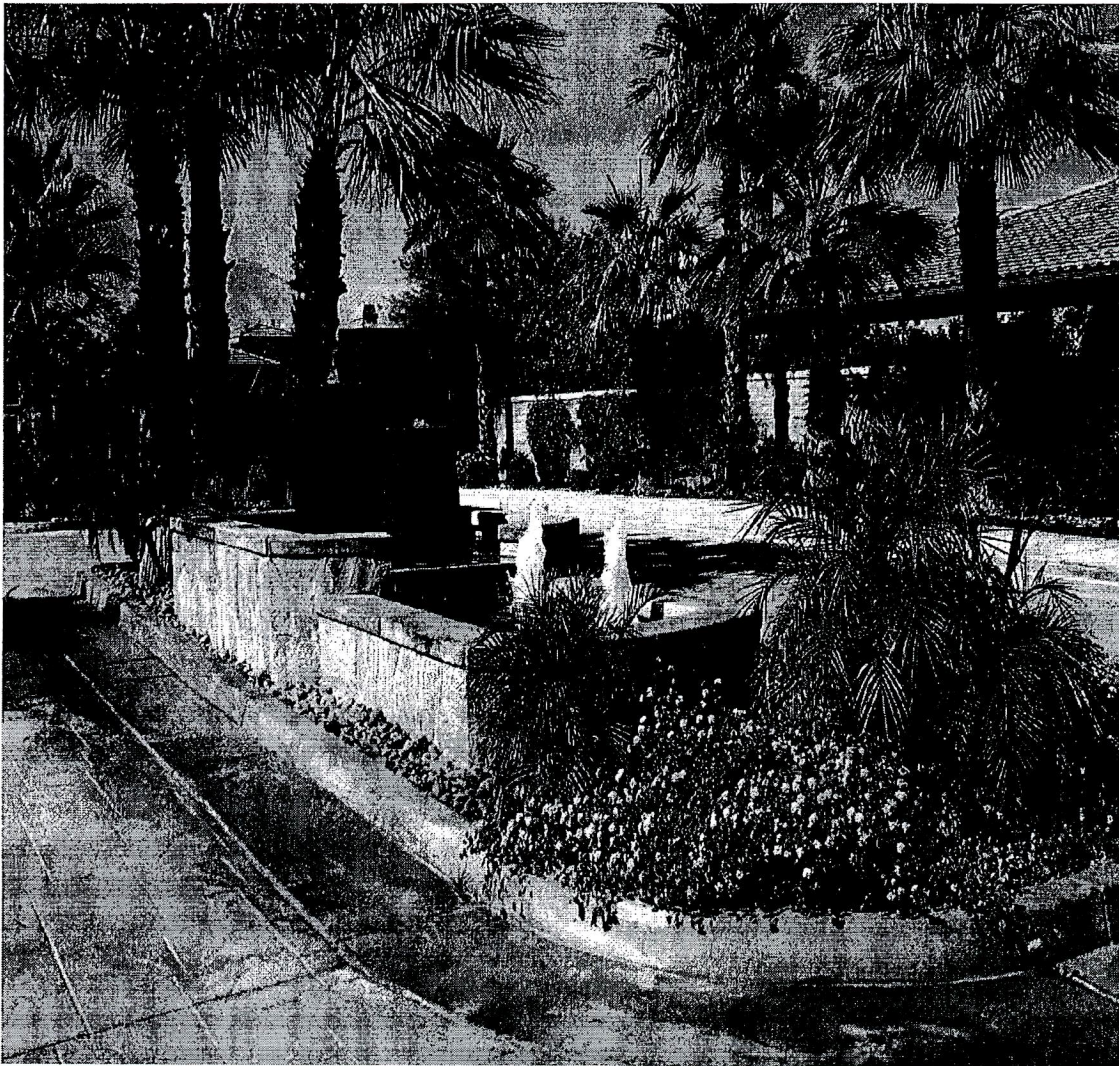




Montage at Mission Hills Homeowners' Association  
69940-70899 Gerald Ford Drive  
Rancho Mirage, California 92270

