

EUCALYPTUS GROVE HOMEOWNERS' ASSOCIATION

ANNUAL BUDGET REPORT & ANNUAL POLICY STATEMENT

	2016 BUDGET	2015 ACTUAL	2014 ACTUAL	2013 ACTUAL	2012 ACTUAL
-- REVENUES --					
OWNER ASSESSMENTS	\$794,760.00	\$803,272.76	\$813,507.67	\$813,822.98	\$830,142.44
SPECIAL ASSESSMENT	0.00	0.00	0.00	0.00	0.00
INTEREST INCOME	6,000.00	9,331.48	4,892.66	2,506.46	4,447.84
OTHER INCOME	0.00	1,492.25	2,152.96	2,002.24	6,621.94
TOTAL REVENUE	\$800,760.00	\$814,096.49	\$820,553.29	\$818,331.68	\$841,212.22
-- EXPENDITURES --					
CLEANING	\$12,000.00	\$8,310.00	\$11,799.25	\$13,286.00	\$12,012.50
ELECTRIC	21,000.00	17,972.30	18,549.91	18,141.55	19,219.01
LANDSCAPING	65,000.00	63,943.00	61,924.00	62,540.00	61,020.00
LANDSCAPING SUPPLY/EXTRAS	30,000.00	69,281.39	29,826.95	20,371.29	13,253.98
MANAGEMENT	30,696.00	30,096.00	29,364.00	28,788.00	28,224.00
PAINTING	2,000.00	1,200.00	2,791.00	0.00	1,643.00
POOL MAINT & SUPPLIES	15,000.00	18,599.48	11,968.17	12,959.53	12,599.92
POOL HEATING (GAS)	8,500.00	7,767.87	5,635.35	7,613.15	6,664.92
REPAIRS & MAINT	50,000.00	48,351.62	27,701.22	22,666.69	66,340.41
RUBBISH REMOVAL	50,000.00	47,176.02	46,267.61	44,529.27	42,935.30
PATROL/ALARM SERVICES	2,500.00	0.00	1,807.00	0.00	0.00
SUPPLIES	6,000.00	3,746.54	3,494.54	3,222.25	4,923.18
WATER & SEWER	25,000.00	19,764.59	27,884.73	19,539.06	21,401.17
INSURANCE	100,000.00	123,809.39	98,855.12	95,804.90	101,663.30
PEST CONTROL	4,000.00	4,297.21	3,773.69	3,477.47	1,909.00
PROFESSIONAL FEES	4,000.00	3,086.00	20,507.39	4,792.90	981.20
TELEPHONE (ENTRY GATE)	600.00	416.84	408.22	414.49	492.86
TAXES	2,000.00	1,624.00	117.00	1,004.00	631.00
MISCELLANEOUS	2,000.00	702.69	1,177.31	634.51	962.51
TOTAL OPERATING EXPENSES	\$430,296.00	\$470,144.94	\$403,852.46	\$359,785.06	\$396,877.26
Plus: Amount Added to Reserve	370,464.00	343,951.55	416,700.83	458,546.62	444,334.96
TOTAL FUNDS NEEDED	\$800,760.00	\$814,096.49	\$820,553.29	\$818,331.68	\$841,212.22
CHANGE IN RESERVE:					
Total Funding	\$800,760.00	\$814,096.49	\$820,553.29	\$818,331.68	\$841,212.22
Less: Operating Expenses	(430,296.00)	(470,144.94)	(403,852.46)	(359,785.06)	(396,877.26)
Reserve Expenditures	(514,600.00)	(16,975.97)	(16,720.00)	(562,626.87)	(494,873.22)
NET RESERVE Increase (Decrease)	(\$144,136.00)	\$326,975.58	\$399,980.83	(\$104,080.25)	(\$50,538.26)

Item #1. MONTHLY FEES: In order to meet this budget, the monthly fees (assessments) will be:

(179 Units-13 Bldgs) **\$370.00 EFFECTIVE JANUARY 1, 2016**

Note: Units paying fees after the 30th day of the Month, will be charged a late charge of 1.5% of the outstanding balance

Item #2. SPECIAL ASSESSMENT: No Special Assessment is anticipated in 2016.

