IDEAL BALANCE AT F.Y.E.:

Equals (the Straight-Line Annual Contribution) multiplied by (the age) of the component.

INFLATION RATE:

Average Inflation Rate for the region and year.

PERCENT FUNDED:

Equals (the Ideal Reserve Balance at Fiscal Year End) divided by (the Projected Reserve Balance at Fiscal Year End).

PROJECTED BALANCE AT F.Y.E.:

Projected Reserve Balances for each Reserve Component. Calculated according to priority (need) of replacement.

RESERVE COMPONENT:

Common Area item that requires replacement within thirty-years.

RMNG. LIFE (REMAINING LIFE):

Life-span remaining for the Reserve Component.

STRAIGHT-LINE ANNUAL CONTRIBUTION:

Equals (the Repair/Replace Cost) divided by (the Useful Life).

SURPLUS / DEFICIT:

Equals (the Ideal Balance at F.Y.E.) minus (the Projected Balance at F.Y.E.).

UNIT COST:

Cost per unit of measure.

UNIT TYPE:

Unit of measure.

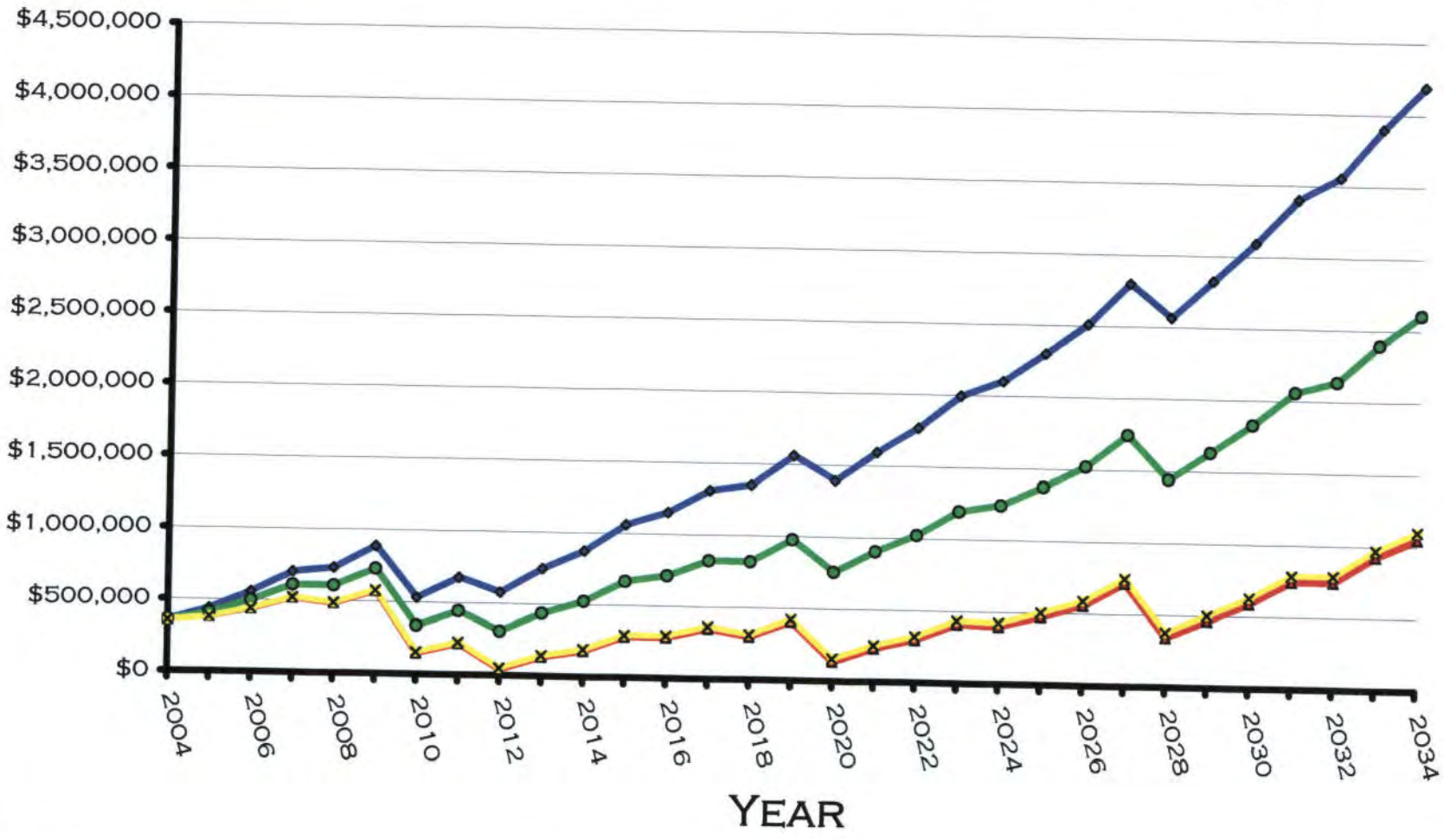
USEFUL LIFE:

Expected life-span of the Reserve Component.

EUCALYPTUS GROVE HOA

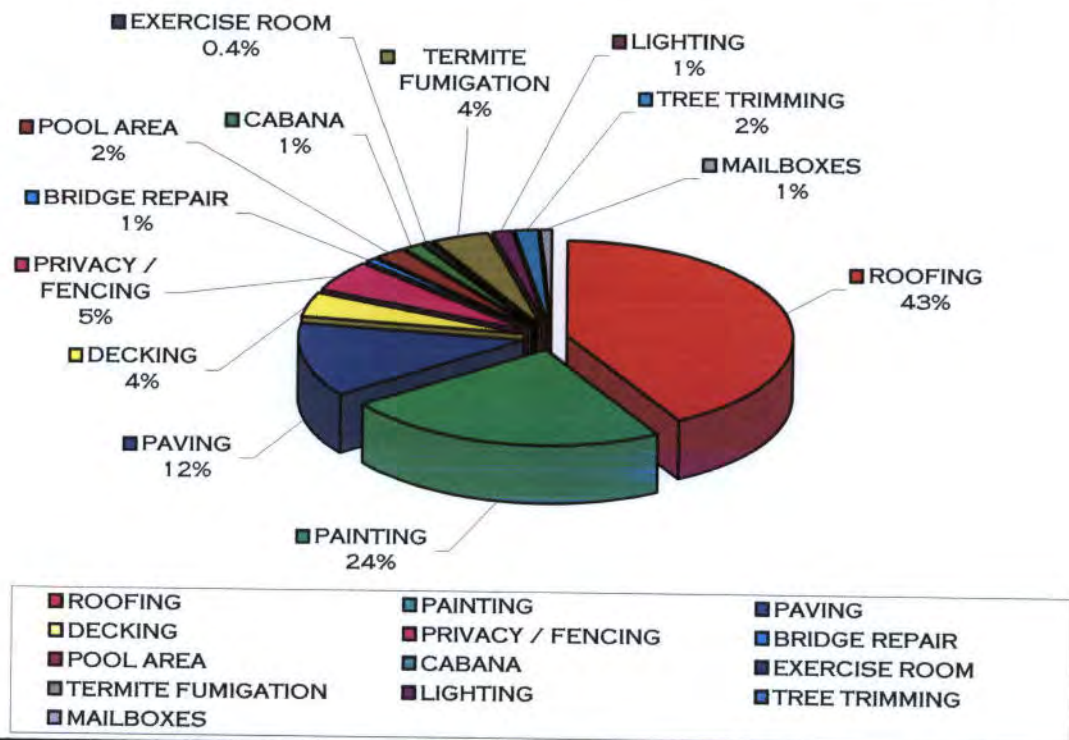
THIRTY-YEAR RESERVE BALANCE PROJECTIONS

- ◆ BALANCE WITH CURRENT CONTRIBUTION
- ▲ BALANCE WITH STRAIGHT-LINE CONTRIBUTION
- BALANCE WITH DEFICIT REDUCTION CONTRIBUTION
- × BALANCE WITH (MINIMUM) CASH-FLOW CONTRIBUTION

