

Montage at Mission Hills Homeowners' Association
Gerald Ford Drive and Da Vall Drive
Cathedral City, California 92234



Reserve Study with Site Inspection
January 1, 2011
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Montage at Mission Hills Homeowners' Association

Executive Summary

January 1, 2011

This reserve study update with site inspection identifies any major components (for the common areas) that the owners are obligated to repair, replace, restore or maintain which have a current remaining useful life of 30 years or less. Another purpose of this study is to deliver a comprehensive plan that will assist our clients to maintain and improve the overall appearance of the common areas.

Current Findings:

Total Members (units, homes)	128	Per Association records.
Projected Cash Reserves (projected for 1/01/11)	\$109,097	Designated reserves per Association records; does not include any construction settlement funds (un-audited).
Fully Funded Reserves (Ideal Reserves)	\$164,645	Refer to page 4 (Funding Options) and Exhibit D for more details.
Percent Funded (current period)	66%	Current Reserves divided by the Fully Funded Reserves.

Reserve Funding (next fiscal year):

Reserve Funding / Year (01/01/11 – 12/31/11)	\$22,995	Threshold Funding Method (client requirements) See Exhibits A & C
Monthly Contributions	\$15	Per unit per month (or per member).
Percent Funded (end of next fiscal year)	62%	Projected Reserves divided by the Fully Funded Reserves (Exhibit A).

Reserve Funding Comments:

For the next fiscal year the **Montage at Mission Hills Homeowners' Association** will fund the reserves at the Threshold Method in the amount of \$22,995 (per yr). In the following years, updates are required in order to reconcile your actual costs with projected expenses. Refer to page 4 for more information on reserve funding option recommendations.

California Civil Code Requirements:

This study will follow the reserve study guidelines of California Civil Code 1365. For details, refer to pages 10 - 15. Keep in mind that Exhibit H (Assessment and Reserve Funding Disclosure Summary) is required to be distributed to members on an annual basis per California Civil Code 1365.2.5.

5 Year Plan Comments:

Exhibit C will highlight your projected cash flow (operating + reserve costs) at the end of each year (next 5 years). This exhibit can also help you plan and or reconcile your spending costs on any remodel or maintenance projects in the next 5 years.

Pro Forma Budget Comments:

Exhibit B will help to reconcile your operating expenses with reserve funding costs. Keep in mind that this exhibit is not intended to be used as your actual operating budget. This exhibit is designed to be used as a planning tool to help you reconcile your operating costs with reserve funding over the next 5 years.

Reserve Funding Options (Exhibit A)

Every association will have different funding requirements mainly because of the age, condition, spending priorities and current level of reserves. This study applied this variation where applicable. The following is a brief scenario of how you can plan ahead for the next few years.

The first step we recommend is to develop a 5 Year Plan that will highlight your projected cash flow at the end of each year (for the next 5 years). Review your spending requirements that include any operating costs (Exhibit B) and capital (reserve) projects (Exhibit D). Keep in mind that your spending needs should be organized in a plan based on specific priorities. For example, you may want to plan landscape remodel work before you start with any other projects. Exhibits B, C and D can help you to organize a basic spending plan keeping the above requirements in mind.

The next step is to reconcile your operating expenses (Exhibit B) with the capital (reserve) funding (Exhibit D) over the next 5 years. Look for any costs that are overlapping or duplicated in both the operating budget (Exhibit B) and in the inventory schedule (Exhibit D).

The final step is to set a goal of where you want your reserves to be in the next five years. Our recommended goal for your association is to be near or at “Fully Funded” (Ideal) Reserves if you live in an association that is 20 or more years old. If your current reserves are less than 50% - 70% funded, then develop a plan to increase the level of your reserves. In some cases you may want to consider a special assessment to fund any new capital projects such as asphalt paving work.

The following is a brief description of the different funding options provided in this study:

The “Fully Funded Method” is the standard for where your “Ideal” reserves should be. If your current reserves are at the “ideal level” this would mean that they are 100% funded. For example, if the replacement cost for a new gates is \$25,000 with a 30 year life it should have \$12,500 in reserves after 15 years ($\$25,000 \times 15 \text{ years} \div 30 \text{ years}$) or (Fully Funded Reserves = Current Cost X Effective Age divided by the Useful Life).

The “Threshold Funding Method” will allow you to establish a specific funding goal that maintains a predetermined level of reserves. Threshold Funding could be less than or greater than the “Fully Funded Reserves.” This method is normally calculated by a fixed amount or by a percentage of the fully funded reserves. This option can be adjusted depending on your specific funding goals (or budget restraints).

The “Straight Line Funding Method.” is to simply divide the current replacement cost by the useful life. This method may not provide fully funded reserves but it is a very popular and standard way to calculate your reserve contributions. When using this method you must audit your cash flow so that you do not deplete your reserves to below zero.

The “Baseline Method” (aka Cash Flow Method) is calculated to meet your spending projections and maintains a reserve funding level above zero. This method can match your funding with spending projections. Remember to audit your cash flow so that you do not deplete your reserves to below zero.

The “Statutory Funding Method” will establish a minimum funding requirement based on your current state codes, laws or requirements. In the State of California we will follow the reserve study guidelines of Civil Code 1365 (residential developments). Our recommended funding for your association will vary depending on the condition and the current amount in reserves.

Special Assessments will be recommended on an as needed basis. A special assessment will allow you to increase your level of reserves or it can be used to fund any capital projects such as asphalt replacement or re-roofing work. In an urgent situation a special assessment can quickly help with urgent issues such as plumbing, earthquake repairs, elevator remodel or slope damages.

Pro Forma Operating Budget (Exhibit B)

The 5 Year Pro Forma Operating Budget (optional schedule) is an overview of the projected operating and reserve funding expenses. It is not intended to be used as your actual budget. This exhibit is designed as a planning tool to help you reconcile your operating expenses with reserve funding costs over the next 5 years. Look for any spending costs that are duplicated in the Operating Budget (Exhibit B) and the Reserve Component Schedule (Exhibit D) such as light fixtures and water fountain pumps. The operating expenses in Exhibit B were obtained from our clients (historical costs) and adjusted for inflation. Knowledge of this exhibit will also help our clients to streamline (cost savings) the projected expenses over the next 5 years.

5 Year Plan (Exhibit C)

The 5 Year Plan will help you manage your cash flow (operating + reserves) over the next five years. This exhibit will also identify any cost savings or potential deficits. Knowledge of this exhibit can also help you plan for any upcoming major improvements such as concrete or asphalt work. Both operating and reserve expenses are covered in this schedule in order to outline a comprehensive 5 Year Plan.

Component Inventory Schedule (Exhibit D)

The component inventory schedule will identify any major components that the owners are obligated to repair, replace, restore or maintain which have a current remaining useful life of 30 years or less. This schedule will also specify the recommended useful life, the remaining useful life and the current replacement cost of each component. Another purpose of this schedule is to determine what the "Fully Funded Reserves" (or ideal reserves) are for the current period.

Cash Flow Summary / Charts (Exhibits E, F & G)

These exhibits will detail (annually) any expenses that are needed to repair, replace, restore and maintain any major components during the next 30 years. Exhibits E & F will also highlight the cash flow each year after projected expenses and funding requirements.

Knowledge of these costs will allow our clients to plan and allocate resources to cover these costs. It is a very useful tool for both short term and long term planning. This section will cover only projected capital or reserve funding dollars. Operating Expenses are not covered in these schedules.

Property Overview, Definitions, Reserve Study Advantages (pages 8 – 9)

The Property Inspection Overview will briefly summarize any specific conditions or recommendations for the property. The overview will allow our clients to determine if an appropriate plan of action is necessary to correct any specific issues. Definitions, abbreviations and reserve study advantages or requirements are also provided. When reviewing this section, please feel free to contact us if you have any questions or comments. Your suggestions can improve the findings of this study.

Maintenance Plan / Component Evaluation (page 16)

Our Maintenance Plan will provide many useful recommendations and cost saving tips. This section also provides helpful guidelines on how to extend the useful life of your building and property components. Knowledge of this information will allow our clients to improve the overall appearance and increase property values. This section will also allow our clients to determine if an appropriate plan of action is needed to correct any specific issues. Many colored pictures are included in this section of the report in order to provide a visual appearance of specific components.

Assumptions, Limiting Conditions and Exclusions

When reviewing this study, please contact us immediately if you notice any errors or observe something unusual. Any errors will be corrected and a new report will be sent to you. Some of you have lived in the community for years and your suggestions can improve the findings in this study. Keep in mind that we cannot assume any responsibility for events that occurred after the inspection date. If you desire to make any revisions (or changes) please contact us within 30 days. Some changes could alter the integrity and quality of this study and these types of changes will be determined on a “case by case” basis.

This study should be reviewed, reconciled and updated on an annual basis in order to reconcile your actual costs with projected expenses. An annual review could lower your costs and avoid any unwanted special assessments. In some cases you may want to increase funding if you discover any events such as structural or geological problems, plumbing, mold, sewer, drainage or slope failures.

This study is intended for the sole use of our clients and is not to be construed as a guarantee, warranty or an opinion on the advisability of real estate sales or purchasing. Third parties are not authorized to rely upon the contents of this report. All rights are reserved. The contents of this study may not be reproduced, updated or transmitted without the consent of AssociationStudies.Com except as follows: Our clients shall have the right to distribute copies to any Association members, potential buyers, mortgage lenders and accountants (as required by statutory requirements). If copies of this study are transmitted to any other person then client agrees to indemnify, defend and hold AssociationStudies.com harmless from any third party claims.

Inflation and Interest Income

At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was 1.5% per year (Exhibits B & C) for the first 5 years. There are no interest income allowances for reserve funding projections after the 5th year. The assumed long-term inflation rate to be applied to major component repair and replacement costs was 2% percent per year (Exhibit E).

An inflation allowance is normally used because of historical trends in the construction industry. The current inflation rate used in this study is obtained by historical rates such as the “Consumer Price Index” (CPI) or the “Architects Contractors Engineers” (ACE Guide to Construction Costs). Our clients are not obligated to use inflation and can contact us to remove this allowance. The interest allowance in this study (if applicable) is only itemized in the operating budget (Exhibit B). There are no long-term before-tax interest calculations for reserve funding requirements in our recommendations for this report.

Qualifications / Disclosure Requirements

AssociationStudies.com and any of its employees have no ownership interest with the management, developer or any real estate in this development. Our business is providing Reserve Studies and Business Plans for common interest developments, condominiums, country clubs, golf courses, apartments, schools, churches and commercial facilities.

We have completed over 10 million square feet of residential and commercial studies nationwide. We are members of the National Association of Professional Reserve Analysts (APRA) and Community Associations Institute (CAI). Any recommendations, disclosures and representations of this study are based on estimates or projections as of the date of this report (or the inspection date). This study was limited to a visual inspection. There was no probing, digging or testing of the components. Some of the property’s current bids and historical costs were also considered if these items were provided to us.

Please feel free to call us at 877-339-3360 or e-mail us at rstudies@ymail.com if you have any questions or would like to obtain our company resume or proposal. Our web sites are www.AssociationStudies.com and or www.RSAdata.com . Our fax number is 877-339-3359.

Property Inspection Overview

Montage at Mission Hills Homeowners' Association

The purpose of this section is to provide an overview of the property and briefly summarize any specific conditions, known disclosures or recommendations. This section will also allow our clients to determine if an appropriate plan of action is necessary to correct any specific issues.

Description	Remarks / Recommendations
Property Type	Residential Common Interest Development / PUD Each member normally owns an undivided interest in the common areas and is obligated to pay a proportionate share in the operating and reserve funding expenses.
Date of Inspection	On or about September 4, 2010
Units / Members	128 Homes
Year Built	2002 - 2004 (approximate age)
Overall Condition	The overall appearance and condition of the common areas are in very good condition in relation to the age and the neighborhood. The private homes are separately owned. Each owner is responsible for their own home maintenance (including paint, re-roofing and fencing).
About the Neighborhood	The overall condition and appearance of the neighborhood properties near the property is very good. Most of the properties in the neighborhood consist of single family home. There are community parks, shopping facilities, restaurants, hotels and schools within a few miles of the property.
Parking	Attached to homes
Land Area	23 acres (approximate size)
Topography	Level
Construction Defects Structural Problems	No lawsuits, major defects, geological or structural problems were observed, reported or disclosed to us.
Drainage	The Association is currently considering improvements to the drainage retention basin in 2011. Drainage or sewer maintenance for the residential homes is maintained by each owner (exclusive use area). Please note that all drain channels must be checked and cleared annually to prevent clogging and or flooding problems (common areas).
Termite Infestation	The residential homes are maintained by each owner (exclusive use area).
Deferred Maintenance	Not applicable. A good rule is to take quick steps on curing any deferred maintenance. Next, work on doing preventative maintenance because it will save you time and money in the long run (refer to our Maintenance Plan).