Item #3. FUNDS AVAILABLE:

12/31/15	Community West Bank	\$275,966.10		
	CDAR's Accounts	1,690,000.00		
	Operating Account	5,000.00	TOTAL	\$1,970,966.10
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Item 4. MAJOR REPAIRS AND REPLACEMENTS: The following cost estimates and reserve analysis is based on a reserve study which is reviewed by the Board of Directors each year to account for inflation and planning changes:

ITEM-Expected Life	EXPECTED		RECOMMENDED		BALANCE NEEDED	2016 ADDITIONS	PROJ. BAL. 12/31/16
	LIFE	DATE DUE	EXPECTED COST	IN RESERVE 12/31/15			
Cabana Water Htr.	12	2016	2,900	2,900	0	(2,658)	242
Gate Operator-1st (Roll)	10	2016	3,100	3,100	0	(2,790)	310
Gate Operator 2nd (Roll)	10	2016	3,100	3,100	0	(2,790)	310
Mailbox Pagodas	25	2016	15,600	15,600	0	(14,976)	624
Spa Filter	12	2016	1,300	1,300	0	(1,192)	108
Termite Fumigation (7606)	15	2016	6,500	6,500	0	(6,067)	433
Termite Fumigation (7638)	15	2016	6,500	6,500	0	(6,067)	433
Card Readers-Gym/Pool	12	2016	2,400	2,400	0	(2,200)	200
Cabana Floor & Wall Tile	30	2016	12,100	12,100	0	(11,697)	403
Cabana Sauna/Bath Rerr	30	2016	5,400	5,400	0	(5,220)	180
Lights-Street Fixtures	30	2016	24,800	24,800	0	(23,973)	827
Paint Metal Fence & Rail	3	2016	5,000	5,000	0	(3,333)	1,667
Stair Rails (3.5')	30	2016	14,600	14,600	0	(14,113)	487
Termite Fumigation (7630)	15	2016	6,500	6,500	0	(6,067)	433
Tree Trimming	3	2016	17,600	17,600	0	(11,733)	5,867
Asphalt Overlay	30	2016	357,000	357,000	0	(345,100)	11,900
Asphalt Seal Coat/Repair	3	2016	18,800	18,800	0	(12,533)	6,267
Pool Filter	12	2016	1,300	1,300	0	(1,192)	108
Pool Heater	10	2016	3,600	3,600	0	(3,240)	360
Termite Fumigation (7634)	15	2016	6,500	6,500	0	(6,067)	433
Dryrot Repairs	4	2017	332,900	249,675	83,225	83,225	332,900
Paint Wood/Metal Trim	4	2017	54,700	41,025	13,675	13,675	54,700
Pool & Spa Pumps	8	2017	5,600	4,900	700	700	5,600
Spa Retile	30	2017	6,600	6,380	220	220	6,600
Termite Fumigation (7620)	15	2017	6,500	6,067	433	433	6,500
Roof - Metal Carport	30	2018	199,700	186,387	13,313	6,657	193,043
Stair Landing Reseal	5	2018	17,500	10,500	7,000	3,500	14,000
Termite Fumigation (7632)	15	2018	6,500	5,633	867	433	6,067
Paint - Wood Siding	6	2019	124,800	62,400	62,400	20,800	83,200
Paint Carports	6	2019	74,900	37,450	37,450	12,483	49,933
Paint Front Wood Fence	6	2019	5,000	2,500	2,500	833	3,333
Termite Fumigation (7602)	15	2019	6,500	5,200	1,300	433	5,633
Termite Fumigation (7610)	15	2019	6,500	5,200	1,300	433	5,633
Split Rail Fence	35	2020	7,400	6,554	846	211	6,766
Pool Refiberglass	12	2020	11,400	7,600	3,800	950	8,550
Structural Plumbing	35	2020	649,200	575,006	74,194	18,549	593,554
Spa Heater	8	2021	3,400	1,275	2,125	425	1,700
Bridge Repair	20	2022	12,100	8,470	3,630	605	9,075
Gates - Vehicle Roll	25	2022	7,000	5,320	1,680	280	5,600
Stair Landing Resurface	20	2023	43,200	28,080	15,120	2,160	30,240
Sub-Totals			\$2,096,000	\$1,770,222	\$325,778	(\$316,001)	\$1,454,221