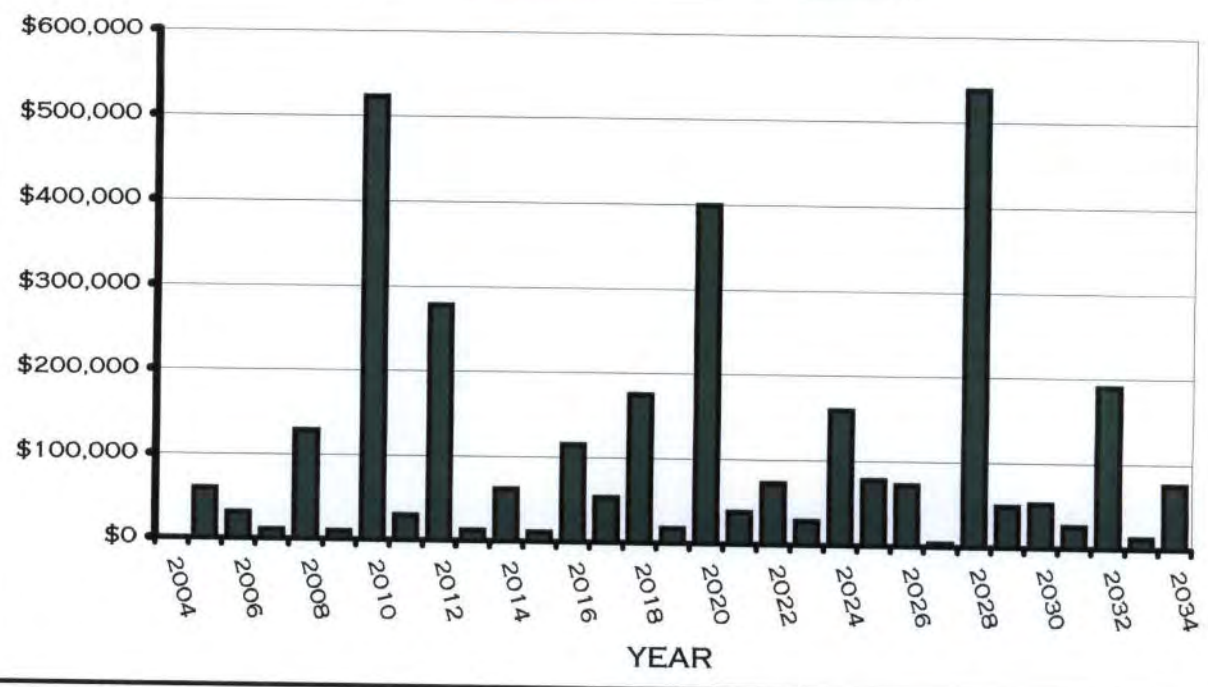


EUCALYPTUS GROVE HOA

RESERVE CATEGORY VALUES AS PERCENTAGE OF ALL COMPONENTS



PROJECTED ANNUAL RESERVE EXPENSES



EUCALYPTUS GROVE HOA

RESERVE COMPONENT INVENTORY

CURRENT FISCAL YEAR END: DECEMBER 31, 2004
NUMBER OF UNITS: 179

CATEGORY	UNIT	UNIT	REPAIR /	USEFUL	RMNG.	STRAIGHT-LINE	IDEAL	PROJECTED	DEFICIT	DEFICIT	
RESERVE COMPONENT	QUANTITY	TYPE	REPLACE	LIFE	LIFE	ANNUAL	BALANCE	BALANCE	DEFICIT	REDUCTION	
			COST			CONTRIBUTION	@F.Y.E.2004	@F.Y.E.2004		ANNUAL	
										CONTRIBUTION	
ROOFING											
COMPOSITION SHINGLE	105,000	SQFT	2.70	283,500	25	6	11,340	226,800	148,291	(78,509)	24,425
CARPORT METAL	30,000	SQFT	2.80	84,000	30	14	2,800	47,600	-	(47,600)	6,200
GUTTER & DOWNSPOUTS	7,000	LNFT	4.50	31,500	20	20	1,575	1,575	-	(1,575)	1,654
PAINTING											
WOOD SIDING	120,000	SQFT	0.90	108,000	8	8	13,500	13,500	-	(13,500)	15,188
WOOD & METAL TRIM	35,000	SQFT	1.50	52,500	4	4	13,125	13,125	13,125	-	13,125
FRONT WOOD FENCE	600	LNFT	8.00	4,800	8	8	600	600	-	(600)	675
CARPORTS	60,000	SQFT	0.90	54,000	8	8	6,750	6,750	-	(6,750)	7,594
METAL FENCE & RAIL	4,000	SQFT	1.00	4,000	3	3	1,333	1,333	1,333	-	1,333
INTERIOR PAINTING (800 SF) OPERATING MAINTENANCE EXPENSE											
PAVING											
ASPHALT SLURRY/REPAIR	120,000	SQFT	0.18	21,600	4	2	5,400	16,200	16,200	-	5,400
ASPHALT OVERLAY	120,000	SQFT	0.80	96,000	25	6	3,840	76,800	50,215	(26,585)	8,271
CONCRETE REPAIR OPERATING MAINTENANCE EXPENSE											
DECKING											
STAIR LANDING RESEAL	5,200	SQFT	1.00	5,200	4	1	1,300	5,200	5,200	-	1,300
STAIR LANDING RESURFACE	5,200	SQFT	7.00	36,400	20	4	1,820	30,940	30,940	-	1,820
PRIVATE BALCONY SURFACES INDIVIDUAL HOMEOWNER'S EXPENSE											
PRIVACY / FENCING											
INTERCOM	1	UNIT	3000	3,000	15	2	200	2,800	2,800	-	200
GATE OPERATOR (SLIDE)	1	UNIT	2500	2,500	10	6	250	1,250	817	(433)	322
GATE OPERATOR (SLIDE)	1	UNIT	2500	2,600	10	4	250	1,750	1,750	-	250
SLIDE GATES	2	UNIT	2500	5,000	25	12	200	2,800	-	(2,800)	433
CARD READERS/BUZZERS	4	UNIT	1000	4,000	15	2	267	3,733	3,733	-	267
FRONT WOOD FENCE	600	LNFT	24.00	14,400	25	12	576	8,064	-	(8,064)	1,248
METAL POOL FENCE 6'	175	LNFT	28.00	4,900	25	10	196	3,136	-	(3,136)	510
STAIR RAILS 3.5'	500	LNFT	18.00	9,000	25	6	360	7,200	4,708	(2,492)	775
SPLIT-RAIL FENCE	450	LNFT	6.00	3,600	30	11	120	2,400	-	(2,400)	338
TRASH GATES OPERATING MAINTENANCE EXPENSE											
POOL AREA											
POOL HEATER	1	UNIT	2200	2,200	10	4	220	1,540	1,540	-	220
POOL FILTER	1	UNIT	1300	1,300	10	10	130	130	-	(130)	143
POOL PUMP	1	UNIT	800	800	8	4	100	500	500	-	100
POOL REPLASTER	1,000	SQFT	5.50	5,500	10	7	550	2,200	-	(2,200)	864
POOL TILE/COPING	100	LNFT	25.00	2,500	20	1	125	2,500	2,500	-	125
SPA HEATER	1	UNIT	2000	2,000	8	7	250	500	-	(500)	321
SPA FILTER	1	UNIT	1100	1,100	12	6	92	642	420	(222)	129
SPA PUMPS	2	UNIT	800	1,600	8	4	200	1,000	1,000	-	200
SPA RETILE	1	UNIT	3000	3,000	25	5	120	2,520	2,520	-	120
PATIO FURNITURE & DRINKING FOUNTAIN OPERATING MAINTENANCE EXPENSE											