Definitions and Abbreviations

Accumulated Reserves	The amount of reserves being held in a designated account for the purpose of repairing, replacing, restoring or maintaining the major components.
Baseline Funding (cash-flow)	A funding method that covers your projected costs and maintains the current level of reserves to above zero. This method is also known as the “cash-flow” method.
Current Replacement Cost / Value	The current cost to repair, replace, restore and or maintain a specific component. The present value does not include any inflation. Example: If 10,000 square feet of wall cost \$.80/SF to paint than the current cost or the present value = \$8,000.
Deferred Maintenance	Curable physical deterioration that should be corrected immediately. If not corrected, the deterioration will get worse and the component will require a costly remediation.
Deficit (deficiency)	A reserve balance less than the “Fully Funded” balance; as defined by Community Associations Institute (CAI) and the Association of Professional Analysts (APRA).
Effective Age	The number of years the component has been in service.
Fully Funded Reserves or Ideal Reserves	The industry accounting standard for where your “Ideal” reserves should be. For example, if the replacement cost for new gates is \$25,000 with a 30 year life it should have \$12,500 in reserves after 15 years.
Percent Funded	A percentage ratio of your current (or projected) reserves when compared to the fully funded reserves (current or projected reserves divided by the fully funded reserves).
Straight line Funding	An accounting method used to determine a reserve funding calculation by simply dividing the current replacement cost by the useful life.
Statutory Funding	The “Statutory Funding Method” will establish a minimum funding requirement based on your current state codes, laws or requirements.
Threshold Funding	The “Threshold Funding Method” will allow you to establish a specific funding goal. This method is normally calculated as a pre-determined amount (based on your goals).
Preventative Maintenance	A practice that intends to preserve the performance expected from the component, equipment or system. Refer to the Maintenance Plan Section.
Remaining Useful Life (RL)	The estimated remaining timeframe (calculated in years) for which a designated component is expected to serve its intended use or function.
Useful Life (UL)	The estimated timeframe (calculated in years) for which a designated component is expected to serve its intended use or function.
Abbreviations	<p>SF = Square Feet Square = 100 square feet HVAC = Heating, Venting, Air Conditioning SY = Square Yards LF = Linear Feet HP = Horse Power</p> <p>BTU = British Thermal Units. Measures units / per hour for heating or cooling.</p> <p>Per Unit = Allowance per component, AN = Components that can be replaced as needed, A = Allowance provided by client, B = Budget allowance based on current cost estimates, C = Contingency Allowance, E = Excellent, G = Good, F = Fair, ULU = Useful life is Up, H = Data obtained from property Historical Costs, PM = Preventative Maintenance, RMA = Remodel Allowance, RA = Repair Allowance, NS = Component not in service, U = Unknown condition, RN = Replacement work in progress, DM = Deferred Maintenance, N/A = Not Applicable, TBU = To Be Updated.</p>

Reserve Study Requirements and Advantages

- Mortgage or loan requirements.
- Legal requirements (Statutory or Civil Code).
- Certified Public Accounting (CPA) reporting requirements.
- Improve the appearance, property values & curb appeal.
- Requirements of your association documents (By Laws, CC& R's).
- Owner, Seller or Buyer requirements (required in many states).
- Planning requirements (capital projects, repairs & maintenance).
- Common Area Maintenance (CAM) budgets for commercial tenants.
- Useful tool for budgeting and controlling costs.
- Identifies specific components that need repair or replacement.
- Proper care and preventative maintenance of building assets.
- Can avoid unnecessary special assessments to member owners.
- Planning, controlling and organizing your assets and goals.
- Provides financial stability (capital spending requirements).



California Civil Code Requirements Summary

New requirements for California Associations: Please be advised that Board of Directors shall adopt and provide a summary of the "Reserve Funding Plan" and a "Disclosure Documents Index Summary" to association members per California Civil Code 1365 (b) and 1363.005. The summary shall also include notice to members that the full Reserve Study Plan is available upon request.

New 2010 California Civil Code 1363.001 Requirement (Disclosure Documents Index):

The association shall, at the request of any member, distribute to the member, in the manner described in Section 1350.7, the following Disclosure Documents Index:

Item	Description	Reference Code
1	Funding Disclosure Summary (form)	Civil Code 1365.2.5
2	Pro Forma Operating Budget or Pro Forma Operating Budget Summary	Civil Code 1365 (a)
3	Assessment Collection Policy	Civil Code 1365(e) and 1367.1(a)
4	Notice/Assessments and Foreclosure (form)	Civil Code 1365.1
5	Insurance Coverage Summary	Civil Code 1365 (f)
6	Board Minutes Access	Civil Code 1363.05 (e)
7	Alternative Dispute Resolution (ADR) Rights (summary)	Civil Code 1369.590
8	Internal Dispute Resolution (IDR) Rights (summary)	Civil Code 1363.850
9	Architectural Changes Notice	Civil Code 1378 (c)
10	Secondary Address Notification Request	Civil Code 1367.1 (k)
11	Monetary Penalties Schedule	Civil Code 1363 (g)
12	Reserve Funding Plan Summary	Civil Code 1365 (b)
13	Review of Financial Statement	Civil Code 1365 (c)
14	Annual Update of Reserve Study	Civil Code 1365 (a)

The following pages contain information about specific requirements of California Civil Code 1365 through 1365.5. These sections of the California Civil Code mainly focus on the financial reporting requirements which include reserve funding and pro forma operating budgets.

Reserve Study Requirements per CCC 1365.5

At least once every three years the board of directors shall cause to be conducted a reasonable competent and diligent visual inspection of the accessible areas of the major components which the Association is obligated to repair, replace, restore or maintain.....The board shall review this study, or cause it to be reviewed, annually and shall consider and implement necessary adjustments to the board's analysis of the reserve account requirements as a result of that review. Please refer to CCC 1365.5 for more details.

The Reserve Study Plan shall at a minimum include (per CCC 1365.5)

1) Identification of the major components that the association is obligated to repair, replace, restore or maintain which, as of the date of this study, have a current remaining useful life of 30 years or less.

Editor's Note (A.Studies): Refer to Exhibit D for information about these requirements.

2) Identification of the probable remaining useful life of the components identified in paragraph (1) as of the date of the study.

Editor's Note (A.Studies): Refer to Exhibit D for information about these requirements.

3) An estimate of the cost of repair, replacement, restoration, or maintenance of the components identified in paragraph (1).

Editor's Note (A.Studies): Refer to Exhibit D for information about these requirements.

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.

Editor's Note A.Studies): Refer to Exhibits C, D and E for information about these requirements. Exhibit C will provide a cash flow summary after subtracting the total reserve funds (as required in paragraph 4).

5) A reserve funding plan that indicates how the association plans to fund the contribution identified in paragraph (4) to meet the association's obligation for 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. The plan shall include a schedule of the date and any change in regular or special assessments that would be needed to sufficiently fund the reserve funding plan. The plan shall be adopted by the board of directors at an open meeting before the membership of the association as described in Section 1363.05. If the board of directors determines that an assessment increase is necessary to fund the reserve funding plan, any increase shall be approved in a separate action of the board that is consistent with the procedure described in Section 1366.

Editor's Note (A.Studies): Refer to Exhibits C, D, E and H for information about these requirements. The funding plan should include any special requirements used to fund the reserves such as special assessments or loans. Civil Code 1366 will provide more specific requirements (increase limits) for Association Special Assessments and reporting requirements.

Financial Documents (Pro Forma Budget Reporting Requirements), Per CCC 1365

On an annual basis the association is required to distribute to all members a Pro Forma Operating Budget which shall include a summary of the association's reserves (printed in boldface type) based upon the most recent review or Reserve Study conducted pursuant to section 1365.5. This summary must be sent out not less than 30 days and not more than 90 days prior to the beginning of the association's fiscal year. The pro forma operating budget, summary must include the following information:

(1) The estimated revenue and expenses on an accrual basis.

Editor's Note (A.Studies): Refer to Exhibits B and C for information about these requirements.

(2) A summary of the association's reserves based upon the most recent review or study conducted pursuant to Section 1365.5, based only on assets held in cash or cash equivalents, which shall be printed in boldface 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. (iii) If applicable, the amount of funds received from either a compensatory damage award or settlement to an association from any person or entity for injuries to property, real or personal, arising out of any construction or design defects, and the expenditure or disposition of funds, including the amounts expended for the direct and indirect costs of repair of construction or design defects. These amounts shall be reported at the end of the fiscal year for which the study is prepared as separate line items under cash reserves pursuant to clause (ii). Instead of complying with the requirements set forth in this clause, an association that is obligated to issue a review of their financial statement pursuant to subdivision (b) may include in the review a statement containing all of the information required by this clause.

(C) The percentage that the amount determined for purposes of clause (ii) of subparagraph (B) equals the amount determined for purposes of clause (i) of subparagraph (B).

(D) The current deficiency in reserve funding expressed on a per unit basis. The figure shall be calculated by subtracting the amount determined for purposes of clause (ii) of subparagraph (B) from the amount determined for purposes of clause (i) of subparagraph (B) and then dividing the result by the number of separate interests within the association, except that if assessments vary by the size or type of ownership interest, then the association shall calculate the current deficiency in a manner that reflects the variation.

Editor's Note (A.Notes): Exhibit D will identify the requirements for paragraph A. If applicable, a written summary should be sent out to detail any specific requirements such as construction defect settlement funds that were recently received (paragraph B). Paragraph C requires you to list the "percent funded" of the current cash deposits specified for reserve funding (refer to Exhibit H for percent funded requirements). Paragraph D requires membership disclosure of any deficiency (reserve funding) expressed on a per unit basis (refer to Exhibit H for calculations). If assessments vary by size or type (or by percentage) then the assessment applicable to this section must be provided on a separate exhibit with the proper calculations.

(3) A statement as to all of the following:

(A) Whether the board of directors of the association has determined to defer or not undertake repairs

or replacement of any major component with a remaining life of 30 years or less, including a justification for the deferral or decision not to undertake the repairs or replacement.

(B) Whether the board of directors of the association, consistent with the reserve funding plan adopted pursuant to subdivision (e) of Section 1365.5, 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 therefore. If so, the statement shall also set out the estimated amount, commencement date, and duration of the assessment.

(C) The mechanism or mechanisms by which the board of directors will fund reserves to repair or replace major components, including assessments, borrowing, use of other assets, deferral of selected replacements or repairs, or alternative mechanisms.

(D) Whether the association has any outstanding loans with an original term of more than one year, including the payee, interest rate, amount outstanding, annual payment, and when the loan is scheduled to be retired.

Editor's Note (A.Studies): *If applicable, the Board of Directors shall identify any major components that will not be repaired or replaced with justification for this action (per paragraph A). Paragraph B requires a plan that specifies any special assessments used to meet any funding goals (including dates and specific time frames). Paragraph C requires the identification of any special funding plans to repair or replace association components (include any bank loans). If the association has any outstanding loans with a term of one year or more, the specifics must be disclosed (term, payments, interest rate, loan balance) per paragraph D. The Association could disclose the above required information by using the attached form known as the "Assessment and Reserve Funding Disclosure Summary" (refer to Exhibit H).*

(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 report shall include, but need not be limited to, reserve calculations made using the formula described in paragraph (4) of subdivision (b) of Section 1365.2.5, and may not assume a rate of return on cash reserves in excess of 2 percent above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made. 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.

Editor's Note (A.Studies): *A general statement that summarizes the mechanism of the calculations used to fund the association reserves (refer to page 3 and 4 of the reserve study). Keep in mind that any projections for interest income on reserves cannot exceed 2% above the discount rate as described in paragraph 4.*

The reserve funding method described in Paragraph 4 is calculated by a formula provided per Civil Code 1365.2.5. For more details, refer to "Fully Funded Reserves" (Funding Options) on page 3 or 4 of this study. Keep in mind that this method of calculation is not a required method of funding the reserves. This formula provides an analytical calculation of the "Fully Funded" method of reserve funding (one option of several methods). For more details on other funding options, refer to page 3 or 4 of this report. As of this date, there is no requirement for reserve funding at any specific level in the State of California. Paragraph 4 of CCC 1365.2.5 allows the Board of Directors to decide on alternate funding options.

Editor's Note (A.Studies): *Please note that this is only a partial checklist summary of California Civil Code disclosure requirements for residential associations. For complete information on all related California Civil Codes contact Piedmont Press at 510-595-8400 (Condominium Bluebook) or go to www.condobook.com, www.davis-sterling.com, or www.leginfo.ca.gov.*

Assessment and Reserve Funding Disclosure Summary

California Civil Code 1365.2.5 Requirements

The disclosures in this article are to be summarized and distributed to all association members per **California Civil Code 1365.2.5** with the annual pro forma operating budget summary.

(1) The regular assessment per ownership interest will be \$ (refer to Exhibit H) per month.

Editor's Note (A.Studies): *This is the total amount of assessments plus reserve funding as approved by the Board of Directors for the next fiscal year. If assessments vary by size, percentage or type, the assessment applicable to this section must be provided on a separate exhibit.*

(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? The due date, the amount of the assessment and the purpose is required to be answered (see Exhibit H).

Editor's Note (A.Studies): *Disclose any additional assessments or association loans if it is not stated in the above question #1. (refer to Exhibit H for details)*

(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?