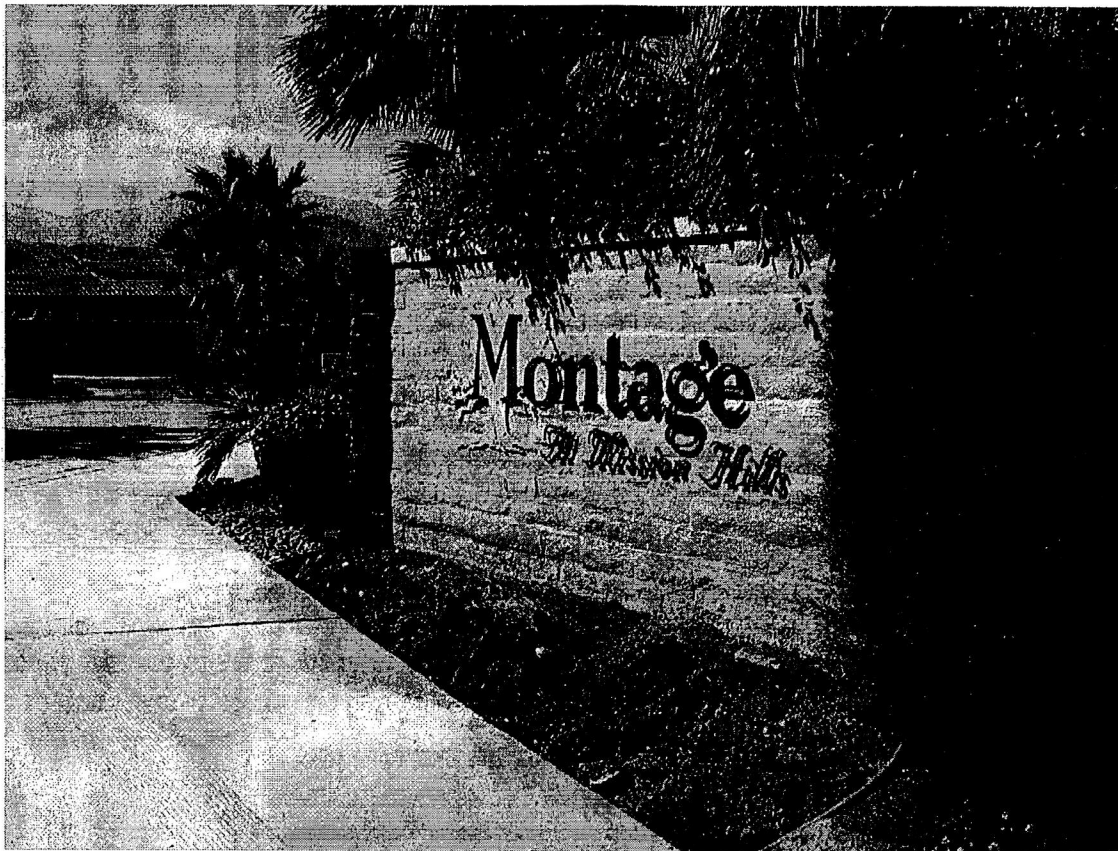


Reserve Study with Site Inspection  
January 1, 2008  
Effective Date of Study  
Prepared by: AssociationStudies.com  
909-425-2091 (off), 909-425-2098 (fax)

**YOUR COPY**

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## Montage at Mission Hills Homeowners' Association Executive Summary

Effective: January 1, 2008 – December 31, 2008

This reserve study identifies 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 study will also comply with the guidelines of California Civil Code 1365.2.5 and 1365.5. Many useful recommendations, charts, pictures and financial exhibits are include in this report.

### Current Findings (Reserve Funding):

Total Members (units, homes)	128	Per Association records.
Projected Cash Reserves (for 12/31/2007)	\$83,063	Estimated reserves per client (un-audited).
Fully Funded Reserves (Ideal Reserves)	\$124,297	Refer to Exhibit D.
Percent Funded	67%	Projected for 1/1/08

### Recommended Reserve Funding (next fiscal year):

Reserve Funding / Year (01/01/08 – 12/31/08)	\$41,060	Straight Line Funding Method. See Exhibits A, B & E
Monthly Contributions (per unit)	\$27	Per unit per month (or per member).
Percent Funded (end of next fiscal year)	54%	Projected at the end of the next fiscal year (Straight Line Method)

### **Reserve Funding / Comments:**

For the next fiscal year our minimum recommendation for the **Montage at Mission Hills Homeowners Association** is to fund the reserves at the Straight Line Method in the amount of \$41,060 (per yr). In the following years you can make adjustments base on spending estimates plus inflation. Exhibits C and E can help you plan your reserve funding over the next 30 years.

### **Operating Expenses / Comments:**

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

Please contact us if you have any planned special assessments or specific funding goals that you may want to include in this study. Also, keep in mind that annual updates are required in order to reconcile your actual costs with the projected expenses in this study.



### **About the Reserve Funding Options? (Exhibit A)**

Our recommended funding option for your association is to be near or at "Fully Funded" reserves. If this is not possible (due to budget restraints), then develop a comprehensive plan to increase your reserves. This study will provide several recommendations on how you can best achieve your funding targets based on the age of components, condition, spending needs and current level of your reserves. The ideal level of reserves is to be above 80%. If your Association is below the 50% level, than you should consider a special assessment for major work such as re-roofing or plumbing remodel work.

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

The "Fully Funded Method" is considered the industry accounting 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 new asphalt is \$100,000 with a 20 year life it should have \$50,000 in reserves after 10 years ( $\$100,000 \div 20 \text{ years} \times 10 \text{ yrs}$ ).

The "Threshold Funding Method" allows you to establish a specific funding goal that maintains a predetermined level of reserves. Threshold Funding (depending on your goal) could be less than or greater than the "Fully Funded Reserves." This method is normally calculated as a pre-determined amount (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 watch your cash flow so that you do not deplete your reserves to below zero.

The "First Year Baseline Funding Method" covers your projected costs for the first year and maintains the current level of reserves. This option is normally not recommended (unless your reserves are near the fully funded level) because it will not allow you to increase your reserves.

The "Baseline Method" is calculated to meet your spending projections (see 30 Year Cash Flow; Exhibit's E and F) and maintains a reserve funding level above zero. This method can match your funding with your spending (with or without inflation). When using this method you must watch 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. *Please contact us if you have any specific statutory requirements that are not specified in this report.*

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 a short term project such as re-roofing work. In an urgent situation a special assessment can quickly help with specific needs such as plumbing work, elevator remodel, slope damages or storm repairs.

### **About the 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 mainly designed as a planning tool to help you reconcile your operating expenses with the reserve funding study for the next 5 years. This exhibit will also include any inflation in order to help you plan for escalating costs. Knowledge of this Exhibit can help the owners or the property manager to detail any cost saving areas of the budget and to deduct interest income if applicable.





### **About the 5 Year Plan? (Exhibit C)**

The 5 Year Plan is a summary of the average spending and cash balances over the next five years. This exhibit is mainly designed as a planning tool to help you plan or budget for any major projects and or special assessments over the next 5 years. This exhibit will also highlight your cash reserve balances from years 1 through 5 in order to see if your cash on hand is adequate. Knowledge of this exhibit can help the owners or the property manager to oversee any deficit cash balances in the next 5 years.

### **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. Remarks, condition notes and assumptions of each component will also be summarized on this exhibit.

### **30 Year Cash Flow Summary (Exhibits E & F)**

This is a cash flow summary of the dollars needed to repair, replace, restore and or to maintain any major components during the next 30 years. Knowledge of these costs will allow the owners/property manager to allocate the proper resources to meet these expenses.

### **Property Overview, Definitions, Abbreviations, Reserve Study Advantages (Pages 8 - 10)**

The Property Inspection Overview will briefly summarize any specific conditions about the property. The overview will allow the owners or the property manager to determine if an appropriate plan of action is necessary in order 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.