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EUCALYPTUS GROVE HOA

RESERVE COMPONENT INVENTORY

THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES

CATEGORY	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
RESERVE COMPONENT	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
ROOFING																
COMPOSITION SHINGLE	-	-	-	-	-	-	338,514	-	-	-	-	-	-	-	-	-
CARPORT METAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	127,058	-
GUTTER & DOWNSPOUTS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PAINTING																
WOOD SIDING	-	-	-	-	-	-	-	-	136,811	-	-	-	-	-	-	-
WOOD & METAL TRIM	-	-	-	-	59,089	-	-	-	66,505	-	-	-	74,852	-	-	-
FRONT WOOD FENCE	-	-	-	-	-	-	-	-	6,080	-	-	-	-	-	-	-
CARPORTS	-	-	-	-	-	-	-	-	68,406	-	-	-	-	-	-	-
METAL FENCE & RAIL	-	-	-	4,371	-	-	4,776	-	-	5,219	-	-	5,703	-	-	6,232
PAVING																
ASPHALT SLURRY/REPAIR	-	-	22,915	-	-	-	25,792	-	-	-	29,029	-	-	-	-	32,672
ASPHALT OVERLAY	-	-	-	-	-	-	114,629	-	-	-	-	-	-	-	-	-
DECKING																
STAIR LANDING RESEAL	-	5,356	-	-	-	6,028	-	-	-	6,785	-	-	-	-	7,636	-
STAIR LANDING RESURFACE	-	-	-	-	40,969	-	-	-	-	-	-	-	-	-	-	-
PRIVACY / FENCING																
INTERCOM	-	-	3,183	-	-	-	-	-	-	-	-	-	-	-	-	-
GATE OPERATOR (SLIDE)	-	-	-	-	-	-	2,985	-	-	-	-	-	-	-	-	-
GATE OPERATOR (SLIDE)	-	-	-	-	2,814	-	-	-	-	-	-	-	-	-	3,781	-
SLIDE GATES	-	-	-	-	-	-	-	-	-	-	-	-	7,129	-	-	-
CARD READERS/BUZZERS	-	-	4,244	-	-	-	-	-	-	-	-	-	-	-	-	-
FRONT WOOD FENCE	-	-	-	-	-	-	-	-	-	-	-	-	20,531	-	-	-
METAL POOL FENCE 6'	-	-	-	-	-	-	-	-	-	-	6,585	-	-	-	-	-
STAIR RAILS 3.5'	-	-	-	-	-	-	10,746	-	-	-	-	-	-	-	-	-
SPLIT-RAIL FENCE	-	-	-	-	-	-	-	-	-	-	-	4,983	-	-	-	-
POOL AREA																
POOL HEATER	-	-	-	-	2,476	-	-	-	-	-	-	-	-	-	-	3,328
POOL FILTER	-	-	-	-	-	-	-	-	-	-	1,747	-	-	-	-	-
POOL PUMP	-	-	-	-	900	-	-	-	-	-	-	-	1,141	-	-	-
POOL REPLASTER	-	-	-	-	-	-	-	6,764	-	-	-	-	-	-	-	-
POOL TILE/COPING	-	2,575	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SPA HEATER	-	-	-	-	-	-	-	2,460	-	-	-	-	-	-	-	-
SPA FILTER	-	-	-	-	-	-	1,313	-	-	-	-	-	-	-	-	-
SPA PUMPS	-	-	-	-	1,801	-	-	-	-	-	-	-	2,281	-	-	-
SPA RETILE	-	-	-	-	-	3,478	-	-	-	-	-	-	-	-	-	-

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EUCALYPTUS GROVE HOA

RESERVE COMPONENT INVENTORY
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THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES

CATEGORY	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
RESERVE COMPONENT	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
ROOFING															
COMPOSITION SHINGLE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CARPORT METAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GUTTER & DOWNSPOUTS	-	-	-	-	56,893	-	-	-	-	-	-	-	-	-	-
PAINTING															
WOOD SIDING	173,308	-	-	-	-	-	-	-	219,542	-	-	-	-	-	-
WOOD & METAL TRIM	84,247	-	-	-	94,821	-	-	-	106,722	-	-	-	120,116	-	-
FRONT WOOD FENCE	7,703	-	-	-	-	-	-	-	9,757	-	-	-	-	-	-
CARPORTS	86,654	-	-	-	-	-	-	-	109,771	-	-	-	-	-	-
METAL FENCE & RAIL	-	-	6,810	-	-	7,441	-	-	8,131	-	-	8,865	-	-	9,709
PAVING															
ASPHALT SLURRY/REPAIR	-	-	36,773	-	-	-	41,388	-	-	-	46,582	-	-	-	52,429
ASPHALT OVERLAY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DECKING															
STAIR LANDING RESEAL	-	8,595	-	-	-	9,674	-	-	-	10,888	-	-	-	12,254	-
STAIR LANDING RESURFACE	-	-	-	-	-	-	-	-	73,994	-	-	-	-	-	-
PRIVACY / FENCING															
INTERCOM	-	4,959	-	-	-	-	-	-	-	-	-	-	-	-	-
GATE OPERATOR (SLIDE)	4,012	-	-	-	-	-	-	-	-	-	5,391	-	-	-	-
GATE OPERATOR (SLIDE)	-	-	-	-	-	-	-	-	5,082	-	-	-	-	-	-
SLIDE GATES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CARD READERS/BUZZERS	-	6,611	-	-	-	-	-	-	-	-	-	-	-	-	-
FRONT WOOD FENCE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
METAL POOL FENCE 6'	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
STAIR RAILS 3.5'	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SPLIT-RAIL FENCE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POOL AREA															
POOL HEATER	-	-	-	-	-	-	-	-	4,472	-	-	-	-	-	-
POOL FILTER	-	-	-	-	2,348	-	-	-	-	-	-	-	-	-	3,155
POOL PUMP	-	-	-	-	1,445	-	-	-	-	-	-	-	1,830	-	-
POOL REPLASTER	-	9,091	-	-	-	-	-	-	-	-	-	12,217	-	-	-
POOL TILE/COPING	-	-	-	-	-	4,651	-	-	-	-	-	-	-	-	-
SPA HEATER	-	-	-	-	-	-	-	3,947	-	-	-	-	-	-	-
SPA FILTER	-	-	1,873	-	-	-	-	-	-	-	-	-	-	-	2,670
SPA PUMPS	-	-	-	-	2,890	-	-	-	-	-	-	-	3,661	-	-
SPA RETILE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,282