Editor's Note (A.Studies): *This is a "yes" or "no" question based upon the most recent reserve study and any other information available to the board of directors. Will the projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repairs or replacement of major components during the next 30 years? A "yes" answer implies that the association has implemented a reserve funding plan that will not run out of money for projected reserve expenses over the next 30 years. If you feel that the information provided in this Reserve Study (Exhibit E) is acceptable then your answer is "yes." If Exhibit E of the Reserve Study is not followed by Association, then another worksheet is required.*

Editor's Note (A.Studies): *A "no" answer implies that the association anticipates cash deficits at some point in time in the next 30 years. If the information provided in this Reserve Study (Exhibit E) provides "less than adequate" reserve balances to meet the projected expenses then your answer should be "no." If Exhibit E of the Reserve Study is not followed by Association, then another worksheet is required.*

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 members? The due date, the amount of the assessment and the purpose is required to be answered (see Exhibit H for details).

Editor's Note (A.Studies): *If the answer to question # 3 is "no" then you are required to outline any additional assessments or other contributions to reserves that are necessary to ensure that sufficient reserve funds will be available each year during the next 30 years (see Exhibit H for details). If Exhibit E of the Reserve Study is not followed by Association, then another worksheet is required.*

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

Editor's Note (A.Studies): *If you notice any major components that are not identified in this study then you are required to disclose this information (refer to CCC 1365 Section 3 for disclosure details). You can refer to Exhibit D of this report to identify the major components. The components in this study are also subject to change due to unforeseen circumstances such as geological problems (slope repairs) or structural work (wood rot damage).*

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of California Civil Code section 1365.2.5, the estimated amount required in the reserve fund is \$ (refer to Exhibit H) based in whole or in part on the most recent reserve study or update prepared by AssociationStudies.com on (see Exhibit H). The estimated reserve fund cash balance as of (refer to Exhibit H) is \$ (refer to Exhibit H), resulting in reserves being at (refer to Exhibit H) percent funded.

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of California Civil Code section 1365.2.5, the estimated amount required in the reserve fund at the end of each of the next five budget years is (refer to Exhibit H), and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is (refer to Exhibit H) leaving the reserve at (refer to Exhibit H) percent funding. If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years will be (refer to Exhibit H), leaving the reserve at (refer to Exhibit H) percent funding.

Editor's Note for Questions #6 and #7 (A.Studies): The reserve funding method described in questions 6 and 7 is calculated by a formula provided per Civil Code 1365.2.5. For more details, refer to "Fully Funded Reserves" (Funding Options) on page 3 or 4 of this study. Keep in mind that this method of calculation is not a required method of funding the reserves. This formula provides an analytical calculation of the "Fully Funded" method of reserve funding (one option of several methods). For more details on other funding options, refer to page 3 or 4 of this report. As of this date, there is no requirement for reserve funding at any specific level in the State of California. Paragraph 4 of CCC 1365.2.5 allows the Board of Directors to decide on alternate funding options.

In order to answer the above questions 1 through 7 refer to Exhibit H. Once this study is finalized you can distribute Exhibit H to the association members with your annual pro forma budget. If the Association Board of Directors has an approved 5 Year Plan (see question 7 part B) then please contact us so we can add this information to the report. If Exhibit E of the Reserve Study is not followed by Association, then another worksheet is required in order to properly fill in the answers for this section.

For the purposes of preparing California Civil Code 1365.2.5 (Disclosure Summary)

(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 1365.5. 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 Assessment and Reserve Funding Disclosure Summary form shall accompany each pro forma operating budget or summary thereof that is delivered pursuant to this article. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in the Assessment and Reserve Funding Disclosure Summary form 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.

Editor's note (A.Studies): Refer to Exhibit H of this Reserve Study for the required calculations. Also, feel to contact us if you need any assistance on completing this summary. We will provide a digital version of this form so that you can make your adjustments and send it to the association members. Keep in mind that annual updates are required in order to reconcile actual costs with the projected expenses. The financial representations set forth in this summary are based on the best estimates of the preparer as of the date of this report.

Maintenance Plan / Cost Saving Tips

Our Maintenance Plan will provide many useful recommendations and cost saving tips. This section also provides helpful guidelines on how to extend the useful life of your building components or equipment. Knowledge of this information will allow our clients to improve the overall appearance and increase property values. This section will also allow our clients to determine if an appropriate plan of action is needed to correct any specific issues. Keep in mind that Board Members and or representatives should always take a proactive approach when dealing with maintenance. By failing to act in a timely manner the costs may escalate to serious and expensive challenges that could also lead to legal problems.

Maintenance can be classified into three categories:

- 1) Service Maintenance (lubricating, minor repairs)
- 2) Breakdown Maintenance (deferred maintenance)
- 3) Preventive Maintenance (cost savings)

Service Maintenance is a normal part of maintenance and it should always be high on your list of priorities. We will recommended specific service maintenance for all of your equipment such as elevators, drainage cleanouts, fire alarm systems or air conditioning.

Deferred maintenance (breakdown work) is curable physical deterioration that should be corrected immediately. If not corrected, the deterioration will get worse and the component will require a costly remediation. For example, if asphalt is left unsealed, then oxidation will cause the surface to dry and become brittle. This will lead to erosion of the top layer. Over time, cracks will appear and the sub-base material will erode causing large holes making it very expensive to repair.

Preventative Maintenance is a practice that intends to preserve the performance expected from the component or equipment. Always remember that Preventative Maintenance will save you time and money in the long run because it will prevent you from reaching the break down category (deferred). For example, if you seal and maintain your asphalt or roofs every 4 - 5 years you will enjoy the benefits of good maintenance which leads to cost savings (time and money).

This section will also provide many helpful tips on how you can apply the benefits of good maintenance that can extend the useful life of your components and improve the overall appearance. The value of your property will depend on the overall appearance and curb appeal. A good Maintenance Plan and your ability to take action will play an important role to the success of your property.

Inspection Assumptions, Limiting Conditions and Exclusions

Replacement allowance or maintenance estimates for this report are based on Construction Industry Standards (labor and materials) and adjusted according to the region where your property is located. Some of the property's current bids and historical costs were also considered if these items were provided. The allowances in this report also reflect the opinions and judgments of the consultant doing the inspection. Smaller jobs will require higher per unit costs. For example, a vendor will provide a bid based on the volume of work for asphalt seal. If they seal all of the streets (instead of sections) the cost savings is based on the volume of work provided. Our study applied this variation where applicable.

This study was limited to a visual inspection. There was no probing, digging or testing. We are not responsible for any claims relating to mold, asbestos, corrosion, water intrusion, lead paint or other hazardous materials. In addition, we are not responsible for any construction defects or structural problems including its conformity to governmental code requirements. Please contact us if you are aware of any issues that should be included in the report.

Our opinions of the “useful life” and “remaining useful life” of the building components do not represent a guarantee or warranty of performance of the products, materials and workmanship. The “useful life” is normally derived from historical data, quality of the component (type of material), regional climate, and from industrial reference guidebooks. An important factor is the regional climate; for example wrought iron will rust about twice as fast near the ocean then in the desert regions. This study does not factor in any damages caused by flooding, storms, earthquakes or similar events.

We are not responsible for any claims relating to mold, asbestos, corrosion, geological conditions, water intrusion, lead paint or other hazardous materials. We are not qualified to detect any hazardous material, structural problems or perform geological testing. In addition, we are not responsible for any construction defects or structural problems including its conformity to governmental code requirements (building codes). Please contact us if you are aware of any issues that should be included in this report.

Asphalt Paving Maintenance (Streets)

An allowance is provided for asphalt maintenance in the common areas (streets). The following information will provide an overview of how you can maintain and prolong the useable life of your asphalt in the streets and common areas.

Asphalt Seal Allowance: The estimated useable life for asphalt seal coating is about 5 – 6 years and this will depend on normal weather conditions. The current estimated cost for 2 coats of seal coating will range from \$.10 to \$.30 per SF mainly because of the size of the job. You may need to add an allowance for any crack repair work, sub base repairs (holes) and re-stripe work. Before you seal it is important to clean the roads and parking areas with a blower or a wash down. The surface must be free of dirt, mud, oil or grease spots. If asphalt is left unsealed, oxidation will cause the surface to dry and become brittle. This will lead to erosion of the top layer and over time cracks will appear. Proper seal-coating will protect the asphalt from cracking and can prevent water from seeping into the base. Seal-coating is only pennies per square foot compared to expensive asphalt repairs and or replacement costs.



Asphalt Paving Replacement / Overlay: About once every 25 years (more or less) replacement work is needed. This will depend on weather conditions and your maintenance schedule. Large pot holes often appear after a heavy storm and this will get worse as the top surface becomes more brittle with age. The current estimated cost for replacement (or overlay) work is about \$1.50 – \$3.00 / SF and this will depend on the size of the job and the thickness of the new asphalt surface or overlay. A small job may require an extra “set up” cost. The standard thickness for a new surface is between 3 to 4 inches. A thicker asphalt base is better suited for heavy traffic areas (large trucks). The replacement work will improve the appearance and replace any old cracks and uneven surfaces. Tear-out work (pulverizing) to the top layer is normally required and this material can be re-cycled into the new paving material. In some cases you may want to hire a soil geotechnical engineer to perform testing if you are experiencing uneven surface conditions. This is recommended in areas where “sink holes” or drainage issues are observed.

For more information on asphalt maintenance and replacement costs go to: www.sealcoatmfg.org. This is the official web site for Asphalt Seal Coat Manufacturers Association (non-profit Association that provides professional and educational resources for its members).

Concrete Maintenance

This study has allocated an allowance for any concrete maintenance in the common areas (sidewalks, streets). The exclusive areas (homes) are maintained by the residential property owners. The following information will provide an overview of how you can maintain and prolong the useable life of any concrete in the common areas.

Concrete Repairs (streets): Occasional repairs or grinding will be required to uneven concrete surfaces caused by tree roots, corrosion or ground movements. Maintaining these areas is an ongoing process that will require occasional repairs to any damaged areas. Good maintenance can also **prevent trip hazards** and will provide a nice appearance. One way is to provide a cost allowance based on your historical expenses of actual repair costs.



Another method is to allocate a repair allowance cost per square foot (about \$1.00 - \$4.00 / SF) based on the age and current condition of the concrete. Keep in mind that the owner of property adjacent to a public sidewalk could be liable for any damages from a slip and fall accident (Alpert vs. Villa Romano Homeowners Association in California). The City (or public agency) may not maintain sidewalks because the property owner has title to the land up to the street curb (including sidewalk easements). Regular inspections and maintenance of sidewalks are very important in order to avoid any trip and fall accidents.

Concrete Replacement Work: Concrete replacement costs will depend on the size of the job and specific requirements such as thickness and reinforcement material. Expect to pay about \$5.00 - \$15.00 per square foot for concrete replacement work. In some cases, you may have to replace large sections of deteriorating or uneven concrete. The usable life for concrete will mainly depend on the thickness, weather conditions (corrosion), amount of use (traffic) and quality. We can normally expect a useable life of 30 – 50 years for most sidewalks, curbing and driveways. In heavy traffic areas (large trucks) or on a steep hill you can expect a shorter usable life.

Electrical Maintenance / Lighting Fixtures

An allowance is provided (parts & labor) for replacement of any light fixtures and ballasts in the common areas. The developer installed front yard landscaped lights are maintained by the Association. These costs are located in the association's operating budget. The homeowner controlled garage door lights are maintained by the residential property owners.

If necessary, you may want to hire a person that specializes in energy efficient lighting to provide a study on your current fixtures. Be careful for inexpensive ballasts that can increase your energy costs (made by unreliable manufacturers). This could lead to defective ballasts that could last for only a year or two.



Outdoor Lighting Tips: When remodeling outdoor lighting your goals should include safety and energy efficiency. Building codes often recommend a minimum amount of brightness for safety reasons. People need to have adequate lighting in order to be aware if someone is approaching the building. Choosing the right type of light fixtures may require professional assistance. For example, avoid the installation of lights that produce glare and distort the ability to see color. Good outdoor lighting includes the reduction of “glare” that can improve safety. There are many energy lighting fixtures and ballasts on the market that can reduce your electric costs by 25% (and up). For more information you can visit the Energy Cost Savings Council at www.plugin.org or the National Lighting Bureau at www.nlb.org.

Electrical Contingency Allowance: A contingency allowance is recommended to assist with some of the electrical repairs or improvements in the common areas. Some of these repairs will involve circuit (control) panels, switches, light timers, emergency (exit) lighting, solar cells and building or underground wiring. This expense can be increased as the property matures and your electrical costs are escalating.

Mechanical Equipment

Intercom(s): This study has allocated a replacement allowance for any intercoms in the common areas. The replacement allowance of intercom components include, labor, new mount cover, memory card, internal modem, communicator card and software. You can also choose to replace these parts individually on an as-needed basis in order to extend the useful life. Most Intercom systems have a useful life of about 12 - 15 years (will depend on the volume of usage and the quality).

For more information about gate operators or intercoms you can contact www.EliteAccess.com, www.SentexSystems.com or www.doorking.com . Elite, Sentex and Doorking are some of the leading manufacturers of entry access systems.