Sub-Totals (Previous Pg):		2,096,000	1,770,222	325,778	(316,001)	1,454,221
Termite Fumigation (7624) 15 2023		6,500	3,467	3,033	433	3,900
Termite Fumigation (7636) 15 2023		6,500	3,467	3,033	433	3,900
Termite Fumigation (7640) 15 2023		6,500	3,467	3,033	433	3,900
Front Gate Wiring 10 2025		3,200	320	2,880	320	640
Intercom-Front Gate 15 2025		5,200	2,080	3,120	347	2,427
Siding Replacement 20 2025		364,100	200,255	163,845	18,205	218,460
Termite Fumigation (7626) 15 2025		6,500	2,600	3,900	433	3,033
Termite Fumigation (7628) 15 2025		6,500	2,600	3,900	433	3,033
Exercise Room Equip. 15 2026		7,900	2,633	5,267	527	3,160
Card Reader/Buzzer-Gate 12 2027		2,400	200	2,200	200	400
Front Wood Fence 20 2027		33,000	14,850	18,150	1,650	16,500
Pool Decking 20 2028		12,100	4,840	7,260	605	5,445
Pool Tile/Coping 20 2028		3,800	1,520	2,280	190	1,710
Sauna Remodel 20 2028		5,900	2,360	3,540	295	2,655
Gutters/Downspouts 25 2029		46,600	22,368	24,232	1,864	24,232
Roof Shingle 7626, 30 & 34 25 2031		87,400	34,960	52,440	3,496	38,456
Sauna Heater 20 2033		3,200	480	2,720	160	640
Roof Shingle 7624 & 28 25 2034		58,200	16,296	41,904	2,328	18,624
Roof Shingle 7636 & 38 25 2035		58,200	13,968	44,232	2,328	16,296
Roof Shingle 7602, 06 & 10 25 2036		87,400	17,480	69,920	3,496	20,976
Metal Pool Fence (6') 25 2037		9,400	1,504	7,896	376	1,880
Roof Shingle 7620, 32 & 40 25 2037		87,400	13,984	73,416	3,496	17,480
Foundation Waterproofing 30 2042		178,900	23,853	155,047	5,963	29,817
Reserve Surplus (Shortage)			(66,282)	66,282	145,496	79,214
TOTALS		\$3,182,800	\$2,093,491	\$1,089,309	(\$122,493)	\$1,970,999

Item #5. Ratio of actual cash reserves on hand to estimated cash reserves currently required 96.9%
===== Projected Ratio at Year-End 104.2%
=====

Item #6: Reserve Shortage per unit: (\$370.29)
===== N/A
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Item #7: Reserve Projections at year-end for next five years:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Estimated Required in Reserve	\$1,891,785	\$1,732,096	\$1,755,007	\$1,783,919	\$2,011,730
Based on Current Funding:					
Net Change In Reserves	(122,493)	(35,836)	146,764	152,764	351,664
Projected Reserve Balance	1,970,999	1,935,163	2,081,927	2,234,691	2,586,355
Projected Percentage Funded	104.2%	111.7%	118.6%	125.3%	128.6%
Based on Plan Being Implemented:					
Net Change In Reserves Per Plan	(122,493)	(239,000)	23,500	28,000	228,000
Projected Balance Per Plan	1,970,999	1,731,999	1,755,499	1,783,499	2,011,499
Projected Percentage Per Plan	104.2%	100.0%	100.0%	100.0%	100.0%

Item #8: Reserve Funding Plan: The Board of Directors has adopted a plan to fully fund the reserves with increases in assessments and/or special assessments as needed. In the event of a surplus, the Board will reduce assessments as needed to eliminate the surplus in an orderly fashion. Increases or decreases in assessments shall be effective annually on January 1st in an amount adequate to meet increased operating costs and to fund the reserves. A full reserve study plan is available upon request, and the Association shall provide the full reserve plan to any member upon request.

Item #8a: The last reserve study was prepared by J.D. Brooks (Sep, 2013) as of January 1, 2014.