### **Component Assessment Details & Cost Saving Tips (Starts on page 14)**

Preventative maintenance recommendations and many useful cost saving tips are provided in this section. This section also provides helpful guidelines on how to extend the useful life of your components. Knowledge of this information will also allow the owners and the property manager to improve the overall appearance and increase the property values.

### **Do Your Own Update Study?**

If you are interested in a "Do Your Own Update Study" template please contact us. The financial template is a spreadsheet that will allow you to do next years update. The updates and adjustments can be made by you for years to come. This will save you time and money in the long run.

The template (similar to this study) will provide reserve funding options, a component inventory schedule, a pro forma budget, a 5 year plan, a percentage (% by unit) schedule, a 30 year cash flow summary and more. We will also provide detailed instructions on how to update your report along with useful information about replacement costs. One requirement of doing your own update is some knowledge of Microsoft "Excel" and "Word" software.



## 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 (major changes) to the report, then contact us within 30 days. A revision could alter the results of this report 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. Sometimes the annual review will allow you to lower your costs. The annual review will also help to maintain an accurate plan of your financial needs and can help to avoid any special assessments. In some cases you may want to increase reserve funding if you anticipate any unusual problems such as retention basin problems, wall problems or perimeter palm tree problems.

Replacement allowance or 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 roofer will provide a bid based on the volume of work. If they can re-roof all areas of the property at once a cost savings is normally provided based on the volume of work. Our study applied this variation where applicable. Also, please feel free to submit any current bids that you may want to include in this study.

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. This study does not factor in any damages caused by flooding, storms, earthquakes or similar events.

This study was limited to a visual inspection only (if applicable). There was no probing, digging or testing of the components. In some cases there may be areas that are not accessible or visible and an allowance may not be included in this study for any of these components. Please contact us if you are aware of any unusual problems that should be included in the report such as termite or structural problems.

We are not responsible for any claims relating to mold, asbestos, 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 and or structural problems of the property including its conformity to any governmental code requirements (fire codes, building codes, earthquake codes). Please contact us if you have any knowledge of structural problems and or hazardous material and we will include this information in the report.

This study is intended for the sole use of the Client (or representative) and is not to be construed as a guarantee, warranty or an opinion on the advisability of real estate sales or purchasing. No third parties are authorized to rely upon the contents of this report. All rights are reserved. The contents of this study may not be reproduced or transmitted without the consent of AssociationStudies.Com except as follows: Client (or representative) shall have the right to reproduce and distribute copies (in whole or in part) as required by Association governing documents, State laws and or Civil Code requirements. If copies of this study are transmitted to any other person than the above mention then Client (or representative) agrees to indemnify, defend and hold AssociationStudies.com harmless from any third party claims.

This study provides an annual allowance for inflation. This 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) and or information provided by the "Architects Contractors Engineers Publishing Company Index" booklet and client provided input. Our clients are not obligated to use inflation and can contact us to adjust or remove this factor.



The interest allowance in this study is calculated on any projected reserves. The interest rate (yield) is normally determined by the marketplace and other variable factors. It is important to remember that only a portion of the funds should be invested in long term commitments. Keep a certain amount of money available for replacement projects. The Association should also budget for taxes on any interest income. Your CPA will determine the taxes on an annual basis when preparing the audit or financial review.

A contingency allowance is normally provided for any unbudgeted or unusual expenses such as geological problems, palm tree problems or street problems. 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. Our clients are not obligated to use a contingency fund and can contact us to adjust or remove this allowance.

Many States have established funding requirements (or laws) based on statutory policies and or civil codes. Please contact us if you have any specific statutory requirements that are not specified in this report that you are aware of.

### **Certification Disclosure and Qualifications of your Reserve Study Analyst**

Thank you for the opportunity of allowing us to provide you with a comprehensive reserve study report or update. 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 the best estimates of the reserve study analyst as of the date of this report (or the inspection date). *Please be advised that AssociationStudies.com and any of its employees have no ownership interest with the management, developer or any real estate in this development.* Any inspections or analytical decisions made for this study were done under the direct supervision of: Vernon Funn, PRA, MBA, CPM, RPA of AssociationStudies.com. Vernon Funn is a "Professional Reserve Analyst" certified by the National Association of Professional Reserve Analysts (APRA). Please feel free to call us at 909-425-2091 if you have any questions about this report.

**Property Inspection Overview**  
Montage at Mission Hills Homeowners' Association

The purpose of this section is to provide an overview of the property and to briefly summarize any specific conditions. This section will allow the owners or the property manager to determine if an appropriate plan of action is necessary in order to correct any specific issues.

Description	Remarks / Recommendations
Property Type	Residential Common Interest Development 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.
Inspection / Pictures	The date of the site inspection and pictures was on: October 12 and 13, 2007
Member units	128 member units
Overall Condition of Subject Property	The overall appearance and condition of the common areas are in good condition.
About the Neighborhood	The overall condition and appearance of the neighborhood properties near the property is good. Most of the properties in the neighborhood consist of single family homes. There are community parks, shopping facilities, restaurants, hotels and schools within a few blocks of the property.
Recreational Amenities	N/A
Parking	Attached to homes
Land Area	23 acres (approximate size)
Year Built	2002 - 2004 (approximate age)
Construction Type	N/A (Each owner is responsible for their own property)
Topography	Level
Construction Defect lawsuits	N/A, No current lawsuits or defects were reported.
Structural problems	No structural problems were observed or reported.
Drainage problems	No drainage problems were observed or reported.  <i>Please note that all drain channels must be checked and cleared on an annual basis to prevent clogging and or flooding problems. If you have sump pumps, have them inspected and tested annually.</i>
Termite infestation (Recommendations)	A termite inspection is recommended at least once every 5 years for common area buildings. The results will allow the owners to determine any remedies that will be needed.
Deferred Maintenance	None.
Preventative Maintenance Comments	A good rule is to first take quick steps on curing any deferred maintenance problems. Next, work on doing the preventative maintenance work because it will prevent the problem from reaching the "break down" category. See page 14 for more details about deferred or preventative maintenance recommendations.