Gate Operator (s): The replacement allowance replacement allowance of gate operator components include labor, new chassis, motor, electronic control board and a control panel. The estimated useful life of a gate operator will mainly depend on the volume of usage. You can expect about 10 – 15 years or more depending on usage and preventative maintenance. Regular inspections and good maintenance will extend the useful life. An optional “back-up” system with a chargeable battery is available for most operator systems. If your system does not have one you can contact your vendor for costs and recommendations. An allowance is also provided (some of these costs are in the operating budget) for any extra gate moving parts and sensors. Some of these components may include worm gears, hinges, electronic sensors, arm trolley assembly maintenance. In some operating systems “loop detectors” are installed about two inches under the pavement (near the gates). The loop detectors are designed to provide an automatic exit route for autos.



Water Fountain Maintenance

An allowance is provided for any major components that will need replacement within the next 30 years such as mechanical pumps, equipment, filters and resurface allowance. Good maintenance and balanced water chemicals is very critical for the overall life and appearance of the water feature. Improper maintenance will lead to discoloration of the water and surface lining.



Paint Maintenance

The paint allowance provided in this study includes surface preparation work and primer coats for the common areas. The exclusive areas (homes) are maintained by the residential home owners. It is very important to paint on a regular schedule in order to improve the overall appearance and preserve any surface areas from water penetration. Your painting frequency will vary depending on the climate and the type of surface material. For example, metal surfaces will require a more frequent schedule than stucco. Certain types of material will require surface preparation and primer coats such as wrought iron.



Masonry Paint (perimeter walls): The recommended painting schedule for stucco is about once every 10 to 14 years. Painting will help to seal any cracks and can prevent moisture penetration issues that can cause mildew or mold. Stucco or masonry paint estimates are about \$1.00 and up per square foot (materials + labor for two coats). Before stucco or masonry surface is painted, you should pressure wash the surface areas in order to remove any dirt, grease and grime. An alternative to stucco paint is to apply a new textured color coat. This can provide many more years of useable life. The cost for a new textured color coat is about \$4.00 per SF (more or less) depending on the volume of work and type of finish. For more information on stucco texture work (color, texture, application techniques, etc) go to www.merlex.com or www.stuccoflex.com.

For more information you can contact the **National Paint & Coatings Association** at www.paint.org NPCA was first established in 1903 as the American Paint and Varnish Association. Some of its goals are to pursue specific policies to improve the perception, reputation, and standing of the paint industry before government and the general public. The NPCA also provides educational resources for its members.



Fence / Gate Maintenance

The replacement allowance in this study includes any fencing and gates in the common areas. The exclusive areas (homes) are maintained by the residential property owner. The following information will provide an overview of how you can maintain and prolong the useable life of your fencing and gates.

Wrought Iron / Metal Fencing: Metal repairs can be done on an as-needed basis to any rusted areas. This type of maintenance can avoid a full replacement program. Heavy gauge metal, aluminum, galvanized or anodized wrought iron should have an estimated useful life of 25 or more years with normal maintenance and paint. Lighter gauge metal or standard wrought iron fencing will have a shorter useable life and will require more repairs. Replacement costs for wrought Iron or metal fencing is currently at \$8 (more or less) per square foot and this will depend on the volume of work and the quality (gauge thickness and type of metal).

Masonry (Blockwalls): There will be a need for occasional repairs to sections that are cracking or are damaged by tree roots or ground movements. These costs can be adjusted (increase as needed) as the walls mature and cracks are more noticeable. Replacement costs for masonry fencing is about at \$25 (more or less) per square foot and this will depend on the volume of work and the quality of the material. Tuck-Pointing repair work will seal any uneven, separated or cracked mortar between the bricks. Holes and cracks on the mortar are typical signs that tuck-pointing work is needed. The tuck-pointing work should be done about once every 10 – 20 years depending on the weather conditions (more often in cold, snowy or rainy climates).



Landscape / Drainage Maintenance

An allowance is provided for landscape maintenance in the common areas. The exclusive areas (homes) are maintained by the residential property owners. The following information will provide an overview of how you can improve the appearance and maintenance of your landscape in the common areas. Some of the following tips will help you to save money and help the environment by conserving water.

New landscape requirements in California effective January 1, 2010 (AB 1881):

Effective January 1, 2010 the State of California has implemented specific water efficiency standards for new landscape projects that will require a permit, plan check or design review for community associations, commercial, residential and municipalities. State Assembly Bill 1881 (AB 1881) requires that an automatic irrigation controller system is installed. Local agencies (City or Counties) must either adopt the requirements of AB 1881 or provide similar (or more stringent) water conservation programs. Penalties can range from \$250 - \$2,000. Existing landscapes greater than one acre in size will be subject to a water audit program. The program will be managed by California Department of Water Resources. For more details go to www.water.ca.gov , www.mwdh2o.com , or www.bewaterwise.com .

Irrigation Controllers: A replacement allowance is provided for any irrigation controllers (timers). The estimated useful life of most digital timers is about 10 - 12 years. The latest innovation in irrigation is the "Smart Sprinkler Controller." A "Smart Sprinkler Controller" uses weather data and site information such as plant type and sprinkler system output to automatically adjust watering times and frequency. This provides more efficient water usage, reduces water run-off and improves the health of your landscape. A "Smart Sprinkler Controller" system can save 30% or more on your landscape water usage. By installing the smart sprinkler controller you will save money and help the environment by conserving water. The association has installed smart controllers. For more details on smart irrigation controllers go to www.aquaconserve.com, www.etwater.com, www.water2save.com .

Irrigation Extras (valve parts, irrigation nozzles, pipes): An allowance for irrigation valve parts, nozzles and pipes is provided in the operating budget. The estimated useful life is about 8 - 10 years (will depend on the quality of parts). Current replacement costs for landscape irrigation installation work (includes valves, nozzles and pipes) is about \$1.00 per square foot (more or less) of landscaped area. This allowance will depend of the volume of work and quality of parts. The latest innovation in sprinkler technology is irrigation nozzles that can water your landscape and use 20% less water. These nozzles rely on a multi-trajectory, rotating streams that apply water more slowly and uniformly than conventional sprays and rotors. These new nozzles are more resistant to wind and reduces run-off on to streets and sidewalk. For more details on irrigation nozzles go to www.rainbird.com, www.water2save.com, www.rainmaster.com. The Association is in the process of approving a landscape rejuvenation plan that will be implemented over multiple years.



Palm Tree and Landscape Remodel Allowance: A contingency allowance is provided for palm tree replacement costs and landscape improvements (refer to operating budget). There are about 106 mature date palm trees; occasional replacement of dead trees can be completed on an as needed basis. Most of your landscape remodel improvements should focus on entrance or high traffic areas in order to provide “curb appeal.” For example, the remodel could include new shrubs, ground cover, hedges, vines, trees and redoing the irrigation. Current replacement costs for landscape remodel and irrigation work is about \$2 per square foot (more or less) depending on your choice of plants, trees or shrubs. A rule of thumb for landscape remodel allowance is to budget about 5% - 10% of your landscape expenses (or track your historical costs). The landscape improvements can be done on an as needed basis depending on your budget and preferences. For more information you can go to www.irrigationtutorials.com or www.the-landscape-design-site.com.

Tree Trim Maintenance: An allowance for tree trimming is normally provided in the operating budget because the costs are based on historical expenses. Tree maintenance (trimming) should have a regular schedule that includes inspections. Some may require annual trimming and others can wait for several years because some species grow faster than others. You may want to hire an experienced “Arborist” for the trimming or to supervise the work. Avoid tree “topping” and focus on thinning out excess tree growth. Tree trimming (near buildings) can prevent property damage and will improve the appearance. In some cases you may need to remove a tree (or install root barriers) to prevent sidewalk or building damage. Inspect trees on a regular basis for any pests or diseases that can be harmful such as pine beetles.

For more information visit Tree Care Industry Association at: www.treecareindustry.org. Established in 1938, TCIA is a trade association for approximately 2,000 commercial tree care firms and affiliated companies. TCIA develops safety and education programs, standards of tree care practice, and management information for arboriculture firms around the world.

Drainage Retention Basin Area: This study provides a contingency allowance for storm drainage maintenance. The Association is currently considering improvements to the drainage retention basin in 2011. Occasional improvements for the storm drainage can be completed on an as-needed basis. Some of these will involve the replacement of metal grates and clearing clogged drainage lines. The allowances in this study can be adjusted as the Association matures and the needs are greater. Good maintenance will include inspections to determine if there is a need to upgrade the drainage system or clean out any clogged channels or outlet basins. In some cases sump pumps could be added in low spots in order to assist with flooding problems.



Other Components / Contingency

Contingency Allowance: A contingency allowance is recommended for any unbudgeted or unusual expenses such as geological repairs, drainage, sewer line repairs, concrete, block-wall repairs and any other special needs (legal fees) for the common areas. Normally a contingency fund is based on an estimated amount per the age of the property, the historical expense records, the construction quantity and the overall condition. This expense can be increased as the property matures and maintenance costs are escalating. A rule of thumb for a contingency allowance is 1% - 5% of the replacement costs.

Mailbox Replacement: An allowance is provided in this study for the mailboxes in the common areas. The replacement of these boxes can be done on an as needed basis. Normally your neighborhood locksmith can provide minor repairs to the doors and locks on an as-needed basis. They can also replace any parts or the entire mailbox. If you need more information about mailbox replacement estimates or upgrades, you can contact www.mailboxes.com or call 1-800-mailbox.



Signage Replacement: This study has allocated a replacement allowance for the streets, entrance and common areas. Most signs such as the ones on your property are crafted in a custom size per your specifications. Painting the wood and polishing the metal on a regular basis will increase the appearance and the usable life. If you need more information about custom signage replacement estimates or upgrades, you can contact: www.Seton.com, www.SignsNow.com or www.FastSigns.com.



Executive Summary Reserve Funding Options

Montage at Mission Hills Homeowners' Association

Report Date: 01/01/2011

Fiscal Year: 01/01/11 - 12/31/11

Current Findings:			Remarks
Total Members (units, homes)	128		Client records
Projected Cash Reserves	\$109,097	Projected for 01/01/2011	Client records
Fully Funded Reserves (100%)	\$164,645		Exhibit D
Percent Funded	66%		Exhibit D

Reserve Funding (next fiscal yr):	Totals	Per Unit / Month	Remarks
Reserve Funding (threshold)	\$22,995	\$15	Threshold Method
Add: Special Assessments	\$0	\$0	Exhibit E
Percent Funded at Year End	62%		Exhibit E

Funding Assumptions (next fiscal yr):			Remarks
Begin Reserves (start of fiscal year)	\$109,097		Exhibit E
Add: Special Assessments	\$0		Exhibit E
Add: Reserve Funding + Interest Income	\$24,631		Exhibit C
Less: Reserve Expenses	\$11,900		Exhibit E
Projected Reserves at Yr End	\$121,828		Exhibit E
Fully Funded Reserves at Yr End	\$196,336		Exhibit E
Percent Funded at Year End	62%		Exhibit E

Reserve Funding Options (1st year)	Per Unit / Month	Per Unit / YR	Totals / 1st Year	Percent Funded	Remarks
Fully Funded Method	\$65	\$775	\$99,139	100%	Exhibit D
Threshold Method (selected method)	\$15	\$180	\$22,995	61%	Approved Budget
Straight Line Method	\$21	\$248	\$31,691	66%	Exhibit D
Baseline (Cashflow) Method	\$20	\$239	\$30,644	65%	Exhibit E

Assumptions / Comments

Fully Funded Method is based on 100% funding for the 1st year.

Threshold Funding is calculated to meet your funding goals.

Straight Line Funding Method is the replacement cost divided by the useful life of the component.

Baseline (Cashflow) Funding Method matches the projected expenses over 30 years (Exhibit E, no inflation is included).

Annual updates of this study are required in order to reconcile your actual costs with the projected expenses.