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EUCALYPTUS GROVE HOA

CURRENT FISCAL YEAR END: DECEMBER 31, 2004
NUMBER OF UNITS: 179

RESERVE COMPONENT INVENTORY

CATEGORY	UNIT	UNIT	REPAIR /	USEFUL	RMNG.	STRAIGHT-LINE	IDEAL	PROJECTED	DEFICIT	DEFICIT	
RESERVE COMPONENT	QUANTITY	COST	REPLACE COST	LIFE	LIFE	ANNUAL CONTRIBUTION @F.Y.E.2004	BALANCE @F.Y.E.2004	BALANCE @F.Y.E.2004		REDUCTION ANNUAL CONTRIBUTION	
CABANA											
FLOOR TILE	230	SqFT	10.00	2,300	25	6	92	1,840	1,203	(637)	198
WALL TILE	420	SqFT	10.00	4,200	30	11	140	2,800	-	(2,800)	395
SAUNA HEATER	1	UNIT	2000	2,000	15	12	133	533	-	(533)	178
SAUNA & BATH REMODEL	1	ALLOW	3500	3,500	25	6	140	2,800	1,631	(969)	302
WATER HEATER	1	UNIT	1900	1,900	12	4	158	1,425	1,425	-	158
TERMITE FUMIGATION											
BLDG. 7606	1	ALLOW	5000	5,000	18	13	278	1,667	-	(1,667)	406
BLDG. 7630	1	ALLOW	5000	5,000	18	14	276	1,389	-	(1,389)	377
BLDG. 7634	1	ALLOW	5000	5,000	18	15	276	1,111	-	(1,111)	352
BLDG. 7620	1	ALLOW	5000	5,000	18	16	278	633	-	(633)	330
BLDG. 7632	1	ALLOW	5000	5,000	18	17	278	556	-	(556)	310
BLDG. 7602	1	ALLOW	5000	5,000	16	18	278	278	-	(278)	293
BLDG. 7610	1	ALLOW	5000	5,000	18	18	278	278	-	(278)	293
REMAINING BUILDINGS	6	ALLOW	5000	30,000	20	1	1,500	30,000	30,000	-	1,500
BRIDGE REPAIR	1	ALLOW	10000	10,000	15	13	667	2,000	-	(2,000)	821
TREE TRIMMING	1	ALLOW	16000	16,000	3	1	5,333	16,000	16,000	-	5,333
EXERCISE ROOM											
ASSORTED EQUIPMENT	8	UNIT	500	4,000	15	1	267	4,000	4,000	-	267
CARPET & FLOORING OPERATING MAINTENANCE EXPENSE											
LIGHTING											
LARGE STREET FIXTURES	14	UNIT	1000	14,000	25	6	560	11,200	7,323	(3,877)	1,206
OTHER LIGHT FIXTURES OPERATING MAINTENANCE EXPENSE											
MAILBOXES											
MAILBOX PAGODA	65	UNIT	40	2,600	15	3	173	2,253	2,253	-	173
MAILBOX PAGODA	80	UNIT	40	3,200	15	3	213	2,773	2,773	-	213
MAILBOX PAGODA	52	UNIT	40	2,080	15	10	139	632	-	(632)	222
IRRIGATION CONTROLS & VALVES OPERATING MAINTENANCE EXPENSE											
PLUMBING, ELECTRICAL & WOOD REPLACEMENT OPERATING MAINTENANCE EXPENSE											
CONTINGENCY: 0%											
TOTALS:			981,180				79,049	569,656	354,400	(215,256)	106,877

NET INTEREST ON RESERVE SAVINGS :	1%
INFLATION RATE :	3%
INCREASE TO ANNUAL RESERVE CONTRIBUTION:	3%

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EUCALYPTUS GROVE HOA

**RESERVE COMPONENT
INVENTORY**

THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES

CATEGORY	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
RESERVE COMPONENT	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
CABANA																
FLOOR TILE	2,746	.	.	.	.	.	.	.	.	.
WALL TILE	5,814	.	.	.	.
SAUNA HEATER	2,852	.	.	.
SAUNA & BATH REMODEL	4,179	.	.	.	.	.	.	.	.	.
WATER HEATER	2,138	.	.	.	.	.	.	.	.	.	.	.
TERMITE FUMIGATION																
BLDG. 7606	7,343	.	.
BLDG. 7630	7,563	.
BLDG. 7634	7,790
BLDG. 7620
BLDG. 7632
BLDG. 7602
BLDG. 7610
REMAINING BUILDINGS	.	30,900	.	.	.	.	.	.	.	.	.	.	.	.	.	.
BRIDGE REPAIR																
	14,685	.	.
TREE TRIMMING																
	.	16,480	.	.	18,008	.	.	19,678	.	.	21,503	.	.	23,497	.	.
EXERCISE ROOM																
ASSORTED EQUIPMENT	.	4,120	.	.	.	.	.	.	.	.	.	.	.	.	.	.
LIGHTING																
LARGE STREET FIXTURES	16,717	.	.	.	.	.	.	.	.	.
MAILBOXES																
MAILBOX PAGODA	.	.	.	2,841	.	.	.	.	.	.	.	.	.	.	.	.
MAILBOX PAGODA	.	.	.	3,497	.	.	.	.	.	.	.	.	.	.	.	.
MAILBOX PAGODA	2,795	.	.	.	.	.	.
CONTINGENCY: 0%																
TOTALS:	0	59,431	30,342	10,709	128,195	9,506	522,398	28,902	277,803	12,004	61,659	10,797	114,489	53,161	174,402	17,138

11/19/04

EUCALYPTUS GROVE HOA

**RESERVE COMPONENT
INVENTORY**

THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES

CATEGORY	16	17	18	19	20	21	22	23	24	25	28	27	28	29	30
RESERVE COMPONENT	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
CABANA															
FLOOR TILE	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
WALL TILE	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
SAUNA HEATER	.	.	.	.	.	.	.	.	.	.	.	4,443	.	.	.
SAUNA & BATH REMODEL	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
WATER HEATER	3,049	.	.	.	.	.	.	.	.	.	.	.	4,347	.	.
TERMITE FUMIGATION															
BLDG. 7606	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
BLDG. 7630	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
BLDG. 7634	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
BLDG. 7620	8,024	.	.	.	.	.	.	.	.	.	.	.	.	.	.
BLDG. 7632	.	8,264	.	.	.	.	.	.	.	.	.	.	.	.	.
BLDG. 7602	.	.	8,512	.	.	.	.	.	.	.	.	.	.	.	.
BLDG. 7610	.	.	8,512	.	.	.	.	.	.	.	.	.	.	.	.
REMAINING BUILDINGS	.	.	.	.	.	55,809	.	.	.	.	.	.	.	.	.
BRIDGE REPAIR															
	.	.	.	.	.	.	.	.	.	.	.	.	22,879	.	.
TREE TRIMMING															
	25,675	.	.	28,056	.	.	30,658	.	.	33,500	.	.	36,807	.	.
EXERCISE ROOM															
ASSORTED EQUIPMENT	6,419	.	.	.	.	.	.	.	.	.	.	.	.	.	.
LIGHTING															
LARGE STREET FIXTURES	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
MAILBOXES															
MAILBOX PAGODA	.	.	4,428	.	.	.	.	.	.	.	.	.	.	.	.
MAILBOX PAGODA	.	.	5,448	.	.	.	.	.	.	.	.	.	.	.	.
MAILBOX PAGODA	.	.	.	.	.	.	.	.	.	4,355	.	.	.	.	.
CONTINGENCY: 0%															
TOTALS:	399,090	37,520	72,353	28,056	158,396	77,574	72,045	3,947	537,471	48,743	51,974	25,545	189,440	12,254	75,245