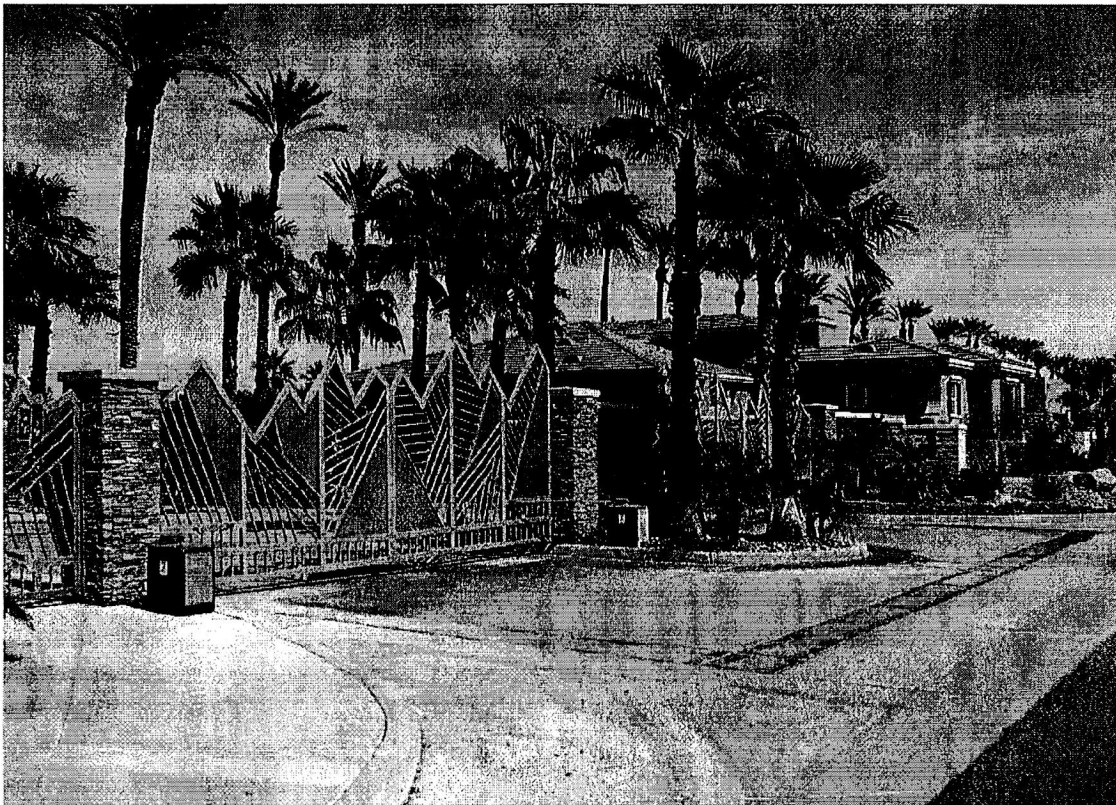


### Definitions and Abbreviations

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	A funding method that covers your projected costs and maintains the current level of reserves to above zero.
Contingency Allowance	A contingency allowance is provided for any unbudgeted or unusual expenses such as geological problems, palm tree problems or street problems.
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.
Disbursement	In this report, a disbursement will normally refer to a reserve funding contribution (or an expenditure) from the existing or projected reserves.
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.
Effective Age	The difference between the useful life and the remaining useful life. For example if the useful life for paint is 7 years and the remaining life is 2 years, the effective age is 5.
Fully Funded Reserves or Ideal Reserves	An accounting method used to determine an "ideal" funding calculation at or near the 100% level. For example, if the cost to paint is \$80,000 with an 8 year life it should have \$40,000 in reserves for this component after 4 years. (\$80,000 divided 8 X 4 years)
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 budget goals or by a percentage of the ideal reserves).
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).
Preventative Maintenance	A practice that intends to preserve the performance expected from the component, equipment or system.
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. Defective workmanship or poor quality can lower the threshold of the useful life but good maintenance can prolong it.
Abbreviations	<p>SF = Square Feet Square = 100 square feet HVAC = Heating, Venting, Air Conditioning SY = Square Yards LF = Linear Feet HP = Horse Power  BTU = British Thermal Units. Measures units / per hour for heating or cooling.  Per Unit = A measurement used for a specific item such as furniture or light fixtures.  As needed = These components can be replaced when the item is not working or if paint or repairs are needed. Examples are gate controls and enunciators, pumps and motors.  A = An allowance that was provided by a current estimate obtain from management, the association or the property owner.  B = An allowance for an expense that is based on current estimates for your area. These costs are adjusted to fit the size of the job and will include labor + materials.  D = Difficult to determine the condition, useful or remaining life. It also means that this component is subject to fail at anytime and that you should be prepared to repaired or replace it on an as needed basis. These components are usually mechanical or electrical. Examples are gate controls and enunciators, pumps and motors.  H = Data obtained from the property based on the Historical Costs.</p>

### **Reserve Study Requirements and Advantages**

- Mortgage or Loan requirements in many cases
- Statutory or Civil Code requirements.
- Certified Public Accounting (CPA) reporting requirements.
- Per requirements of your By Laws or CC& R's.
- Planning for capital projects and preventative maintenance.
- Common Area Maintenance (CAM) budgets for commercial tenants.
- Useful tool for budgeting and controlling costs.
- Help to identify and report any special costs to owners.
- Proper care and preventative maintenance of building assets.
- Improve the appearance, property values & curb appeal.
- Can avoid unnecessary special assessments to member owners.
- Planning, controlling and organizing your assets and goals.
- Provides financial stability with managing / spending capital funds.





**Assessment and Reserve Funding Disclosure Summary**  
**Montage at Mission Hills Homeowners' Association**

This disclosure summary is required to be summarized and distributed to all association members per California Civil Code 1365.2.5 on an annual basis.