Item #8b: Estimated Annual Interest Rate Earned on Reserve Funds: 0.5%
Estimated Annual Rate of Inflation: 2.0%

NOTES:

IN 2010:

1. Staircase at 7602 #301 replaced (Approx \$3,400).
2. Siding replaced at 7630 #120 (Approx \$2,400).
3. Bldgs 7636 & 7638 reroofed & dry rot repaired (Approx \$23,100 & \$26,400 respectively).
4. Jacuzzi pump replaced (Approx \$1,000).
5. Staircase replaced at 7638 #364 due to dryrot (Approx \$8,600).
6. Bldgs 7626 & 7628 fumigated for termites (Approx \$4,700 & \$6,000 respectively).
7. Staircase at 7640 #369 replaced due to dryrot (Approx \$2,600).
8. Eucalyptus trees treated for lerp psylids (Approx \$2,300).
9. Common sewer lines and manholes cleared. (Approx \$2,500).
10. Trim installed on chimneys to prevent bat access (Approx \$4,900).
11. Concrete handicap ramp installed at 7620 (Approx \$2,500).
12. Carport fascia replaced for stalls #259 & 360 due to dryrot (Approx \$2,000).
13. Retaining wall of railroad ties replaced at 7610 (Approx \$1,300).
14. Two Eucalyptus trees trimmed at 7620 (Approx \$2,900).
15. Foundations inspected and plans prepared to shore up foundations of 7602, 7606 & 7610 (Approx \$17,300).
16. Siding repaired at back balcony of 7602 #302 (Approx \$1,300).
17. Short wall replaced at front of 7602 #205 (Approx \$1,500).
18. Attorney retained to give legal opinion of slab leak responsibility (Approx \$1,300).
19. Board voted to increase foundation reserve to \$520,000 and move back trim painting to 2012.
20. Drywall repaired in 7630 electrical room (Approx \$1,100).
21. Diseased eucalyptus tree removed near 7634 #256 (Approx \$2,800).
22. Payment made on Small Claims Court judgment (\$6,518).
23. All Red Gum Eucalyptus trees were treated for lerp psylid (Approx \$2,800).
24. Reserve study done by J.D. Brooks (\$1,280).
25. Proximity card readers installed at pool gate & exercise rooms (Approx \$3,300).

IN 2011:

1. Bldg 7606 was underpinned & foundation water proofed (Approx \$46,000).
2. Bldg 7610 was underpinned & foundation water proofed (Approx \$48,500).
3. Jacuzzi heater replaced (Approx \$3,000).
4. Creekbed cleared & vegetation removed (Approx \$2,800).
5. Trees trimmed at 7602, 7606, 7620, & 7634 (Approx \$5,000).
6. Red gum eucalyptus trees treated & fertilized (Approx \$2,800).
7. Foundations of buildings inspected (Approx \$1,100).
8. Main sewer line and manhole cleaned out for 7636, 7638, & 7640 (Approx \$2,800).
9. Carport fascias replaced at 7620 (Approx \$2,200).
10. Siding replaced at 7634 #256 & 356 due to dryrot (Approx \$12,500).
11. Siding replaced at 7620 #220 & 320 due to dryrot (Approx \$9,800).
12. Siding replaced at 7610 #315 due to dryrot (Approx \$1,700).
13. DG paths repaired and recompacted (Approx \$4,500).
14. Jute netting installed and 400 one gallon plants planted to stabilize creekbed (Approx \$5,800 to be paid in 2012).
15. Reserve created for plumbing repairs in foundations.
16. Association paid balance of Small Claims judgment (Approx \$3,300).
17. Bldgs 7602, 7606 & 7610 reroofed (Approx \$78,000).
18. Exercise room renovated (Approx \$7,300).
19. Slab leak repaired at pool (Approx \$1,400).

20. Foundation of 7602 waterproofed (Approx \$13,600 to be paid in 2012).
21. Siding & trim replaced at 104 (Approx \$2,300).
22. Some assessments written off as bad debt due to bankruptcy for owner of 213 (Approx 13,800).
23. Dirt under #105 front patio backfilled & recompactd (Approx \$1,300).
24. Utility enclosure replaced at 7606 (Approx \$1,600).
25. Siding replaced at #207 & #307 due to dryrot (Approx \$2,600).