11/19/04

EUCALYPTUS GROVE HOA

CURRENT FISCAL YEAR END: DECEMBER 31, 2004
 NUMBER OF UNITS: 179

RESERVE COMPONENT INVENTORY

CATEGORY	UNIT	UNIT	REPAIR / REPLACE	USEFUL	RMNG.	STRAIGHT-LINE ANNUAL	IDEAL BALANCE	PROJECTED BALANCE	DEFICIT	DEFICIT REDUCTION ANNUAL CONTRIBUTION
RESERVE COMPONENT	QUANTITY	TYPE	COST	LIFE	LIFE	CONTRIBUTION @F.Y.E.2004	@F.Y.E.2004	@F.Y.E.2004	DEFICIT	CONTRIBUTION

<u>BALANCE FORECAST TYPE</u>	<u>ANNUAL CONTRIBUTION</u>
CURRENT ANNUAL CONTRIBUTION	135,304
STRAIGHT-LINE ANNUAL CONTRIBUTION	79,049
DEFICIT REDUCTION ANNUAL CONTRIBUTION	106,877
(CASH-FLOW) MINIMUM ANNUAL CONTRIBUTION	79,948

EUCALYPTUS GROVE HOA

RESERVE COMPONENT INVENTORY		THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES														
CATEGORY	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
RESERVE COMPONENT	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019

<u>BALANCE FORECAST TYPE</u>		<u>THIRTY-YEAR PROJECTED ANNUAL RESERVE BALANCES</u>															
CURRENT																	
ANNUAL CONTRIBUTION	354,400	438,276	556,427	699,818	731,027	886,423	532,645	676,164	578,989	747,109	875,359	1,061,491	1,150,920	1,308,695	1,352,191	1,560,342	
STRAIGHT-LINE																	
ANNUAL CONTRIBUTION	354,400	380,043	437,632	518,057	483,816	571,198	146,761	216,889	40,502	132,500	178,624	279,328	280,530	346,575	294,934	404,431	
DEFICIT REDUCTION																	
ANNUAL CONTRIBUTION	354,400	408,649	496,397	607,970	606,106	727,132	337,649	444,081	305,395	436,333	523,283	666,347	711,092	822,514	817,934	976,234	
(CASH-FLOW) MINIMUM																	
ANNUAL CONTRIBUTION	354,400	380,974	439,531	520,961	487,766	576,235	152,927	224,227	49,059	142,321	189,757	292,023	294,439	381,949	311,828	422,802	

EUCALYPTUS GROVE HOA

RESERVE COMPONENT INVENTORY

THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES

CATEGORY	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
RESERVE COMPONENT	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034

BALANCE FORECAST TYPE

THIRTY-YEAR PROJECTED ANNUAL RESERVE BALANCES

CURRENT															
ANNUAL CONTRIBUTION	1,393,069	1,594,047	1,768,770	1,998,704	2,103,079	2,299,111	2,510,249	2,799,734	2,964,014	2,825,360	3,094,655	3,401,981	3,556,726	3,900,425	4,193,868
STRAIGHT-LINE															
ANNUAL CONTRIBUTION	134,673	229,824	294,655	408,711	397,095	470,893	555,419	713,796	342,269	483,043	586,768	743,431	748,240	924,562	1,051,018
DEFICIT REDUCTION															
ANNUAL CONTRIBUTION	757,274	904,674	1,023,866	1,194,255	1,241,006	1,375,270	1,522,429	1,745,672	1,441,315	1,631,637	1,827,362	2,058,554	2,134,502	2,396,653	2,605,714
(CASH-FLOW) MINIMUM															
ANNUAL CONTRIBUTION	154,979	251,623	318,211	434,086	424,355	500,107	598,656	747,126	377,771	500,792	626,843	765,914	787,214	972,115	1,101,239



ROOFING: Composition Shingle



ROOFING: Composition Shingle



ROOFING: Carport Metal



PAINTING: Wood Siding / Wood & Metal Trim



PAVING: Asphalt Slurry / Overlay



DECKING: Stair Landing ReSeal / ReSurface



PRIVACY: Intercom



PRIVACY: Gate Operator (Slide)



PRIVACY: Card Readers



FENCING: Front Wood Fence



POOL AREA: Pool Equipment



POOL AREA: Pool Replaster



POOL AREA: Spa Equipment



POOL AREA: Spa ReTile



BRIDGE: Repairs



EXERCISE ROOM: Assorted Equipment



LIGHTING: Large Street Fixtures



MAILBOXES: Mailbox Pagodas

ROOFING

Composition Shingle

Quantity: 105,000 SqFt
 Estimated Total Cost to Replace: \$ 283,500
 Useful Life: 25
 Remaining Life: 6
 Straight-Line Annual Contribution: \$ 11,340
 Cost Source: JDB Cost Database

Carport Metal

Quantity: 30,000 SqFt
 Estimated Total Cost to Replace: \$ 84,000
 Useful Life: 30
 Remaining Life: 14
 Straight-Line Annual Contribution: \$ 2,800
 Cost Source: JDB Cost Database

Gutter & Downspouts

Quantity: 7,000 LnFt
 Estimated Total Cost to Replace: \$ 31,500
 Useful Life: 20
 Remaining Life: 20
 Straight-Line Annual Contribution: \$ 1,575
 Cost Source: Recent Association Expense

PAINTING

Wood Siding

Quantity: 120,000 SqFt
 Estimated Total Cost to Replace: \$ 108,000
 Useful Life: 8
 Remaining Life: 8
 Straight-Line Annual Contribution: \$ 13,500
 Cost Source: Recent Association Expense

Wood & Metal Trim

Quantity: 35,000 SqFt
 Estimated Total Cost to Replace: \$ 52,500
 Useful Life: 4
 Remaining Life: 4
 Straight-Line Annual Contribution: \$ 13,125
 Cost Source: Recent Association Expense

Front Wood Fence

Quantity: 600 LnFt
 Estimated Total Cost to Replace: \$ 4,800
 Useful Life: 8
 Remaining Life: 8
 Straight-Line Annual Contribution: \$ 600
 Cost Source: Recent Association Expense

Carports

Quantity: 60,000 SqFt
 Estimated Total Cost to Replace: \$ 54,000
 Useful Life: 8
 Remaining Life: 8
 Straight-Line Annual Contribution: \$ 6,750
 Cost Source: Recent Association Expense

J.D. BROOKS

RESERVE STUDIES

Metal Fence & Rail

Quantity: 4,000 SqFt
 Estimated Total Cost to Replace: \$ 4,000
 Useful Life: 3
 Remaining Life: 3
 Straight-Line Annual Contribution: \$ 1,333
 Cost Source: Recent Association Expense