5 Year Pro Forma Budget

Montage at Mission Hills Homeowners' Association

Report Date: 01/01/2011

Fiscal Year: 01/01/11 - 12/31/11

	Current Budget 2010	Year 1 2011	Year 2 2012	Year 3 2013	Year 4 2014	Year 5 2015	Annual Increase	Remarks Source/Code
							(% per Yr)	
Potential Income								
2001 Regular Assessments	\$224,605	\$237,531	\$246,153	\$256,281	\$264,958	\$275,100	4%	P
2002 Special Assessments	\$0	\$0	\$0	\$0	\$0	\$0		N/B
2003 Interest Income	\$1,723	\$1,636	\$1,827	\$1,935	\$1,786	\$1,631	0%	CR
2003 Newsletter Advertising	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	0%	H
2004 Other Income (Late Assessment)	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	0%	H
Total Potential Income	\$228,428	\$241,267	\$250,080	\$260,317	\$268,844	\$278,831	4%	P
Administrative Expenses								
4001 Reserve Study (1 x 3 yrs)	\$600	\$0	\$0	\$1,050	\$0	\$0	(1 x 3 yrs)	P
4002 Professional Fee	\$700	\$714	\$728	\$743	\$758	\$773	2%	H
4003 Audit	\$1,500	\$1,530	\$1,561	\$1,592	\$1,624	\$1,656	2%	H
4004 State Required forms	\$125	\$128	\$130	\$133	\$135	\$138	2%	H
4005 Legal Services	\$1,000	\$1,020	\$1,040	\$1,061	\$1,082	\$1,104	2%	H
4006 CAI Membership	\$485	\$495	\$505	\$515	\$525	\$535	2%	H
4007 Meeting & Board Expense	\$450	\$459	\$468	\$478	\$487	\$497	2%	H
4008 Mission Hills Social Membership	\$97,152	\$102,010	\$107,110	\$112,466	\$118,089	\$123,993	5%	H
4009 Management Services	\$22,992	\$23,452	\$23,921	\$24,399	\$24,887	\$25,385	2%	H
4010 PPM Website	\$720	\$0	\$0	\$0	\$0	\$0		N/B
4011 End of Year Closing	\$515	\$525	\$536	\$547	\$557	\$569	2%	H
4012 Printing/Postage (50% reduction)	\$3,932	\$1,966	\$2,005	\$2,045	\$2,086	\$2,128	2%	CR
4013 Miscellaneous Contingency	\$3,979	\$4,059	\$4,140	\$4,223	\$4,307	\$4,393	2%	H
Insurance & Taxes								
5001 Insurance	\$3,941	\$4,020	\$4,100	\$4,182	\$4,266	\$4,351	2%	H
5002 Franchise Tax	\$179	\$179	\$179	\$179	\$179	\$179	0%	H
5003 Internal Revenue	\$421	\$421	\$421	\$421	\$421	\$421	0%	H
Maintenance								
6001 Landscape Contract	\$13,200	\$13,464	\$13,733	\$14,008	\$14,288	\$14,574	2%	H
6002 Landscape Extras	\$1,300	\$6,326	\$6,453	\$6,582	\$6,713	\$6,847	2%	H
6003 Sprinkler Maintenance	\$1,200	\$1,224	\$1,248	\$1,273	\$1,299	\$1,325	2%	H
6004 Tree Trim / Maintenance	\$6,114	\$6,236	\$6,361	\$6,488	\$6,618	\$6,750	2%	H
6005 Tree Removal	\$500	\$510	\$520	\$531	\$541	\$552	2%	H
6006 Annual Color (\$2000 decrease)	\$2,900	\$900	\$918	\$936	\$955	\$974	2%	CR
6007 Seed/Scalp/Fertilizer	\$400	\$408	\$416	\$424	\$433	\$442	2%	H
6008 New Plants	\$1,500	\$1,530	\$1,561	\$1,592	\$1,624	\$1,656	2%	H
6009 Contract Maintenance	\$1,680	\$1,714	\$1,748	\$1,783	\$1,818	\$1,855	2%	H
6010 Equipment Repair	\$1,000	\$1,020	\$1,040	\$1,061	\$1,082	\$1,104	2%	H

5 Year Pro Forma Budget

Montage at Mission Hills Homeowners' Association

Report Date: 01/01/2011

Fiscal Year: 01/01/11 - 12/31/11

	Current Budget 2010	Year 1 2011	Year 2 2012	Year 3 2013	Year 4 2014	Year 5 2015	Annual Increase	Remarks Source/Code
6011 Grounds Mis.	\$5,060	\$5,161	\$5,264	\$5,370	\$5,477	\$5,587	2%	H
6012 Street Sweeping	\$3,840	\$3,917	\$3,995	\$4,075	\$4,157	\$4,240	2%	H
6013 Retention Basin Well Pumping	\$1,300	\$1,326	\$1,353	\$1,380	\$1,407	\$1,435	2%	H
6014 Holiday Décor	\$2,500	\$2,550	\$2,601	\$2,653	\$2,706	\$2,760	2%	CR
6015 Electrical/Lighting Repairs	\$4,000	\$9,000	\$9,180	\$9,364	\$9,551	\$9,742	2%	H
6016 Pest Control	\$2,100	\$2,142	\$2,185	\$2,229	\$2,273	\$2,319	2%	H
6016 Gate Metal/Motor/Arm Repairs	\$2,680	\$2,734	\$2,788	\$2,844	\$2,901	\$2,959	2%	H
6017 Gate Phone Repairs	\$200	\$204	\$208	\$212	\$216	\$221	2%	H
Utilities								
7001 Electricity	\$11,310	\$11,649	\$11,999	\$12,359	\$12,730	\$13,111	3%	H
7002 Mailbox Lighting Electricity	\$96	\$99	\$102	\$105	\$108	\$111	3%	H
7003 Gate Telephone	\$1,136	\$1,170	\$1,205	\$1,241	\$1,279	\$1,317	3%	H
7004 Water	\$3,821	\$4,012	\$4,213	\$4,423	\$4,644	\$4,877	5%	H
Sub Total	\$206,528	\$218,272	\$225,935	\$234,965	\$242,225	\$250,881	3%	P
Special Assessments	\$0	\$0	\$0	\$0	\$0	\$0		
Reserve Contributions	\$21,900	\$22,995	\$24,145	\$25,352	\$26,620	\$27,951	5%	Exhibit C & E
Total Projected Expenses	\$228,428	\$241,267	\$250,080	\$260,317	\$268,844	\$278,831	4%	P
Net Income	\$0	\$0	\$0	\$0	\$0	\$0		
Per Unit Costs								
Total Projected Expenses	\$228,428	\$241,267	\$250,080	\$260,317	\$268,844	\$278,831	4%	P
Less: Interest & other income	(\$3,823)	(\$3,736)	(\$3,927)	(\$4,035)	(\$3,886)	(\$3,731)	0%	
Total Exp (less interest & other income)	\$224,605	\$237,531	\$246,153	\$256,281	\$264,958	\$275,100	4%	P
Number of Units / Members	128	128	128	128	128	128		member units
\$ Per Unit / Month	\$149	\$157	\$163	\$169	\$175	\$182	4%	P
\$ Per Unit (less interest & other income)	\$146	\$155	\$160	\$167	\$172	\$179	4%	P

5 Year Pro Forma Budget

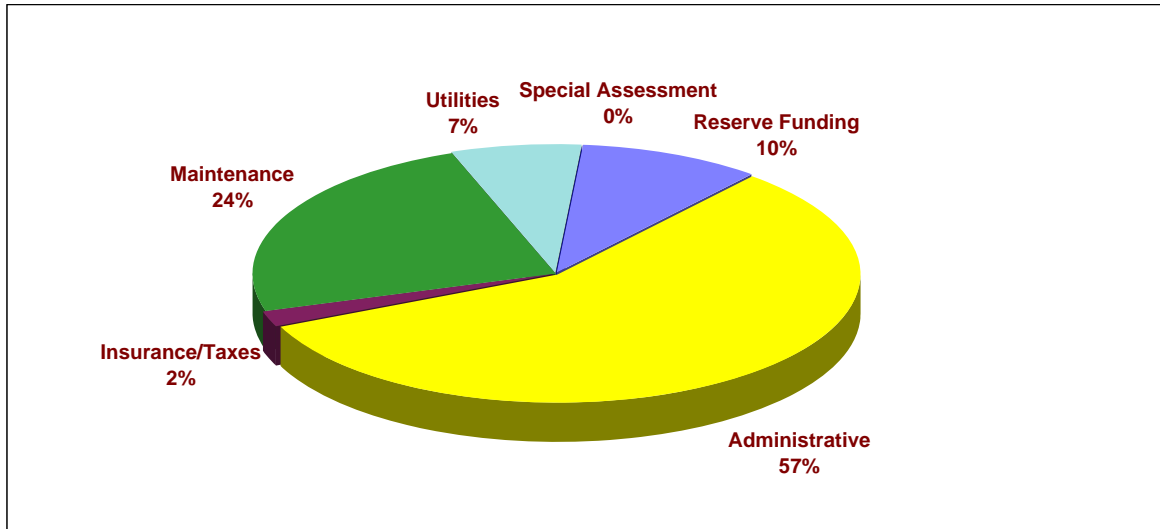
Montage at Mission Hills Homeowners' Association

Report Date: 01/01/2011

Fiscal Year: 01/01/11 - 12/31/11

Current Budget 2010	Year 1 2011	Year 2 2012	Year 3 2013	Year 4 2014	Year 5 2015	Annual Increase	Remarks Source/Code
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5 Year Average Expenses	Average (per year)	%	Per Unit per year	Per Unit per month
Administrative	\$148,692	57%	\$1,162	\$97
Insurance/Taxes	\$4,784	2%	\$37	\$3
Maintenance	\$62,829	24%	\$491	\$41
Utilities	\$18,151	7%	\$142	\$12
Special Assessment	\$0	0%	\$0	\$0
Reserve Funding	\$25,412	10%	\$199	\$17
5 Year Average:	\$259,868	100%	\$2,030	\$169
5 Year Average less interest & other income:			\$2,000	\$167



Assumptions / Comments

* Reconcile: This expense could be adjusted or reconciled with the reserve study findings per Exhibit D.

H = Historical Costs, P = Projected Costs, NB = No Budget Provided, CR = Per Client Requirements, RC = Reconcile with Reserves

Inflation Allowance (Operating) 3% Average annual inflation rate (Operating Expenses) for the next 5 years

Inflation Allowance Reserve Funding 5% Average annual inflation rate (Reserve Contributions) for the next 5 years

Inflation Allowance Reserve Expenses 2% Selected inflation rate used in Exhibit E (Reserves Expenses)

Interest Rate (Reserve Funds) 1.5% Projected yield per client requirements

Special Assessments N/A Not applicable at this time

Annual updates of this study are required in order to reconcile your actual costs with the projected expenses.

5 Year Plan / Cash Flow

Montage at Mission Hills Homeowners' Association

Report Date: 01/01/2011

Fiscal Year: 01/01/11 - 12/31/11

	Year	Year	Year	Year	Year	Annual
	1	2	3	4	5	Increase
	2011	2012	2013	2014	2015	(% per Yr)

Potential Income

Regular Assessments	\$237,531	\$246,153	\$256,281	\$264,958	\$275,100	4%
Special Assessments	\$0	\$0	\$0	\$0	\$0	
Interest + Other Income	\$3,736	\$3,927	\$4,035	\$3,886	\$3,731	0%
Total Income	\$241,267	\$250,080	\$260,317	\$268,844	\$278,831	4%

Projected Expenses

Administrative	\$136,357	\$142,144	\$149,250	\$154,538	\$161,172	4%
Insurance/Taxes	\$4,620	\$4,700	\$4,782	\$4,866	\$4,951	2%
Maintenance	\$60,365	\$61,573	\$62,804	\$64,060	\$65,342	2%
Utilities	\$16,930	\$17,518	\$18,128	\$18,761	\$19,416	3%
Special Assessments	\$0	\$0	\$0	\$0	\$0	
Reserve Allocation	\$22,995	\$24,145	\$25,352	\$26,620	\$27,951	5%
Total Expenses	\$241,267	\$250,080	\$260,317	\$268,844	\$278,831	4%

Cash Flow (Reserves)

Projected Reserves (start year)	\$109,097	\$121,828	\$129,032	\$119,089	\$108,744	0%
Add: Special Assessments	\$0	\$0	\$0	\$0	\$0	
Add: Reserve Contributions	\$22,995	\$24,145	\$25,352	\$26,620	\$27,951	5%
Add: Interest Income (1.5%)	\$1,636	\$1,827	\$1,935	\$1,786	\$1,631	0%
Less: Expense Disbursements	\$11,900	\$18,769	\$37,230	\$38,751	\$16,175	4%
Cash Flow / Year End Reserves	\$121,828	\$129,032	\$119,089	\$108,744	\$122,151	0%
Fully Funded Reserves (Ideal Reserves)	\$196,336	\$224,859	\$243,842	\$245,047	\$245,411	5%
Percent Funded (%)	62%	57%	49%	44%	50%	-6%

Per Unit Costs / 5 Year Plan

Total Projected Expenses	\$241,267	\$250,080	\$260,317	\$268,844	\$278,831	4%
Less: Interest & other income	(\$3,736)	(\$3,927)	(\$4,035)	(\$3,886)	(\$3,731)	0%
Total Exp (less interest & other income)	\$237,531	\$246,153	\$256,281	\$264,958	\$275,100	4%
Number of Units / Members	128	128	128	128	128	n/a
\$ Per Unit / Month	\$157	\$163	\$169	\$175	\$182	4%
\$ Per Unit (less interest & other income)	\$155	\$160	\$167	\$172	\$179	4%

Assumptions / Comments

Contingency Allowance (Reserves)	0%	Selected allowance (% of the Replacement Costs per Exhibit D)				
Inflation Allowance (Operating Expenses)	3%	Average annual inflation rate (Exhibit B) for the next 5 years				
Inflation Allowance Reserve Funding	5%	Selected inflation rate used in Exhibit B (Reserve Allocation)				
Inflation Allowance Reserve Expenses	2%	Selected inflation rate used in Exhibit E (Reserves Expenses)				
Interest Rate (Reserve Funds)	1.5%	Projected yield per client requirements				

Annual updates of this study are required in order to reconcile your actual costs with the projected expenses.