IN 2012:

1. Carport fascia at 7632 was replaced (Approx \$1,100).
2. Foundations at 7602, 7634, 7638, & 7640 were waterproofed (Approx \$123,500).
3. Roof replaced and dryrot repaired at 7632 (Approx \$36,000).
4. Eucalyptus trees treated for lerp psyllids & fertilized (Approx \$2,700).
5. Spa pump replaced (Approx \$3,400).
6. Electrical at spa updated & spa timers installed (Approx \$2,000).
7. Roofs replaced and dryrot repaired at 7620 & 7640 (Approx \$57,000).
8. Various trees trimmed (Approx \$3,200).
9. Balconies at 125, 252, & 352 had dryrot repaired (Approx \$16,300).
10. Metal handrail between 7624 & 7626 replaced (Approx \$2,000).
11. Exterior of all buildings and parking lot lights prepped & painted - part done in 2012 (Approx \$72,000 for 2012).
12. Materials for dry rot repair (Approx \$10,000).
13. Jute netting and plants installed at creekbed (Approx \$5,800).
14. Insulation installed where missing under buildings (Approx \$16,000).
15. Uncollectable assessments written off due to bankruptcies (Approx \$16,700).
16. Roofs replaced on pool house and column posts (Approx \$5,000).
17. Pool fence replaced (Approx \$8,700).
18. Dry rot repaired on 2/3 of complex--balance to be done in 2013 (Approx \$145,000 paid in 2012).
19. Raised concrete replaced or ground down (Approx \$9,500).
20. Pool circulating pump replaced (Approx \$1,800)
21. Bollard light fixtures repaired & set in concrete (Approx \$2,600).
22. Common sewer lines & manholes cleared (Approx \$2,200).
23. Pagoda lights in Phases I & II repaired or replaced (Approx \$5,600).

IN 2013:

1. A reserve study was done by JD Brooks (\$1,380).
2. Landscape renovated & drip irrigation installed at Bldg 7610 (Approx \$4,100).
3. Red Gum trees treated for infestation (Approx \$2,700).
4. The sauna heater was replaced (Approx \$2,900).
5. Irrigation around pool converted to drip (Approx \$1,500).
6. Sauna room was refinished (Approx \$1,200).
7. Landscaping was renovated around Bldg 7628 (Approx \$6,300).
8. New bike rack installed by Bldg 7628 (Approx \$1,700).
9. Maintenance performed on all cleanouts at all buildings (Approx \$2,400).
10. Front deck and staircase landing resurfaced at #351 (Approx \$1,200).
11. Asphalt was slurry sealed (Approx \$48,000).
12. Car wash concrete pad replaced (Approx \$5,800).
13. Spa circulating pump replaced (Approx \$1,900).
14. Large leaning eucalyptus tree removed & another trimmed (Approx \$4,100).
15. Dryrot repaired to prepare for painting throughout complex (Approx \$303,000).
16. Exterior painting started in 2012 completed in 2013 (Approx \$180,000).
17. The Board increased the reserve for asphalt overlay because the asphalt will have to be removed first.
18. Legal fees incurred in dispute with contractor (Approx \$1,400).
19. Dry rot repaired at 7620, 7624, 7640, 3 trash enclosures, & pool area. Repaired areas were painted (Approx \$16,500)

IN 2014:

1. Area around 7620 & 7630 relandscaped & drip irrigation installed (Approx \$13,400).
2. Red curbs were repainted & Fire Lane restenciled (Approx \$2,500).
3. Minor siding repairs made & repainted at various buildings (Approx \$4,000).
4. French drain & new pumps installed at 7630 (Approx \$1,600).

5. Pool fence & gate reinforced (Approx \$1,500).
6. Annual cleaning of sewer lines performed from 27 cleanouts (Approx \$2,500).
7. Spa heater replaced (Approx \$4,200).
8. Trees trimmed at various locations throughout complex (Approx \$4,700).
9. Metal handrails installed at 7634 #124 (Approx \$1,400).
10. Legal fees incurred in dispute with contractor (Approx \$19,400).
11. All unit numbers were replaced (Approx \$3,800).
12. Area around 7632 was relandscaped & converted to drip (Approx \$7,700).

IN 2015:

	<u>Approx Amount</u>
1. Legal fees incurred to update governing documents	\$4,000
2. Main sewer lines to all bldgs cleaned & relief valves installed	\$3,500
3. All manholes cleaned	\$3,000
4. Pool filter replaced	\$2,000
5. All red gum eucalyptus trees treated	\$2,700
6. Sections of sidewalk near #209 replaced	\$1,700
7. Landscape renovated and converted to drip irrigation	\$63,000
8. Rebate received from Goleta Water for conversion to drought tolerant landscape	\$4,000
9. Uncollectable assessments writted off due to bankruptcy	\$8,300
10. Carport roof replaced due to damage from tree branch at spaces 122 & 123	\$2,900
11. Dryrot repaired at staircases to #350 & #370	\$11,000
12. Large eucalyptus tree trimmed at 7620	\$1,200
13. Damaged conduit to Jacuzzi replaced & damage to pool deck repaired	\$4,000
14. Sewer line backup cleared @7630 & line inspected.	\$1,600
15. Burned out lamps replaced in street lights during year	\$5,000
16. The Board voted to retain a small surplus in reserve in pending reserve study due in 2016.	