PAVING

Asphalt Slurry/Repair

Quantity: 120,000 SqFt
 Estimated Total Cost to Replace: \$ 21,600
 Useful Life: 4
 Remaining Life: 2
 Straight-Line Annual Contribution: \$ 5,400
 Cost Source: Recent Association Expense

Asphalt Overlay

Quantity: 120,000 SqFt
 Estimated Total Cost to Replace: \$ 96,000
 Useful Life: 25
 Remaining Life: 6
 Straight-Line Annual Contribution: \$ 3,840
 Cost Source: JDB Cost Database

DECKING

Stair Landing ReSeal

Quantity: 5,200 SqFt
 Estimated Total Cost to Replace: \$ 5,200
 Useful Life: 4
 Remaining Life: 1
 Straight-Line Annual Contribution: \$ 1,300
 Cost Source: JDB Cost Database

Stair Landing ReSurface

Quantity: 5,200 SqFt
 Estimated Total Cost to Replace: \$ 36,400
 Useful Life: 20
 Remaining Life: 4
 Straight-Line Annual Contribution: \$ 1,820
 Cost Source: JDB Cost Database

PRIVACY / FENCING

Intercom

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 3,000
 Useful Life: 15
 Remaining Life: 2
 Straight-Line Annual Contribution: \$ 200
 Cost Source: JDB Cost Database

Gate Operator (Slide)

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 2,500
 Useful Life: 10
 Remaining Life: 6
 Straight-Line Annual Contribution: \$ 250
 Cost Source: JDB Cost Database

Gate Operator (Slide)

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 2,500
 Useful Life: 10
 Remaining Life: 4
 Straight-Line Annual Contribution: \$ 250
 Cost Source: JDB Cost Database

Slide Gates

Quantity: 2 Unit
 Estimated Total Cost to Replace: \$ 5,000
 Useful Life: 25
 Remaining Life: 12
 Straight-Line Annual Contribution: \$ 200
 Cost Source: JDB Cost Database

Card Readers/Buzzers

Quantity: 4 Unit
 Estimated Total Cost to Replace: \$ 4,000
 Useful Life: 15
 Remaining Life: 2
 Straight-Line Annual Contribution: \$ 267
 Cost Source: Recent Association Expense

Front Wood Fence

Quantity: 600 LnFt
 Estimated Total Cost to Replace: \$ 14,400
 Useful Life: 25
 Remaining Life: 12
 Straight-Line Annual Contribution: \$ 576
 Cost Source: JDB Cost Database

Metal Pool Fence 6'

Quantity: 175 LnFt
 Estimated Total Cost to Replace: \$ 4,900
 Useful Life: 25
 Remaining Life: 10
 Straight-Line Annual Contribution: \$ 196
 Cost Source: JDB Cost Database

Stair Rails 3.5'

Quantity: 500 LnFt
 Estimated Total Cost to Replace: \$ 9,000
 Useful Life: 25
 Remaining Life: 6
 Straight-Line Annual Contribution: \$ 360
 Cost Source: JDB Cost Database

Split-Rail Fence

Quantity: 450 LnFt
 Estimated Total Cost to Replace: \$ 3,600
 Useful Life: 30
 Remaining Life: 11
 Straight-Line Annual Contribution: \$ 120
 Cost Source: JDB Cost Database

BRIDGE REPAIR

Quantity: 1 Allow
 Estimated Total Cost to Replace: \$ 10,000
 Useful Life: 15
 Remaining Life: 13
 Straight-Line Annual Contribution: \$ 667
 Cost Source: Allowance

POOL AREA

Pool Heater

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 2,200
 Useful Life: 10
 Remaining Life: 4
 Straight-Line Annual Contribution: \$ 220
 Cost Source: JDB Cost Database

Pool Filter

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 1,300
 Useful Life: 10
 Remaining Life: 10
 Straight-Line Annual Contribution: \$ 130
 Cost Source: Recent Association Expense

Pool Pump

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 800
 Useful Life: 8
 Remaining Life: 4
 Straight-Line Annual Contribution: \$ 100
 Cost Source: JDB Cost Database

Pool Replaster

Quantity: 1,000 SqFt
 Estimated Total Cost to Replace: \$ 5,500
 Useful Life: 10
 Remaining Life: 7
 Straight-Line Annual Contribution: \$ 550
 Cost Source: Recent Association Expense

Pool Tile/Coping

Quantity: 100 LnFt
 Estimated Total Cost to Replace: \$ 2,500
 Useful Life: 20
 Remaining Life: 1
 Straight-Line Annual Contribution: \$ 125
 Cost Source: JDB Cost Database

Spa Heater

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 2,000
 Useful Life: 8
 Remaining Life: 7
 Straight-Line Annual Contribution: \$ 250
 Cost Source: JDB Cost Database

Spa Filter

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 1,100
 Useful Life: 12
 Remaining Life: 6
 Straight-Line Annual Contribution: \$ 92
 Cost Source: JDB Cost Database

Spa Pumps

Quantity: 2 Unit
 Estimated Total Cost to Replace: \$ 1,600
 Useful Life: 8
 Remaining Life: 4
 Straight-Line Annual Contribution: \$ 200
 Cost Source: JDB Cost Database

Spa Retile

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 3,000
 Useful Life: 25
 Remaining Life: 5
 Straight-Line Annual Contribution: \$ 120
 Cost Source: JDB Cost Database

CABANA

Floor Tile

Quantity: 230 SqFt
 Estimated Total Cost to Replace: \$ 2,300
 Useful Life: 25
 Remaining Life: 6
 Straight-Line Annual Contribution: \$ 92
 Cost Source: JDB Cost Database

Wall Tile

Quantity: 420 SqFt
 Estimated Total Cost to Replace: \$ 4,200
 Useful Life: 30
 Remaining Life: 11
 Straight-Line Annual Contribution: \$ 140
 Cost Source: JDB Cost Database

Sauna Heater

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 2,000
 Useful Life: 15
 Remaining Life: 12
 Straight-Line Annual Contribution: \$ 133
 Cost Source: JDB Cost Database

Sauna & Bath Remodel

Quantity: 1 Allow
 Estimated Total Cost to Replace: \$ 3,500
 Useful Life: 25
 Remaining Life: 6
 Straight-Line Annual Contribution: \$ 140
 Cost Source: Allowance

Water Heater

Quantity: 1 Unit
 Estimated Total Cost to Replace: \$ 1,900
 Useful Life: 12
 Remaining Life: 4
 Straight-Line Annual Contribution: \$ 158
 Cost Source: Recent Association Expense

EXERCISE ROOM

Assorted Equipment

Quantity: 8 Unit
 Estimated Total Cost to Replace: \$ 4,000
 Useful Life: 15
 Remaining Life: 1
 Straight-Line Annual Contribution: \$ 267
 Cost Source: Allowance

TERMITE FUMIGATION

All Buildings

Quantity: 13 Allow
 Estimated Total Cost to Replace: \$ 65,000
 Useful Life: 18
 Remaining Life: 1-20
 Straight-Line Annual Contribution: \$ 3,446
 Cost Source: Allowance