Component Inventory Schedule

Montage at Mission Hills Homeowners' Association

Report Date: 01/01/2011		Quantity	Measure	Cost	Start Date	Useful	Remain	Source	Condition	Replacement	Reserves	Funding	Remarks
Fiscal Year: 01/01/11 - 12/31/11		Units	Code	Per Unit	(Life Cycle)	Life	Life	Code	Code	Cost	(Current)	(Cost / UL)	
Asphalt													
101	Asphalt Seal / Stripe	206,000	SF	\$0.11	2008	5	3	H	good	\$22,083	\$8,833	\$4,417	seal, stripe allowance
102	Asphalt Replace	206,000	SF	\$1.48	2003	28	21	B	good	\$304,880	\$76,220	\$10,889	replacement allowance
Concrete													
201	Concrete Entrance (Gerald Ford)	1	allowance	\$8,400	2009	6	5	H	good	\$8,400	\$1,400	\$1,400	refurbish allowance
202	Concrete Entrance (Da Valle)	1	allowance	\$8,400	2005	6	1	A	RN	\$8,400	\$7,000	\$1,400	refurbish allowance
203	Concrete Street Curbs / Apron	1	allowance	\$20,000	2004	20	14	C	good	\$20,000	\$6,000	\$1,000	repair allowance
Electrical / Lighting													
301	Light Fixtures (common areas)	Refer to Operating Budget											replacement allowance
302	Battery backup GF (gate operators)	2	allowance	\$750	2008	6	4	H	AN	\$1,500	\$500	\$250	replacement allowance
303	Electrical Meter / Contingency	1	allowance	\$10,000	2004	24	18	C	AN	\$10,000	\$2,500	\$417	circuit panels, wiring, timers
Mechanical													
401	Gate Operators Gerald Ford Dr	4	allowance	\$3,250	2002	10	2	B	AN	\$13,000	\$10,400	\$1,300	replacement allowance
402	Gate Operators Da Valle Rd	4	allowance	\$3,250	2003	10	3	B	AN	\$13,000	\$9,100	\$1,300	replacement allowance
403	Gate Moving Parts	Refer to Operating Budget											arm trolley, wheels, parts
404	Gate Sensors / Loop Systems	2	allowance	\$1,020	2006	6	2	H	AN	\$2,040	\$1,360	\$340	replacement allowance
405	Intercom Gerald Ford Dr	1	allowance	\$4,000	2002	12	4	B	AN	\$4,000	\$2,667	\$333	replacement allowance
406	Intercom Da Valle Rd	1	allowance	\$4,000	2003	12	5	B	AN	\$4,000	\$2,333	\$333	replacement allowance
Water Fountains													
501	Water Fountain Pumps	Refer to Operating Budget											replacement allowance
502	Water Fountain Filters	2	allowance	\$1,000	2008	12	10	H	AN	\$2,000	\$333	\$167	replacement allowance
503	Water Fountain Resurface	2	allowance	\$5,000	2004	10	4	C	AN	\$10,000	\$6,000	\$1,000	replacement allowance
Paint													
601	Paint Wrought Iron Gates	1	allowance	\$1,700	2009	3	2	H	AN	\$1,700	\$567	\$567	prep & paint allowance
602	Paint Block Walls	2,860	LF	\$5.00	2004	10	4	H	AN	\$14,300	\$8,580	\$1,430	prep & paint allowance
603	Paint Entrance Monument Signs	1	allowance	\$1,300	2008	4	2	H	AN	\$1,300	\$650	\$325	prep & paint allowance
604	Refurbish Mailboxes	1	allowance	\$550	2009	6	5	H	AN	\$550	\$92	\$92	prep & paint allowance
Fence / Gates													
701	Entrance Gates (Vehicle)	5	allowance	\$5,000	2002	30	22	B	good	\$25,000	\$6,667	\$833	replacement allowance
702	Entrance Gates (Pedestrian)	2	allowance	\$800	2002	27	19	B	good	\$1,600	\$474	\$59	replacement allowance

Component Inventory Schedule

Montage at Mission Hills Homeowners' Association

Report Date: 01/01/2011		Quantity	Measure	Cost	Start Date	Useful	Remain	Source	Condition	Current	Fully Funded	Straight Line	Remarks
Fiscal Year: 01/01/11 - 12/31/11		Units	Code	Per Unit	(Life Cycle)	Life	Life	Code	Code	Replacement Cost	Reserves (Current)	Funding (Cost / UL)	
703	Block Wall Repairs	1	allowance	\$3,500	as needed	5	1	C	PM	\$3,500	\$2,800	\$700	repair allowance
Landscape / Drainage													
801	Irrigation Timers	3	allowance	\$999	2009	12	11	H	good	\$2,997	\$250	\$250	replacement allowance
802	Backflow	3	allowance	\$900	2002	18	10	B	AN	\$2,700	\$1,200	\$150	replacement allowance
803	Irrigation Valves / Extras	Refer to Operating Budget											replacement allowance
804	Tree Trimming	Refer to Operating Budget											trim allowance
805	Landscape Remodel	Refer to Operating Budget											replacement allowance
806	Palm Tree Contingency	Refer to Operating Budget											replacement allowance
807	Residential Homes Drainage, Sewer	Exclusive use area (residential owner responsibility)											repair / replace allowance
808	Drainage Retention (new drywell)	1	allowance	\$15,000	2010	10	10	A	new	\$15,000	\$0	\$1,500	storm drainage contingency
Other													
901	Mailboxes	128	boxes	\$75	2002	15	7	B	good	\$9,600	\$5,120	\$640	replacement allowance
902	Monument Signage	5	allowance	\$1,200	as needed	10	4	C	good	\$6,000	\$3,600	\$600	inspection, treatment, repairs

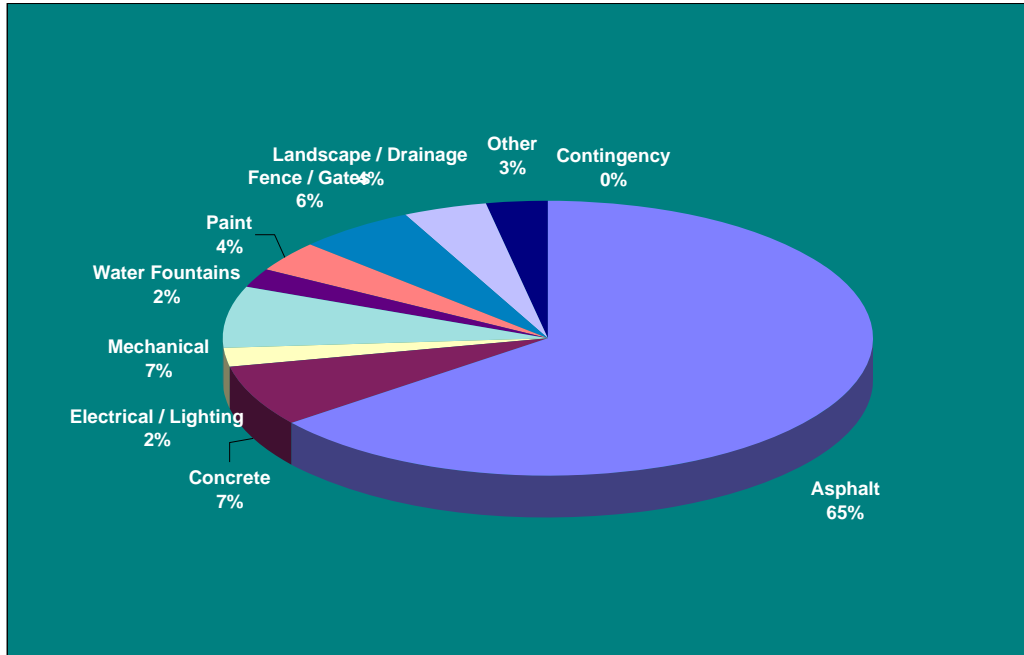
Component Inventory Schedule

Montage at Mission Hills Homeowners' Association

Report Date: 01/01/2011
Fiscal Year: 01/01/11 - 12/31/11

Montage at Mission Hills Homeowners' Association									Current	Fully Funded	Straight Line		
Report Date: 01/01/2011	Quantity	Measure	Cost	Start Date	Useful	Remain	Source	Condition	Replacement	Reserves	Funding	Remarks	
Fiscal Year: 01/01/11 - 12/31/11	Units	Code	Per Unit	(Life Cycle)	Life	Life	Code	Code	Cost	(Current)	(Cost / UL)		
Contingency													
1001	Contingency Allowance		Refer to Operating Budget										0%
Totals									\$507,550	\$164,645	\$31,691		

CURRENT REPLACEMENT COST



Inventory	Current Replace Cost	Fully Funded Reserves	% Replace Cost
Asphalt	\$326,963	\$85,053	64%
Concrete	\$36,800	\$14,400	7%
Electrical / Lighting	\$11,500	\$3,000	2%
Mechanical	\$36,040	\$25,860	7%
Water Fountains	\$12,000	\$6,333	2%
Paint	\$17,850	\$9,888	4%
Fence / Gates	\$30,100	\$9,941	6%
Landscape / Drainage	\$20,697	\$1,450	4%
Other	\$15,600	\$8,720	3%
Contingency	\$0	\$0	0%
Totals	\$507,550	\$164,645	100%
Current Cash Reserves		\$109,097	
Percent Funded (%)		66%	

SOURCE CODE

A : Allowance provided by Current Bid / Estimate
B : Cost Allowance (Cost Manual Data / Bid Review)
H : Historical Cost Data of Property
CA: Client Allowance (provided by client)
SF=Square Feet, LF=Linear feet SY=Square Yards

CONDITION CODE

E : Excellent / New
G : Good (remaining life has 30% or more time left)
F : Fair (remaining life is less than 30%)
ULU : Useable Life is up (repair/replace needed)
AN: Repair or Replace as needed

CONDITION CODE

C: Contingency Allowance
N/A : Not Applicable
RMA : Remodel Allowance
RN: Repairs / Replacement in progress
NS: Component not in Service at this time

CONDITION CODE

U : Unknown Condition (no inspection at this time)
PM : Preventive Maintenance
DM : Deferred Maintenance
RA: Repair Allowance

30 Year Plan / Reserve Cash Flow

Montage at Mission Hills Homeowners' Association

Report Date: 01/01/2011

Fiscal Year: 01/01/11 - 12/31/11

	Useful Life	Remain Life	Current Replace Cost	Year 1 2011	Year 2 2012	Year 3 2013	Year 4 2014	Year 5 2015	Year 6 2016	Year 7 2017	Year 8 2018	Year 9 2019	Year 10 2020
Asphalt													
101 Asphalt Seal / Stripe	5	3	\$22,083			22,083					22,083		
102 Asphalt Replace	28	21	\$304,880										
Concrete													
201 Concrete Entrance (Gerald Ford)	6	5	\$8,400					8,400					
202 Concrete Entrance (Da Valle)	6	1	\$8,400	8,400						8,400			
203 Concrete Street Curbs / Apron	20	14	\$20,000										
Electrical / Lighting													
301 Light Fixtures (common areas)	Refer to Operating Budget												
302 Battery backup GF (gate operators)	6	4	\$1,500				1,500						1,500
303 Electrical Meter / Contingency	24	18	\$10,000										
Mechanical													
401 Gate Operators Gerald Ford Dr	10	2	\$13,000		13,000								
402 Gate Operators Da Valle Rd	10	3	\$13,000			13,000							
403 Gate Moving Parts	Refer to Operating Budget												
404 Gate Sensors / Loop Systems	6	2	\$2,040		2,040						2,040		
405 Intercom Gerald Ford Dr	12	4	\$4,000				4,000						
406 Intercom Da Valle Rd	12	5	\$4,000					4,000					
Water Fountains													
501 Water Fountain Pumps	Refer to Operating Budget												
502 Water Fountain Filters	12	10	\$2,000										2,000
503 Water Fountain Resurface	10	4	\$10,000				10,000						
Paint													
601 Paint Wrought Iron Gates	3	2	\$1,700		1,700			1,700			1,700		
602 Paint Block Walls	10	4	\$14,300				14,300						
603 Paint Entrance Monument Signs	4	2	\$1,300		1,300				1,300				1,300
604 Refurbish Mailboxes	6	5	\$550					550					
Fence / Gates													
701 Entrance Gates (Vehicle)	30	22	\$25,000										
702 Entrance Gates (Pedestrian)	27	19	\$1,600										
703 Block Wall Repairs	5	1	\$3,500	3,500					3,500				

30 Year Plan / Reserve Cash Flow

Montage at Mission Hills Homeowners' Association

Report Date: 01/01/2011

Fiscal Year: 01/01/11 - 12/31/11

	Useful Life	Remain Life	Current Replace Cost	Year 1 2011	Year 2 2012	Year 3 2013	Year 4 2014	Year 5 2015	Year 6 2016	Year 7 2017	Year 8 2018	Year 9 2019	Year 10 2020
Landscape / Drainage													
801 Irrigation Timers	12	11	\$2,997										
802 Backflow	18	10	\$2,700										2,700
803 Irrigation Valves / Extras	Refer to Operating Budget												
804 Tree Trimming	Refer to Operating Budget												
805 Landscape Remodel	Refer to Operating Budget												
806 Palm Tree Contingency	Refer to Operating Budget												
807 Residential Homes Drainage, Sewer	Exclusive use area (residential owner responsibility)												
808 Drainage Retention (new drywell)	10	10	\$15,000										15,000
Other													
901 Mailboxes	15	7	\$9,600							9,600			
902 Monument Signage	10	4	\$6,000				6,000						
Contingency													
1,001 Contingency Allowance	Refer to Operating Budget												
Totals			\$507,550	\$11,900	\$18,040	\$35,083	\$35,800	\$14,650	\$4,800	\$18,000	\$25,823	\$0	\$22,500