Item #9. INSURANCE: California Civil Code Section 5300 requires an annual insurance disclosure of the Association's insurance as follows:

GENERAL LIABILITY INSURANCE:

Company: Dongbu Insurance Company
Coverage: \$1,000,000 Per Occurrence
Umbrella: Fireman's Fund Insurance Company
\$10,000,000 Per Occurrence

Anniversary Date: November 15th

Deductible: None

Anniversary Date: November 15th

PROPERTY INSURANCE: **Coverage:** \$52,272,600
Company: Dongbu Insurance Company

Anniversary Date: November 15th

Deductible: \$10,000

EARTHQUAKE INSURANCE: **Coverage:** \$32,000,000
Company: Insurance Company of the West

Anniversary Date: November 15th

Deductible: 5% of Total Insurable Value

FIDELITY INSURANCE: **Coverage:** \$1,000,000
Company: Liberty Mutual Insurance Company

Anniversary Date: November 15th

Deductible: \$5,000

FLOOD INSURANCE: The Association has none.

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 payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property, or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate coverage.

REQUIRED DISCLOSURES:

**ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY
FOR CURRENT BUDGET YEAR (Required by Civil Code Sections 5300 & 5570)**

Item #'s are found on the first few pages.

1) The regular assessment per ownership interest is as per **Item #1**. Note: If assessments vary by the size or type of ownership, the assessment applicable to the ownership interest may be found on the page of the attached summary as per **Item #1**.

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 are as per **Item #2**. Note: If assessments vary by the size or type of ownership interest, the assessment applicable to the ownership interest may be found as per **Item #2**.

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?

Subject to the information available as of the date of preparation hereof:

If the ratio as per **Item #5** is equal to or exceeds 100%, the answer is "Yes" for the years shown.

If the ratio is less than 100%, the answer is "No".

If the ratios as per **Item #7** are equal to or exceed 100% over the next 5 years, the answer is "Yes".

If the ratios are less than 100%, the answer is "No".

4) If the answer to (3) is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the board or the members?

An assessment averaging the "Reserve Shortage" (if any) per unit would be necessary as per **Item #6**.

5) The board has reasonably determined that all major components are included in the reserve study and are included in its calculation.

6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the California Civil Code, the estimated amount required in the reserve fund at the end of the current budget year is as per **Item #4**, based in whole or in part on the last reserve study or update prepared as per **Item #8a**. The projected reserve fund cash balance at the end of the current budget year is as per **Item #4**, resulting in the percentage of reserve funding being as per **Item #4**. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is explained as per **Item #4**.

7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the California Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is as per **Item #7** and the projected reserve fund cash balance in each, taking into account only assessments already approved and other known revenues, is as per **Item #7**, leaving the reserve at the percent funding as per **Item #7**. If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years and the percent funding will be as per **Item #7**.

8) Loans outstanding, if any, due from the Association are detailed as per **Item #8c**.

9) Insurance carried by the Association is summarized as per **Item #9**.

NOTE: The financial representations set forth in this summary are based on the best estimates of the preparer as of the date of preparation. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was as per **Item #8b**, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was as per **Item #8b**.

For the purposes of preparing this Summary Section 5570 (b) of the Civil Code states:

- (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 5530. 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 annual budget report or summary thereof that is delivered pursuant Civil Code 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.

Note: The information contained in this disclosure is a PROJECTION ONLY. Because the reserve study is a projection, the estimated lives and costs of components will likely change over time depending on a variety of factors such as (i) future inflation rates, (ii) levels of maintenance applied by future boards, unknown defects in materials that may lead to premature failures, etc. As a result, some components may experience longer lives while others will experience premature failures. Some components may cost less at the time of replacement while others may cost more.