LIGHTING

Large Street Fixtures

Quantity: 14 Unit
 Estimated Total Cost to Replace: \$ 14,000
 Useful Life: 25
 Remaining Life: 6
 Straight-Line Annual Contribution: \$ 560
 Cost Source: JDB Cost Database

TREE TRIMMING

Quantity: 1 Allow
 Estimated Total Cost to Replace: \$ 16,000
 Useful Life: 3
 Remaining Life: 1
 Straight-Line Annual Contribution: \$ 5,333
 Cost Source: Allowance

MAILBOXES

Mailbox Pagoda

Quantity: 65 Unit
Estimated Total Cost to Replace: \$ 2,600
Useful Life: 15
Remaining Life: 3
Straight-Line Annual Contribution: \$ 173
Cost Source: JDB Cost Database

Mailbox Pagoda

Quantity: 80 Unit
Estimated Total Cost to Replace: \$ 3,200
Useful Life: 15
Remaining Life: 3
Straight-Line Annual Contribution: \$ 213
Cost Source: JDB Cost Database

Mailbox Pagoda

Quantity: 52 Unit
Estimated Total Cost to Replace: \$ 2,080
Useful Life: 15
Remaining Life: 10
Straight-Line Annual Contribution: \$ 139
Cost Source: JDB Cost Database

**CALIFORNIA CIVIL CODES GOVERNING RESERVE FUNDING OF
COMMON INTEREST DEVELOPMENTS
(OVERVIEW OF CODE 1365 & 1365.5)**

(EFFECTIVE JANUARY 1, 1997)
DEERING'S CALIFORNIA CODES
CIVIL CODE ANNOTATED

**I. CALIFORNIA CIVIL CODE 1365
FINANCIAL DOCUMENTS**

UNLESS THE GOVERNING DOCUMENTS IMPOSE MORE STRINGENT STANDARDS, THE ASSOCIATION SHALL PREPARE AND DISTRIBUTE TO ALL ITS MEMBERS THE FOLLOWING DOCUMENTS:

- (A) A PRO FORMA OPERATING BUDGET, WHICH SHALL INCLUDE ALL OF THE FOLLOWING:
 - (1) THE ESTIMATED REVENUE AND EXPENSES ON AN ACCRUAL BASIS.
 - (2) A SUMMARY OF THE ASSOCIATION'S RESERVES BASED UPON THE MOST RECENT REVIEW OR STUDY CONDUCTED PURSUANT TO SECTION 1365.5, WHICH SHALL BE PRINTED IN BOLD TYPE AND INCLUDE ALL OF THE FOLLOWING:
 - (A) THE CURRENT ESTIMATED REPLACEMENT COST, ESTIMATED REMAINING LIFE, AND ESTIMATED USEFUL LIFE OF EACH MAJOR COMPONENT.
 - (B) AS OF THE END OF THE FISCAL YEAR FOR WHICH THE STUDY IS PREPARED:
 - (i) THE CURRENT ESTIMATE OF THE AMOUNT OF CASH RESERVES NECESSARY TO REPAIR, REPLACE, RESTORE, OR MAINTAIN THE MAJOR COMPONENTS.
 - (ii) THE CURRENT AMOUNT OF ACCUMULATED CASH RESERVES ACTUALLY SET ASIDE TO REPAIR, REPLACE, RESTORE, OR MAINTAIN MAJOR COMPONENTS.
 - (C) THE PERCENTAGE THAT THE AMOUNT DETERMINED FOR PURPOSES OF CLAUSE (ii) OF SUBPARAGRAPH (B) *EQUALS* OF THE AMOUNT DETERMINED FOR PURPOSES OF CLAUSE (i) OF SUBPARAGRAPH (B).
 - (3) A STATEMENT AS TO WHETHER THE BOARD OF DIRECTORS OF THE ASSOCIATION HAS DETERMINED OR ANTICIPATES THAT THE LEVY OF ONE OR MORE SPECIAL ASSESSMENTS WILL BE REQUIRED TO REPAIR, REPLACE, OR RESTORE ANY MAJOR COMPONENT OR TO PROVIDE ADEQUATE RESERVES THEREFOR.
 - (4) A GENERAL STATEMENT ADDRESSING THE PROCEDURES USED FOR THE CALCULATION AND ESTABLISHMENT OF THOSE RESERVES TO DEFRAY THE FUTURE REPAIR, REPLACEMENT, OR ADDITIONS TO THOSE MAJOR COMPONENTS THAT THE ASSOCIATION IS OBLIGATED TO MAINTAIN.

THE SUMMARY OF THE ASSOCIATION'S RESERVES DISCLOSED PURSUANT TO PARAGRAPH (2) SHALL NOT BE ADMISSIBLE IN EVIDENCE

TO SHOW IMPROPER FINANCIAL MANAGEMENT OF AN ASSOCIATION, PROVIDED THAT OTHER RELEVANT AND COMPETENT EVIDENCE OF THE FINANCIAL CONDITION OF THE ASSOCIATION IS NOT MADE INADMISSIBLE BY THIS PROVISION.

A COPY OF THE OPERATING BUDGET SHALL BE ANNUALLY DISTRIBUTED NOT LESS THAN 45 DAYS NOR MORE THAN 60 DAYS PRIOR TO THE BEGINNING OF THE ASSOCIATION'S FISCAL YEAR

II. CALIFORNIA CIVIL CODE 1365.5

FISCAL DUTIES OF BOARD OF DIRECTORS; SIGNATURES REQUIRED FOR WITHDRAWAL OF MONEY; "RESERVE ACCOUNTS"

- (A) UNLESS THE GOVERNING DOCUMENTS IMPOSE MORE STRINGENT STANDARDS, THE BOARD OF DIRECTORS OF THE ASSOCIATION SHALL DO ALL OF THE FOLLOWING:
- (1) REVIEW A CURRENT RECONCILIATION OF THE ASSOCIATION'S OPERATING ACCOUNTS ON AT LEAST A QUARTERLY BASIS.
 - (2) REVIEW A CURRENT RECONCILIATION OF THE ASSOCIATION'S RESERVE ACCOUNTS ON AT LEAST A QUARTERLY BASIS.
 - (3) REVIEW, ON AT LEAST A QUARTERLY BASIS, THE CURRENT YEAR'S ACTUAL RESERVE REVENUES AND EXPENSES COMPARED TO THE CURRENT YEAR'S BUDGET.
 - (4) REVIEW THE LATEST ACCOUNT STATEMENTS PREPARED BY THE FINANCIAL INSTITUTIONS WHERE THE ASSOCIATION HAS ITS OPERATING AND RESERVE ACCOUNTS.
 - (5) REVIEW AN INCOME AND EXPENSE STATEMENT FOR THE ASSOCIATION'S OPERATING AND RESERVE ACCOUNTS ON AT LEAST A QUARTERLY BASIS.
- (B) THE SIGNATURES OF AT LEAST TWO PERSONS, WHO SHALL BE MEMBERS OF THE ASSOCIATION'S BOARD OF DIRECTORS, OR ONE OFFICER WHO IS NOT A MEMBER OF THE BOARD OF DIRECTORS AND A MEMBER OF THE BOARD OF DIRECTORS, SHALL BE REQUIRED FOR THE WITHDRAWAL OF MONEYS FROM THE ASSOCIATION'S RESERVE ACCOUNTS.
- (C) (1) THE BOARD OF DIRECTORS SHALL NOT EXPEND FUNDS DESIGNATED AS RESERVE FUNDS FOR ANY PURPOSE OTHER THAN THE REPAIR, RESTORATION, REPLACEMENT, OR MAINTENANCE OF, OR LITIGATION INVOLVING THE REPAIR, RESTORATION, REPLACEMENT, OR MAINTENANCE OF, MAJOR COMPONENTS WHICH THE ASSOCIATION IS OBLIGATED TO REPAIR, RESTORE, REPLACE, OR MAINTAIN AND FOR WHICH THE RESERVE FUND WAS ESTABLISHED.
- (2) HOWEVER, THE BOARD MAY AUTHORIZE THE TEMPORARY TRANSFER OF MONEY FROM A RESERVE FUND TO THE ASSOCIATION'S GENERAL OPERATING FUND TO MEET SHORT-TERM CASH-FLOW REQUIREMENTS OR OTHER EXPENSES, PROVIDED THE BOARD HAS MADE A WRITTEN FINDING, RECORDED IN THE BOARD'S MINUTES, EXPLAINING THE REASONS THAT THE TRANSFER IS NEEDED, AND DESCRIBING WHEN AND HOW THE MONEY WILL BE REPAYED TO THE RESERVE FUND. THE TRANSFERRED FUNDS SHALL BE RESTORED TO THE RESERVE FUND WITHIN ONE YEAR OF THE DATE OF THE INITIAL TRANSFER, EXCEPT THAT THE BOARD MAY, UPON MAKING A FINDING SUPPORTED BY DOCUMENTATION THAT A TEMPORARY DELAY WOULD BE IN THE BEST INTERESTS OF THE COMMON INTEREST DEVELOPMENT, TEMPORARILY DELAY THE RESTORATION. THE BOARD SHALL EXERCISE PRUDENT FISCAL MANAGEMENT IN *MAINTAINING THE INTEGRITY*