Cash Flow Assumptions

Projected Cash Reserves	Projected for 01/01/2011		\$109,097										
Add: Additional Funding (estimate)	Anticipated through current year		\$0										
Projected Reserves (start year)			\$109,097	\$121,828	\$129,032	\$119,089	\$108,744	\$122,151	\$147,806	\$159,743	\$163,732	\$199,689	
Add: Special Assessments			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Add: Reserve Contributions			\$24,631	\$25,972	\$27,287	\$28,406	\$29,582	\$31,061	\$32,614	\$34,245	\$35,957	\$37,755	
Less: Expense Disbursements	2.0%	inflation rate	\$11,900	\$18,769	\$37,230	\$38,751	\$16,175	\$5,406	\$20,676	\$30,256	\$0	\$27,427	
Cash Flow / Year End Reserves			\$121,828	\$129,032	\$119,089	\$108,744	\$122,151	\$147,806	\$159,743	\$163,732	\$199,689	\$210,016	
Fully Funded Reserves (Ideal Reserves)			\$196,336	\$224,859	\$243,842	\$245,047	\$245,411	\$269,510	\$305,790	\$327,946	\$341,518	\$386,979	
Percent Funded (%)			62%	57%	49%	44%	50%	55%	52%	50%	58%	54%	
Projected Interest (1st 5 yrs)	1.5%		\$1,636	\$1,827	\$1,935	\$1,786	\$1,631						

30 Year Plan / Reserve Cash Flow

Montage at Mission Hills Homeowners' Association

Report Date: 01/01/2011

Fiscal Year: 01/01/11 - 12/31/11

	Useful Life	Remain Life	Current Replace Cost	Year 11 2021	Year 12 2022	Year 13 2023	Year 14 2024	Year 15 2025	Year 16 2026	Year 17 2027	Year 18 2028	Year 19 2029	Year 20 2030
Asphalt													
101 Asphalt Seal / Stripe	5	3	\$22,083			22,083					22,083		
102 Asphalt Replace	28	21	\$304,880										
Concrete													
201 Concrete Entrance (Gerald Ford)	6	5	\$8,400	8,400						8,400			
202 Concrete Entrance (Da Valle)	6	1	\$8,400			8,400						8,400	
203 Concrete Street Curbs / Apron	20	14	\$20,000				20,000						
Electrical / Lighting													
301 Light Fixtures (common areas)	Refer to Operating Budget												
302 Battery backup GF (gate operators)	6	4	\$1,500						1,500				
303 Electrical Meter / Contingency	24	18	\$10,000								10,000		
Mechanical													
401 Gate Operators Gerald Ford Dr	10	2	\$13,000		13,000								
402 Gate Operators Da Valle Rd	10	3	\$13,000			13,000							
403 Gate Moving Parts	Refer to Operating Budget												
404 Gate Sensors / Loop Systems	6	2	\$2,040				2,040						2,040
405 Intercom Gerald Ford Dr	12	4	\$4,000						4,000				
406 Intercom Da Valle Rd	12	5	\$4,000							4,000			
Water Fountains													
501 Water Fountain Pumps	Refer to Operating Budget												
502 Water Fountain Filters	12	10	\$2,000										
503 Water Fountain Resurface	10	4	\$10,000				10,000						
Paint													
601 Paint Wrought Iron Gates	3	2	\$1,700	1,700			1,700			1,700			1,700
602 Paint Block Walls	10	4	\$14,300				14,300						
603 Paint Entrance Monument Signs	4	2	\$1,300				1,300				1,300		
604 Refurbish Mailboxes	6	5	\$550	550						550			
Fence / Gates													
701 Entrance Gates (Vehicle)	30	22	\$25,000										
702 Entrance Gates (Pedestrian)	27	19	\$1,600									1,600	
703 Block Wall Repairs	5	1	\$3,500	3,500					3,500				

30 Year Plan / Reserve Cash Flow

Montage at Mission Hills Homeowners' Association

Report Date: 01/01/2011

Fiscal Year: 01/01/11 - 12/31/11

	Useful Life	Remain Life	Current Replace Cost	Year 11 2021	Year 12 2022	Year 13 2023	Year 14 2024	Year 15 2025	Year 16 2026	Year 17 2027	Year 18 2028	Year 19 2029	Year 20 2030
Landscape / Drainage													
801 Irrigation Timers	12	11	\$2,997	2,997									
802 Backflow	18	10	\$2,700										
803 Irrigation Valves / Extras	Refer to Operating Budget												
804 Tree Trimming	Refer to Operating Budget												
805 Landscape Remodel	Refer to Operating Budget												
806 Palm Tree Contingency	Refer to Operating Budget												
807 Residential Homes Drainage, Sewer	Exclusive use area (residential own)												
808 Drainage Retention (new drywell)	10	10	\$15,000										15,000
Other													
901 Mailboxes	15	7	\$9,600										
902 Monument Signage	10	4	\$6,000				6,000						
Contingency													
1,001 Contingency Allowance	Refer to Operating Budget												
Totals			\$507,550	\$17,147	\$13,000	\$43,483	\$55,340	\$0	\$9,000	\$14,650	\$33,383	\$10,000	\$18,740

Cash Flow Assumptions

Projected Cash Reserves Projected for 01/01/2011

Add: Additional Funding (estimate) Anticipated through current year

Projected Reserves (start year)			\$210,016	\$228,338	\$253,476	\$243,013	\$220,358	\$275,761	\$324,348	\$370,871	\$396,932	\$463,478
Add: Special Assessments			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add: Reserve Contributions			\$39,642	\$41,624	\$45,787	\$50,366	\$55,402	\$60,942	\$67,037	\$73,740	\$81,114	\$89,226
Less: Expense Disbursements	2.0%	inflation rate	\$21,320	\$16,487	\$56,250	\$73,020	\$0	\$12,355	\$20,514	\$47,679	\$14,568	\$27,847
Cash Flow / Year End Reserves			\$228,338	\$253,476	\$243,013	\$220,358	\$275,761	\$324,348	\$370,871	\$396,932	\$463,478	\$524,857
Fully Funded Reserves (Ideal Reserves)			\$406,147	\$432,715	\$465,548	\$459,299	\$436,656	\$488,894	\$530,445	\$565,392	\$574,235	\$617,951
Percent Funded (%)			56%	59%	52%	48%	63%	66%	70%	70%	81%	85%
Projected Interest (1st 5 yrs)	1.5%											

30 Year Plan / Reserve Cash Flow

Montage at Mission Hills Homeowners' Association

Report Date: 01/01/2011

Fiscal Year: 01/01/11 - 12/31/11

	Useful Life	Remain Life	Current Replace Cost	Year 21 2031	Year 22 2032	Year 23 2033	Year 24 2034	Year 25 2035	Year 26 2036	Year 27 2037	Year 28 2038	Year 29 2039	Year 30 2040
Asphalt													
101 Asphalt Seal / Stripe	5	3	\$22,083			22,083					22,083		
102 Asphalt Replace	28	21	\$304,880	304,880									
Concrete													
201 Concrete Entrance (Gerald Ford)	6	5	\$8,400			8,400						8,400	
202 Concrete Entrance (Da Valle)	6	1	\$8,400					8,400					
203 Concrete Street Curbs / Apron	20	14	\$20,000										
Electrical / Lighting													
301 Light Fixtures (common areas)	Refer to Operating Budget												
302 Battery backup GF (gate operators)	6	4	\$1,500		1,500						1,500		
303 Electrical Meter / Contingency	24	18	\$10,000										
Mechanical													
401 Gate Operators Gerald Ford Dr	10	2	\$13,000		13,000								
402 Gate Operators Da Valle Rd	10	3	\$13,000			13,000							
403 Gate Moving Parts	Refer to Operating Budget												
404 Gate Sensors / Loop Systems	6	2	\$2,040						2,040				
405 Intercom Gerald Ford Dr	12	4	\$4,000								4,000		
406 Intercom Da Valle Rd	12	5	\$4,000									4,000	
Water Fountains													
501 Water Fountain Pumps	Refer to Operating Budget												
502 Water Fountain Filters	12	10	\$2,000		2,000								
503 Water Fountain Resurface	10	4	\$10,000				10,000						
Paint													
601 Paint Wrought Iron Gates	3	2	\$1,700			1,700			1,700			1,700	
602 Paint Block Walls	10	4	\$14,300				14,300						
603 Paint Entrance Monument Signs	4	2	\$1,300		1,300				1,300				1,300
604 Refurbish Mailboxes	6	5	\$550			550						550	
Fence / Gates													
701 Entrance Gates (Vehicle)	30	22	\$25,000		25,000								
702 Entrance Gates (Pedestrian)	27	19	\$1,600										
703 Block Wall Repairs	5	1	\$3,500	3,500					3,500				

30 Year Plan / Reserve Cash Flow

Montage at Mission Hills Homeowners' Association

Report Date: 01/01/2011

Fiscal Year: 01/01/11 - 12/31/11

	Useful Life	Remain Life	Current Replace Cost	Year 21 2031	Year 22 2032	Year 23 2033	Year 24 2034	Year 25 2035	Year 26 2036	Year 27 2037	Year 28 2038	Year 29 2039	Year 30 2040
Landscape / Drainage													
801 Irrigation Timers	12	11	\$2,997			2,997							
802 Backflow	18	10	\$2,700								2,700		
803 Irrigation Valves / Extras	Refer to Operating Budget												
804 Tree Trimming	Refer to Operating Budget												
805 Landscape Remodel	Refer to Operating Budget												
806 Palm Tree Contingency	Refer to Operating Budget												
807 Residential Homes Drainage, Sewer	Exclusive use area (residential ownr												
808 Drainage Retention (new drywell)	10	10	\$15,000										15,000
Other													
901 Mailboxes	15	7	\$9,600		9,600								
902 Monument Signage	10	4	\$6,000				6,000						
Contingency													
1,001 Contingency Allowance	Refer to Operating Budget												
Totals			\$507,550	\$308,380	\$52,400	\$48,730	\$30,300	\$8,400	\$8,540	\$0	\$30,283	\$14,650	\$16,300

Cash Flow Assumptions

Projected Cash Reserves Projected for 01/01/2011

Add: Additional Funding (estimate) Anticipated through current year

Projected Reserves (start year)			\$524,857	\$137,759	\$129,023	\$117,226	\$127,031	\$165,937	\$199,064	\$241,741	\$227,426	\$235,978
Add: Special Assessments			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add: Reserve Contributions			\$80,303	\$72,273	\$65,046	\$58,541	\$52,687	\$47,418	\$42,676	\$38,409	\$34,568	\$31,111
Less: Expense Disbursements	2.0%	inflation rate	\$467,401	\$81,009	\$76,842	\$48,736	\$13,781	\$14,291	\$0	\$52,723	\$26,016	\$29,525
Cash Flow / Year End Reserves			\$137,759	\$129,023	\$117,226	\$127,031	\$165,937	\$199,064	\$241,741	\$227,426	\$235,978	\$237,564
Fully Funded Reserves (Ideal Reserves)			\$649,939	\$235,182	\$207,230	\$183,968	\$189,929	\$232,703	\$276,873	\$337,585	\$346,837	\$384,640
Percent Funded (%)			21%	55%	57%	69%	87%	86%	87%	67%	68%	62%
Projected Interest (1st 5 yrs)	1.5%											