ANNUAL POLICY STATEMENT

1. PERSON DESIGNATED TO RECEIVE OFFICE COMMUNICATIONS TO ASSOCIATION:

Association Manager
c/o Bartlein & Company, Inc.
3944 State Street, Suite 200
Santa Barbara, CA 93105

2. NOTICE REGARDING SECONDARY ADDRESSES: Members have the right to submit to the Association a secondary address for purposes of delivering annual reports, annual policy notices and collection notices pursuant to Civil Code Section 4040(b).

3. LOCATION FOR POSTING OF GENERAL NOTICES: General notices will be mailed (or Emailed if authorized). If notices are to be posted, members will be notified as to the location prior to posting.

4. NOTICE OF MEMBER'S OPTION TO RECEIVE GENERAL NOTICES BY INDIVIDUAL DELIVERY: Pursuant to Civil Code Section 4045(b), a member has the right to request to receive general notices by individual delivery. The term "individual delivery" means delivery by one of the following methods: (a) First-class mail, postage prepaid, registered or certified mail, express mail, or overnight delivery by an express service carrier. The document shall be addressed to the recipient at the address last shown on the books of the Association or (b) E-mail, facsimile, or other electronic means, if the recipient has consented, in writing, to that method of delivery.

ANNUAL POLICY STATEMENT (Cont):

5. MINUTES & NAMES AVAILABLE: In accordance with Civil Code Section 4950(b), each year the Association is required to disclose that minutes for all Association or Directors' meetings, other than meetings in executive session, are available to all members. The cost, if any, of providing copies of the minutes is to be paid by the requester.

6. STATEMENT OF ASSESSMENT COLLECTION POLICIES (Required by Civil Code Section 5730):

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)

ANNUAL POLICY STATEMENT (Cont):

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)"

7. DELINQUENCY & LIEN POLICY: Unless otherwise stated all fees and assessments (including special assessments) are due on the first day of each month, in advance, and shall be delinquent 15 days after the due date. A late charge of 10% of the delinquent fee or assessment will be charged and added to the amount due. If fees, assessments, and/or late charges are unpaid at the end of any given month, a lien will be filed against the delinquent unit for the full amount due plus applicable interest, attorney fees, lien filing costs and other costs of collection. If the balance due is not paid within thirty (30) days after the lien is filed, the Association may take any and all actions permitted by law including, but not limited to, filing suit and/or foreclosing the lien.

ANNUAL POLICY STATEMENT (Cont):

8. ASSOCIATION DISCIPLINE POLICY: The Association may take any and all disciplinary actions authorized by the Association's governing documents including, but not limited to, levying monetary penalties ("fines"). If a schedule of fines has been adopted it may be found at the end of this Policy Statement.

9. DISPUTE RESOLUTION PROCEDURES: In accordance with Civil Code Section 5900 et seq., the Association has adopted the following internal dispute resolution process to be followed by the Association and owners:

INTERNAL DISPUTE RESOLUTION PROCESS: The Association has adopted the procedures as per Section 5915 of the Civil Code.

ALTERNATIVE DISPUTE RESOLUTION ("ADR"): Each year the association is required to disclose that before an association or member files a lawsuit to enforce the governing documents, (other than for the collection of assessments), the parties must attempt to resolve the dispute by use of Alternative Dispute Resolution. "Failure of any 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 your rights to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."

10: MODIFICATIONS REQUIRE PRIOR APPROVAL: Each year the Association is required by Section 4765 of the Civil Code to disclose that all modifications or alterations which alter the common area or the exterior appearance of any structure in any way, require prior written approval of the Board of Directors or a designated committee of the Board. In addition, any alterations to the structure of any unit or building or alterations which may impact another owner in any way also require prior written approval.

Written requests must be submitted to the Board or designated committee for approval which shall approve, conditionally approve, or reject the request in writing within a reasonable time, but in no event later than ninety days from date of receipt of the request. If denied, the requestor shall be given the opportunity to appeal the decision or ask for reconsideration of the Board at the Board's next regularly scheduled meeting.

11. MAILING ADDRESS FOR OVERNIGHT PAYMENT OF ASSESSMENTS: The mailing address for overnight payment of assessments is:

c/o Bartlein & Company, Inc.
3944 State Street, Suite 200
Santa Barbara, CA 93105

12. MEMBERSHIP LIST: Subject to the provisions of Civil Code Sections 5200-5240, a list of members is available to all members. The cost, if any, of providing copies of the members' list is to be paid by the requester.