OF THE RESERVE ACCOUNT, AND SHALL, IF NECESSARY, LEVY A SPECIAL ASSESSMENT TO RECOVER THE FULL AMOUNT OF THE EXPENDED FUNDS WITHIN THE TIME LIMITS REQUIRED BY THIS SECTION. THIS SPECIAL ASSESSMENT IS SUBJECT TO THE LIMITATION IMPOSED BY SECTION 1366. THE BOARD MAY, AT ITS DISCRETION, EXTEND THE DATE THE PAYMENT ON THE SPECIAL ASSESSMENT IS DUE. ANY EXTENSION SHALL NOT PREVENT THE BOARD FROM PURSUING ANY LEGAL REMEDY TO ENFORCE THE COLLECTION OF AN UNPAID SPECIAL ASSESSMENT.

- (D) WHEN THE DECISION IS MADE TO USE RESERVE FUNDS OR TO TEMPORARILY TRANSFER MONEY FROM THE RESERVE FUND TO PAY FOR LITIGATION, THE ASSOCIATION SHALL NOTIFY THE MEMBERS OF THE ASSOCIATION OF THAT DECISION IN THE NEXT AVAILABLE MAILING TO ALL MEMBERS PURSUANT TO SECTION 5016 OF THE CORPORATIONS CODE, AND OF THE AVAILABILITY OF AN ACCOUNTING OF THOSE EXPENSES. UNLESS THE GOVERNING DOCUMENTS IMPOSE MORE STRINGENT STANDARDS, THE ASSOCIATION SHALL MAKE AN ACCOUNTING OF EXPENSES RELATED TO THE LITIGATION ON AT LEAST A QUARTERLY BASIS. THE ACCOUNTING SHALL BE MADE AVAILABLE FOR INSPECTION BY MEMBERS OF THE ASSOCIATION AT THE ASSOCIATION'S OFFICE.
- (E) **AT LEAST ONCE EVERY THREE YEARS THE BOARD OF DIRECTORS SHALL CAUSE TO BE CONDUCTED A REASONABLY COMPETENT AND DILIGENT VISUAL INSPECTION OF THE ACCESSIBLE AREAS OF THE MAJOR COMPONENTS WHICH THE ASSOCIATION IS OBLIGATED TO REPAIR, REPLACE, RESTORE, OR MAINTAIN AS PART OF A STUDY OF THE RESERVE ACCOUNT REQUIREMENTS OF THE COMMON INTEREST DEVELOPMENT IF THE CURRENT REPLACEMENT VALUE OF THE MAJOR COMPONENTS IS EQUAL TO OR GREATER THAN ONE-HALF OF THE GROSS BUDGET OF THE ASSOCIATION WHICH EXCLUDES THE ASSOCIATION'S RESERVE ACCOUNT FOR THAT PERIOD. THE BOARD SHALL REVIEW THIS STUDY ANNUALLY AND SHALL CONSIDER AND IMPLEMENT NECESSARY ADJUSTMENTS TO THE BOARD'S ANALYSIS OF THE RESERVE ACCOUNT REQUIREMENTS AS A RESULT OF THAT REVIEW.**

THE STUDY REQUIRED BY THIS SUBDIVISION SHALL AT A MINIMUM INCLUDE:

- (1) IDENTIFICATION OF THE MAJOR COMPONENTS WHICH THE ASSOCIATION IS OBLIGATED TO REPAIR, REPLACE, RESTORE, OR MAINTAIN WHICH, AS OF THE DATE OF THE STUDY, HAVE A REMAINING USEFUL LIFE OF LESS THAN 30 YEARS.
 - (2) IDENTIFICATION OF THE PROBABLE REMAINING USEFUL LIFE OF THE COMPONENTS IDENTIFIED IN PARAGRAPH (1) AS OF THE DATE OF THE STUDY.
 - (3) AN ESTIMATE OF THE COST OF REPAIR, REPLACEMENT, RESTORATION, OR MAINTENANCE OF THE COMPONENTS IDENTIFIED IN PARAGRAPH (1) DURING AND AT THE END OF THEIR USEFUL LIFE.
 - (4) AN ESTIMATE OF THE TOTAL ANNUAL CONTRIBUTION NECESSARY TO DEFRAY THE COST TO REPAIR, REPLACE, RESTORE, OR MAINTAIN THE COMPONENTS IDENTIFIED IN PARAGRAPH (1) DURING AND AT THE END OF THEIR USEFUL LIFE, AFTER SUBTRACTING TOTAL RESERVE FUNDS AS OF THE DATE OF THE STUDY.
- (F) AS USED IN THIS SECTION, "RESERVE ACCOUNTS" MEANS MONEYS THAT THE ASSOCIATION'S BOARD OF DIRECTORS HAS IDENTIFIED FOR USE TO DEFRAY THE FUTURE REPAIR OR REPLACEMENT OF, OR ADDITIONS TO, THOSE MAJOR COMPONENTS WHICH THE ASSOCIATION IS OBLIGATED TO MAINTAIN.

- (G) AS USED IN THIS SECTION, "RESERVE ACCOUNT REQUIREMENTS" MEANS THE ESTIMATED FUNDS WHICH THE ASSOCIATION'S BOARD OF DIRECTORS HAS DETERMINED ARE REQUIRED TO BE AVAILABLE AT A SPECIFIED POINT IN TIME TO REPAIR, REPLACE, OR RESTORE THOSE MAJOR COMPONENTS WHICH THE ASSOCIATION IS OBLIGATED TO MAINTAIN.