30 Year Reserve Cash Flow Projections

Montage at Mission Hills Homeowners' Association

Report Date: 01/01/2011

Fiscal Year: 01/01/11 - 12/31/11

Year	Date	Beginning Reserves	+	Reserve Contributions	+	Special Assessments	-	Reserve Disbursements	=	Year End Reserves	Fully Funded Reserves	Percent Funded
		Projected		+ Cash		+ Cash		- Expenses		Projected	Ideal	%
1	2011	\$109,097	+	\$24,631	+	\$0	-	\$11,900	=	\$121,828	\$196,336	62%
2	2012	\$121,828	+	\$25,972	+	\$0	-	\$18,769	=	\$129,032	\$224,859	57%
3	2013	\$129,032	+	\$27,287	+	\$0	-	\$37,230	=	\$119,089	\$243,842	49%
4	2014	\$119,089	+	\$28,406	+	\$0	-	\$38,751	=	\$108,744	\$245,047	44%
5	2015	\$108,744	+	\$29,582	+	\$0	-	\$16,175	=	\$122,151	\$245,411	50%
6	2016	\$122,151	+	\$31,061	+	\$0	-	\$5,406	=	\$147,806	\$269,510	55%
7	2017	\$147,806	+	\$32,614	+	\$0	-	\$20,676	=	\$159,743	\$305,790	52%
8	2018	\$159,743	+	\$34,245	+	\$0	-	\$30,256	=	\$163,732	\$327,946	50%
9	2019	\$163,732	+	\$35,957	+	\$0	-	\$0	=	\$199,689	\$341,518	58%
10	2020	\$199,689	+	\$37,755	+	\$0	-	\$27,427	=	\$210,016	\$386,979	54%
11	2021	\$210,016	+	\$39,642	+	\$0	-	\$21,320	=	\$228,338	\$406,147	56%
12	2022	\$228,338	+	\$41,624	+	\$0	-	\$16,487	=	\$253,476	\$432,715	59%
13	2023	\$253,476	+	\$45,787	+	\$0	-	\$56,250	=	\$243,013	\$465,548	52%
14	2024	\$243,013	+	\$50,366	+	\$0	-	\$73,020	=	\$220,358	\$459,299	48%
15	2025	\$220,358	+	\$55,402	+	\$0	-	\$0	=	\$275,761	\$436,656	63%
16	2026	\$275,761	+	\$60,942	+	\$0	-	\$12,355	=	\$324,348	\$488,894	66%
17	2027	\$324,348	+	\$67,037	+	\$0	-	\$20,514	=	\$370,871	\$530,445	70%
18	2028	\$370,871	+	\$73,740	+	\$0	-	\$47,679	=	\$396,932	\$565,392	70%
19	2029	\$396,932	+	\$81,114	+	\$0	-	\$14,568	=	\$463,478	\$574,235	81%
20	2030	\$463,478	+	\$89,226	+	\$0	-	\$27,847	=	\$524,857	\$617,951	85%
21	2031	\$524,857	+	\$80,303	+	\$0	-	\$467,401	=	\$137,759	\$649,939	21%
22	2032	\$137,759	+	\$72,273	+	\$0	-	\$81,009	=	\$129,023	\$235,182	55%
23	2033	\$129,023	+	\$65,046	+	\$0	-	\$76,842	=	\$117,226	\$207,230	57%
24	2034	\$117,226	+	\$58,541	+	\$0	-	\$48,736	=	\$127,031	\$183,968	69%
25	2035	\$127,031	+	\$52,687	+	\$0	-	\$13,781	=	\$165,937	\$189,929	87%
26	2036	\$165,937	+	\$47,418	+	\$0	-	\$14,291	=	\$199,064	\$232,703	86%
27	2037	\$199,064	+	\$42,676	+	\$0	-	\$0	=	\$241,741	\$276,873	87%
28	2038	\$241,741	+	\$38,409	+	\$0	-	\$52,723	=	\$227,426	\$337,585	67%
29	2039	\$227,426	+	\$34,568	+	\$0	-	\$26,016	=	\$235,978	\$346,837	68%
30	2040	\$235,978	+	\$31,111	+	\$0	-	\$29,525	=	\$237,564	\$384,640	62%

Assumptions / Comments

Inflation Rate for Reserve Expenses	2%	(annual increase per year)
Average Expenses Per Unit / Month	\$28	(average reserve expense per unit + inflation)
Average Funding Per Unit / Month	\$31	(average reserve funding per unit + inflation)
Special Assessments (next 30 yrs)	\$0	(average Special Assessment per unit / year)
Annual updates of this study are required in order to reconcile your actual costs with the projected expenses.		

30 Year Flow Chart

Montage at Mission Hills Homeowners' Association

Report Date: 01/01/2011

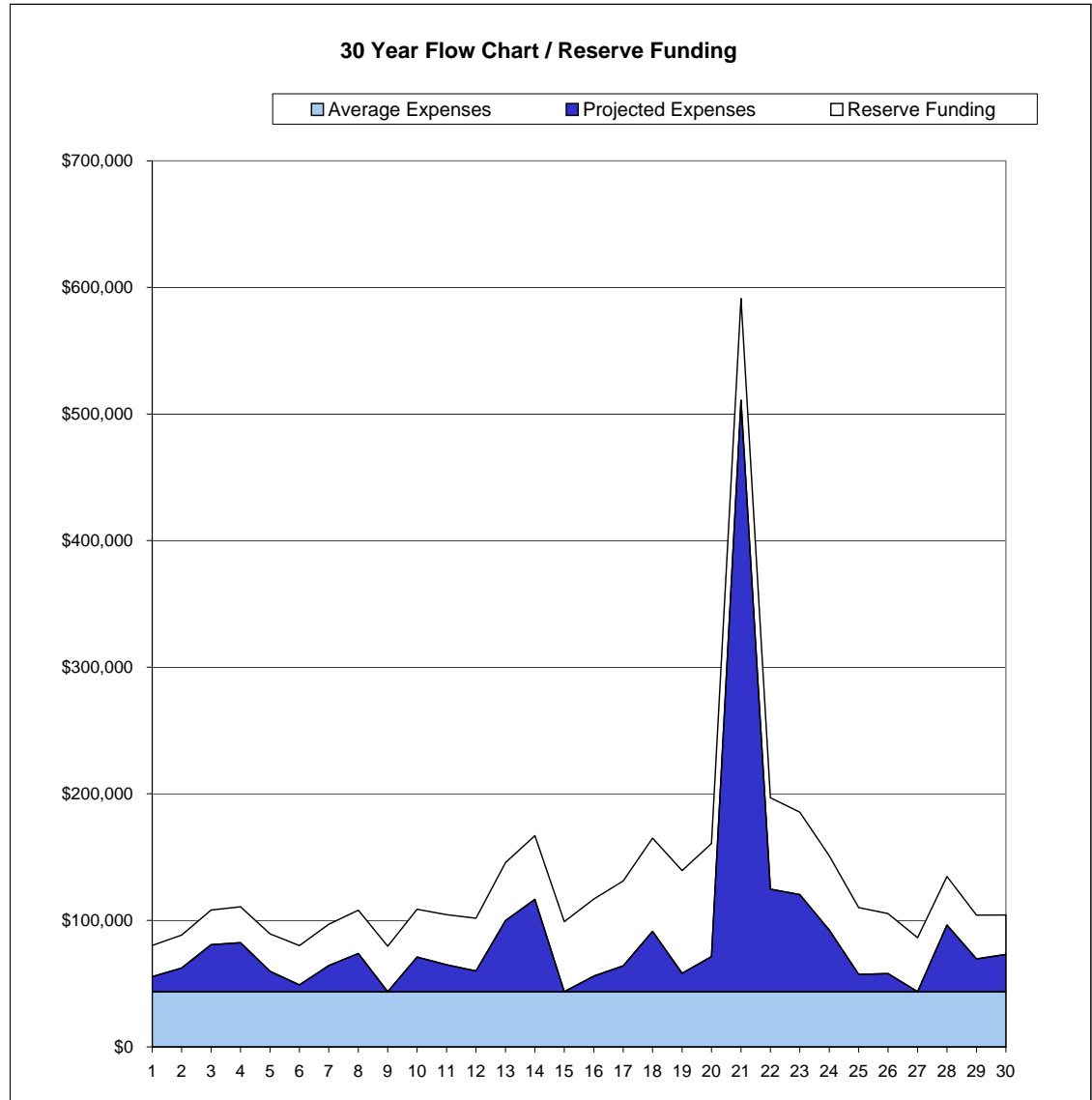
Fiscal Year: 01/01/11 - 12/31/11

Year	Average Expenses	Projected Expenses	Reserve Funding
1	\$43,565	\$11,900	\$24,631
2	\$43,565	\$18,769	\$25,972
3	\$43,565	\$37,230	\$27,287
4	\$43,565	\$38,751	\$28,406
5	\$43,565	\$16,175	\$29,582
6	\$43,565	\$5,406	\$31,061
7	\$43,565	\$20,676	\$32,614
8	\$43,565	\$30,256	\$34,245
9	\$43,565	\$0	\$35,957
10	\$43,565	\$27,427	\$37,755
11	\$43,565	\$21,320	\$39,642
12	\$43,565	\$16,487	\$41,624
13	\$43,565	\$56,250	\$45,787
14	\$43,565	\$73,020	\$50,366
15	\$43,565	\$0	\$55,402
16	\$43,565	\$12,355	\$60,942
17	\$43,565	\$20,514	\$67,037
18	\$43,565	\$47,679	\$73,740
19	\$43,565	\$14,568	\$81,114
20	\$43,565	\$27,847	\$89,226
21	\$43,565	\$467,401	\$80,303
22	\$43,565	\$81,009	\$72,273
23	\$43,565	\$76,842	\$65,046
24	\$43,565	\$48,736	\$58,541
25	\$43,565	\$13,781	\$52,687
26	\$43,565	\$14,291	\$47,418
27	\$43,565	\$0	\$42,676
28	\$43,565	\$52,723	\$38,409
29	\$43,565	\$26,016	\$34,568
30	\$43,565	\$29,525	\$31,111

30 Year Reserve Funding Summary

Projected Expenditures (next 30 yrs)	\$1,306,955
Projected Reserve Funding (next 30 yrs)	\$1,435,422
Projected Special Assessments (next 30 yrs)	\$0
Average Expenses per yr (no inflation)	\$30,644
Average Expenses per yr (+ inflation)	\$43,565
Average Funding per Year (next 30 yrs)	\$47,847
Average Interest Income / Yr (next 30 yrs)	\$3,237
Total Members (units, homes)	128
Average Expenses Per Unit / Month (no inflation)	\$20
Average Expenses Per Unit / Month (+ inflation)	\$28
Average Funding Per Unit / Month (no inflation)	\$20
Average Funding Per Unit / Month (+ inflation)	\$31
Inflation Allowance Reserve Expenses (next 30 yrs)	2%

Annual updates of this study are required in order to reconcile your actual costs with the projected expenses.



Assessment and Reserve Funding Disclosure Summary

Montage at Mission Hills Homeowners' Association

Report Date: 01/01/2011

Fiscal Year: 01/01/11 - 12/31/11

This disclosure summary is required to be completed and distributed to all members per California CC 1365.2.5.

- (1) The monthly regular assessment per ownership interest will be (see attached). This is the total amount of assessments plus reserve funding as approved by the Board of Directors for the next fiscal year.

- (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:

Date assessment is due:	<u>N/A</u>
Amount per month (or year):	<u>N/A</u>
Purpose of the assessment:	<u>N/A</u>

- (3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and or replacement of major components during the next 30 years?

Yes ? X (Refer to Exhibit E or F for projected balances)

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 of directors or members?

Approximate date assessment is due: N/A

Amount per month (or per year): N/A

- (5) All major components are included in the reserve study and are included in its calculations (refer to Exhibit D).

- (6) Based on the method of calculation per California Civil Code 1365.2.5, the estimated amount required in the reserve fund is:
- | | | |
|--|--------------------------------|--------------------------|
| | <u>\$164,645</u> | Fully Funded Reserves |
| Projected Cash Reserves | <u>\$109,097</u> | Projected for 01/01/2011 |
| Estimated percent funded: | <u>66%</u> | |
| Prepared by AssociationStudies.com on: | <u>Report Date: 01/01/2011</u> | |

- (7-A) Based on the method of calculation in paragraph (4) of subdivision (b) of California Civil Code 1365.2.5, the estimated amount required in the reserve fund at the end of each of the next five budget years is:

Year:	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	\$196,336	\$224,859	\$243,842	\$245,047	\$245,411

- (7-B) The projected reserve fund cash balance in each of those years, taking into account only reserve assessments already approved by the Association (approved budget):

Year:	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	TBU	TBU	TBU	TBU	TBU

- (7-C) The projected percent (%) funded in each of those years, for only assessments already approved:

Year:	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	TBU	TBU	TBU	TBU	TBU

- (7-D) If the reserve funding plan (per Exhibit's E or F) approved by the association is implemented, the projected reserve fund cash balance will be:

Year:	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	\$121,828	\$129,032	\$119,089	\$108,744	\$122,151

- (7-E) The projected (%) funded in each of those years, will be (per Exhibit's E or F):

Year:	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	62%	57%	49%	44%	50%

Assesment and Reserve Funding Disclosure Summary

Montage at Mission Hills Homeowners' Association

Report Date: 01/01/2011

Fiscal Year: 01/01/11 - 12/31/11

(8) This paragraph is added to include the requirements of California CC 1365, Section A (2 D):

Amount required in the reserve fund is:	\$164,645	Fully Funded Reserves
Less: Accumulated cash reserves:	<u>\$109,097</u>	Projected for 01/01/2011
Estimated current deficiency:	\$55,548	
Estimated current deficiency per unit:	\$434	
Amount of units (or members):	128	

Note: The financial representations set forth in this summary are based on the best estimates of the preparer as of the date of this report. The estimates in this summary are subject to change (annual updates are required).

At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was 1.5% per year for the first 5 years (Exhibits B & C). There are no interest income allowances for reserve funding projections after the 5th year. The assumed long-term inflation rate to be applied to major component repair and replacement costs was 2% percent per year (Exhibit E).

For the purposes of preparing California Civil Code 1365.2.5 (Disclosure Summary):

(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 1365.5. 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 Assessment and Reserve Funding Disclosure Summary form shall accompany each pro forma operating budget or summary thereof that is delivered pursuant to this article. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in the Assessment and Reserve Funding Disclosure Summary form 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.

Abbreviations / Assumptions:

TBU - To be updated / determined by Association

N/A - Not Applicable at this time

Annual updates of this study are required in order to reconcile your actual costs with the projected expenses.