(1) The 2008 regular assessment per ownership interest will be \$134 per month. 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 Will be Due	Amount per month or year	Purpose of the Assessment	Comments
n/a	n/a	n/a	n/a

(3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and / or replacement of major components during the next 30 years:  
 Yes \_\_\_\_\_ No \_\_\_\_\_ (to be determined)

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:

Approximate Dates Assessment will be Due	Amount per month or year	Comments
To be updated	To be updated	To be updated

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

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of California Civil Code section 1365.2.5, the estimated amount required in the reserve fund is \$124,297 based in whole or in part on the most recent reserve study or update prepared by AssociationStudies.com on 11/6/2007. The estimated reserve fund cash balance as of 9/30/07 is \$78,052, resulting in reserves being at 63% percent funded.

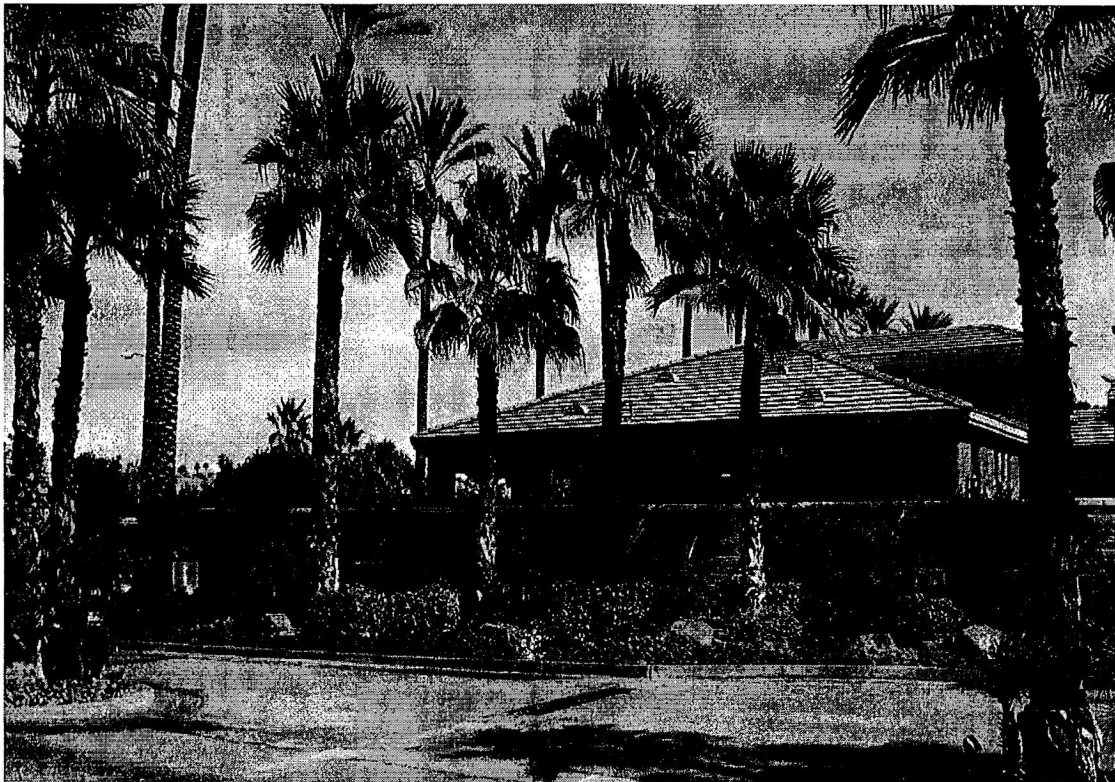
(7) Based on the method of calculation in paragraph (4) of subdivision (b) of California Civil Code section 1365.2.5, the estimated amount required in the reserve fund at the end of each of the next five budget years is (refer to Exhibit C), and the projected reserve fund cash balance in each of those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

**Important note:** In order to answer question #7 we have prepared a 5 Year Plan (Exhibit C). Please refer to Exhibit C for specific details. Once the study is finalized you can attached Exhibit C with your Disclosure Summary Report. Keep in mind that annual updates by the Board of Directors are required in order to reconcile actual costs with the projected expenses.

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.

*Comments: Please contact us if you need any instructions on filling out the 1365.2.5 Disclosure Summary. We can 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 the inspection (or report) and the estimates in this summary are subject to change due to inflation and any other unforeseen circumstances.*





## Summary of California Civil Code 1365.5 (Reserve Study Guidelines)

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.

The reserve study shall at a minimum include:

- 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.
- 2) The association shall identify the probable remaining useful life of the major components identified in paragraph (1) as of the date of the study.
- 3) The association shall provide an estimate of the cost to repair, replace, restore or maintain the components identified in paragraph (1).
- 4) The association shall provide 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.

A brief definition of "reserve accounts" per Civil Code 1365.5

- 1) Moneys that the association's board of directors has identified for the use to defray the future repair or replacement of, or additions to, those major components which the association is obligated to maintain.
- 2) The funds received and not yet expended or disposed from either a compensatory damage award or settlement to an association from any person or entity for injuries to property, real or personal, arising from any construction or design defects. These funds shall be separately itemized from funds described in paragraph (1).

*Comments: Please contact us if you received any compensatory awards in order to separate these funds from the existing reserves for the purpose of preparing this reserve study. Keeping the compensatory awards separate from your existing reserves will reflect a more accurate reserve study. If you recently received any settlement funds you will need to keep them separate with specific names on each account such as "Earthquake Settlement Fund" or "Roofing Settlement Fund."*

Distribution of the Pro forma Operating Budget / Reserve Summary

On an annual basis the association is required to distribute to all owners 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 study conducted pursuant to section 1365.5. This "pro forma" (budget/reserve) 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 board must also determine and inform the members that one or more special assessments will be required to repair, replace, or restore any major component or to provide adequate reserves. This section covers a broad range of requirements (including Insurance Disclosure Requirements). It is important to review this code before you distribute the information to the members.

Please note that this is only a brief summary of California Civil Code 1365 and 1365.5. For complete and detail information on the California Civil codes contact Piedmont Press at 510-595-8400 or go to [www.condobook.com](http://www.condobook.com), [www.davis-sterling.com](http://www.davis-sterling.com), or [www.leginfo.ca.gov](http://www.leginfo.ca.gov).

## **Component Assessment Details and Cost Saving Tips Montage at Mission Hills Homeowners' Association**

Preventative maintenance recommendations and many useful cost saving tips are provided in this section. This section also provides helpful guidelines on how to extend the useful life of your components. Knowledge of this information will also allow the owners and the property manager to improve the overall appearance and increase the property values.

This section will cover the following components:

Asphalt.....	Page 15
Concrete Maintenance .....	Page 17
Painting .....	Page 17
Electrical / Lighting.....	Page 19
Mechanical / Gates / Intercom.....	Page 20
Water Fountain.....	Page 21
Landscape / Drainage.....	Page 22
Contingency Allowance.....	Page 24
Mailboxes.....	Page 24
Signage.....	Page 25





## **Replacement Allowance Limitations**

Replacement allowance or 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 wall masons will provide a bid based on the volume of work. If they can repair all damaged wall on the property at once the savings is provided on the volume of work. Our study applied this variation where applicable.

## **About Deferred Maintenance?**

Deferred maintenance 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, than 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.

## **About Preventative Maintenance?**

Preventative Maintenance is a practice that intends to preserve the performance expected from the component, equipment or system. Maintenance can be classified into 3 categories. The first is breakdown maintenance (deferred), next is service maintenance (lubricating, minor repairs) and third is preventive maintenance. Preventative Maintenance will save you time and money in the long run because it will prevent you from reaching the break down category (deferred).

## **Asphalt Work**

An allowance is provided for seal coating, crack repairs and replacement work for any asphalt in the common areas. The estimated useable life for asphalt seal coating is about 5 – 6 years and this will depend on normal weather conditions. About once every 25 years asphalt replacement work is needed.

**Seal / Repairs:** The current estimated cost for 2 coats of seal coating will range from \$ .15 – 45 / SF mainly because of the size of the job. You will 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. You may want to specify in your bid requirements (clean surface areas, crack fills, oils spot removals).

**Replacement:** The current estimated cost for replacement 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 coat. The standard thickness for a new coat is between 2 – 3 inches. Thicker base coats are better for heavy traffic areas (large trucks). The replacement work will improve the appearance and replace any old cracks and uneven surfaces. A small job may require an extra "set up" cost. Tear-out work (aka pulverizing work) to the top layer is normally done especially for any unstable areas. The old base is also re-cycled back into the new paving material.

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 / replacement costs. For more information: [www.sealcoatmfg.org](http://www.sealcoatmfg.org) (Asphalt Seal Coat Manufactures Non-profit Association).

Asphalt maintenance allowance is included in this study



### **Concrete Repairs, Resurface and Maintenance**

This study has allocated a concrete maintenance allowance for the street curbing and entrance driveways. The following information will provide an overview of how you can maintain and prolong the useable life of any concrete sidewalks, decks, driveways or flooring.

**Concrete Repairs:** Occasional repairs or grinding will be required from time to time mainly due to uneven surfaces caused by tree roots, ground movements and or defective concrete mix. 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.

**Concrete Seal / Resurface Work:** An allowance is provided for any seal coating and resurfaces work for the entrance driveways. In some cases you may want to specify a specific color coat in order to enhance the appearance. There are many new methods that can enhance the appearance of concrete such as chemical staining, spray painting, acid staining, texture finishes, design stamping, epoxy coating and more. As concrete ages the surface begins to deteriorate and loose it nice appearance. Concrete resurfacing is becoming more and more successful mainly because of new testing, research and application methods. You may want to hire a qualified contractor that has a reputable track record on concrete resurfacing and or decorative work.

**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 \$4.00 - \$8.00 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, amount of use (traffic) and the quality of the mix. We can normally expect 30 – 50 years for most sidewalks and driveways. In heavy traffic areas or on a steep hill you can expect to pay more for repairs and or replacement work.



For more information on seal coats, water proofing, resurface or concrete work you can contact the following: [www.concretenetwork.com](http://www.concretenetwork.com), [www.revereproducts.com](http://www.revereproducts.com), [www.decostone.com](http://www.decostone.com), [www.durafloor.com](http://www.durafloor.com) and [www.advantagedeck.com](http://www.advantagedeck.com).

Seal and repair allowance is included for the entrance driveways



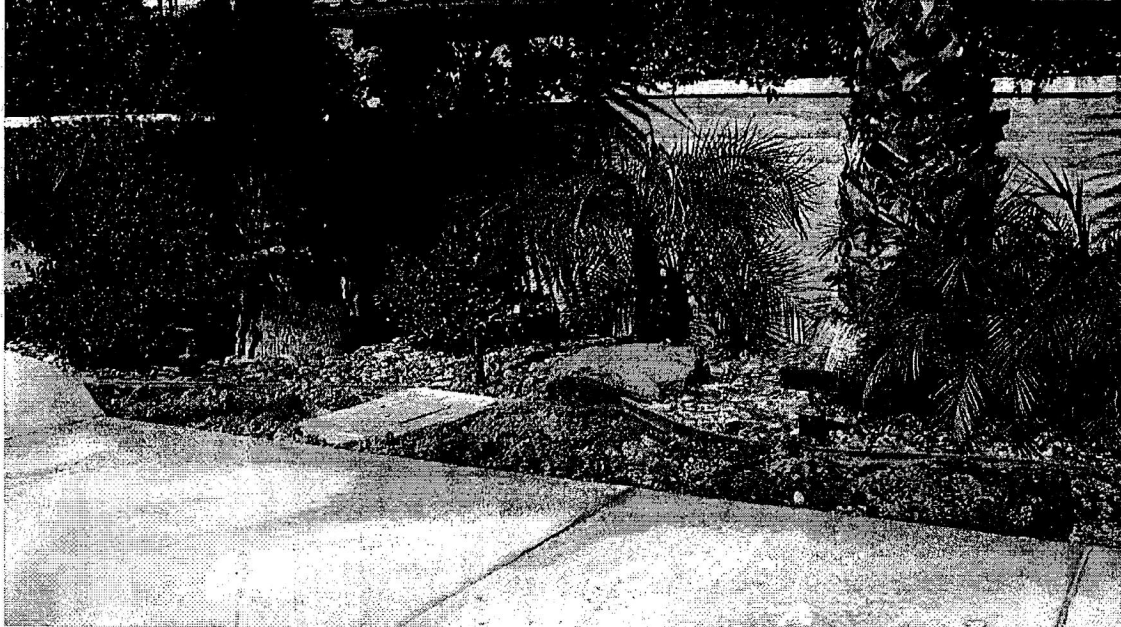
## Painting

The paint allowance provided in this study includes surface preparation work and primer coats if needed. Stay on a rigid paint schedule in order to protect the material and improve the appearance. A regular painting schedule can improve the overall appearance and will preserve the surface areas from water penetration. For stucco, you can pressure wash the surface areas in order to remove any dirt, grease and grime. The painting frequency will vary depending on the climate, quality of material and weather conditions. Metal and wood surfaces will require a more frequent schedule than stucco surfaces. The normal useful life for paint on metal and wood surfaces is 5 – 7 years.

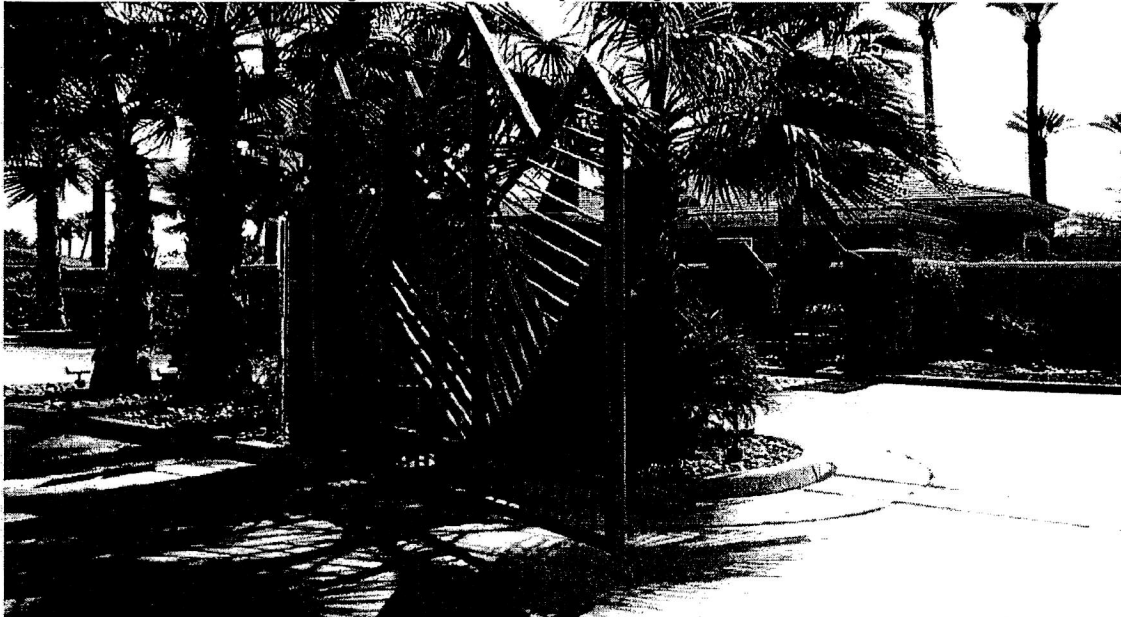
Getting painting estimates can vary because of quantity, material cost and contractor's profit requirements, the number of coats and surface repairs/preparation. You should obtain several bids (and references) because no two companies will have the same labor costs, profit requirements, warranty and rate of productivity. Discounts are normally provided by the paint manufacture to the contractor (or customer) if bought in volume. Have the contractors specify the quality, warranty, surface preparation or repair estimates and the number of coats in the bid (including primers).

Stucco, cement fiber board or masonry painting cycles is about 10 - 12 years. Stucco painting will also help to seal any cracking and can prevent moisture problems (mildew or mold). As an alternative to paint you can apply a new textured color coat of which could provide many more years of life. The cost for a new textured color coat is about \$3.00 or more per SF 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](http://www.merlex.com) or [www.stuccoflex.com](http://www.stuccoflex.com).

Exterior painting allowance for block walls are included



Painting allowance for any metal gates are included



## Electrical Repairs / Lighting Fixtures

**Light Fixtures and Ballasts:** This study has allocated an allowance (parts & labor) for replacement light fixtures and light ballasts in the common areas. You can replace the ballasts on an as needed basis as it fails. When replacing light fixtures and ballasts, your goal should focus on reducing your wattage and increasing the brightness. There are many energy lighting fixtures and ballasts now on the market that can reduce your electric costs by 25% – 50%. If necessary, you may want to hire a person that specializes in energy efficient lighting to provide a study on your current fixtures. Don't accept low cost fixtures or ballasts that can increase your energy costs. Be careful about inexpensive ballasts that are made by an unknown (or an unreliable) manufacturer. This could lead you to end up with defective ballasts that will last only a year or two. For more information you can visit the Energy Cost Savings Council at [www.plug-in.org](http://www.plug-in.org) or the National Lighting Bureau at [www.nlb.org](http://www.nlb.org).

**Electrical Contingency Allowance:** This study has allocated a contingency allowance to assist with some of the electrical repairs or improvements in the common areas. Occasional electrical repairs or improvements can be done on an as-needed basis. Some of these will involve circuit (control) panels, switches, light timers, building or underground wiring and solar cells. This expense can be increased as the property matures and the electrical costs are escalating.

Landscape light fixtures replacement allowance is included

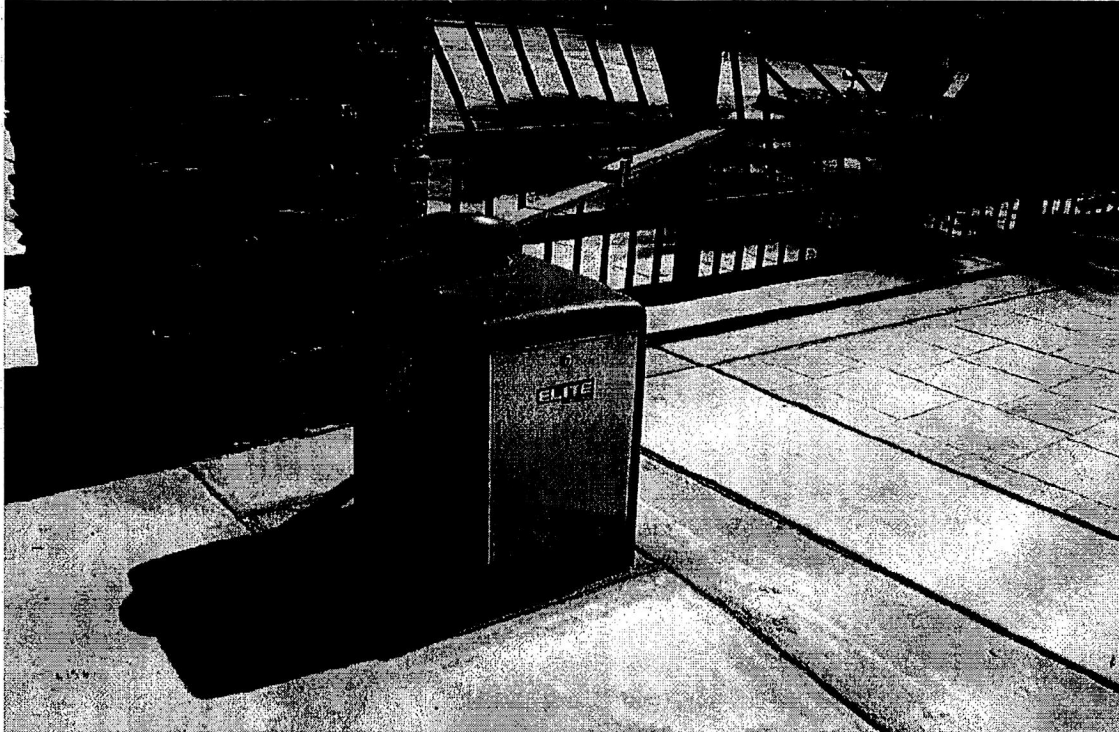


## Mechanical Equipment

**Gate Operators:** The replacement allowance in this study includes labor, new chassis, motor, electronic control board and the control panel. The estimated useful life of a gate operator will depend on the volume of usage and the quality. You can expect about 12 – 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 contact your vendor for costs and recommendations.

An allowance is also provided for any extra gate moving parts, equipment and sensors. Some of these may include guide rollers, wheels, chains, timers, control panels, wheel tracks, pulleys, worm gears, hinges, electronic sensors, overhead trolley assembly and exit loop detectors. The loop detectors are normally installed about 1" to 2" under the asphalt or concrete. The loop detectors are sensitive to water and occasionally fail because of wiring or insulation problems. Check with your vendor for any equipment or product upgrades such as electronic sensors.

**Allowance provided for the entrance gate operators**



**Intercom**

The replacement allowance in this study includes 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](http://www.EliteAccess.com), [www.SentexSystems.com](http://www.SentexSystems.com) or [www.doorking.com](http://www.doorking.com) . Elite, Sentex and Doorking are some of the leading manufacturers of entry access systems.

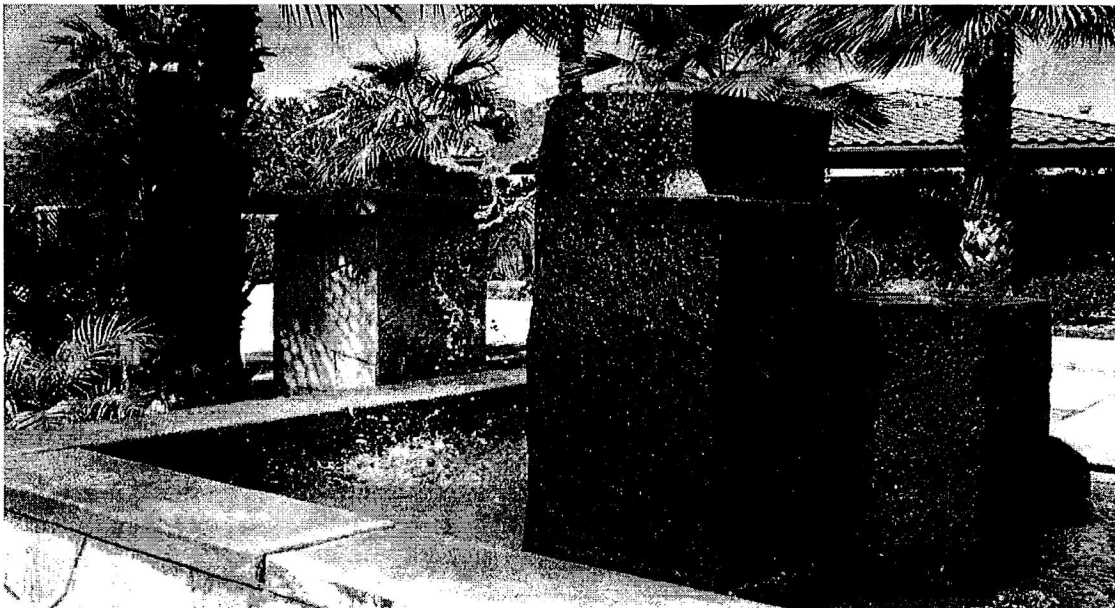


**Allowance provided for intercom replacement**



**Water Fountain Maintenance**

There is a water fountain feature in the entrance drive area. An allowance is provided in this study for any major components that will need replacement within the next 30 years. The allowance includes a cost for any mechanical equipment and concrete repairs. 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. Your vendor can also provide recommendations to help with chemical water balancing.



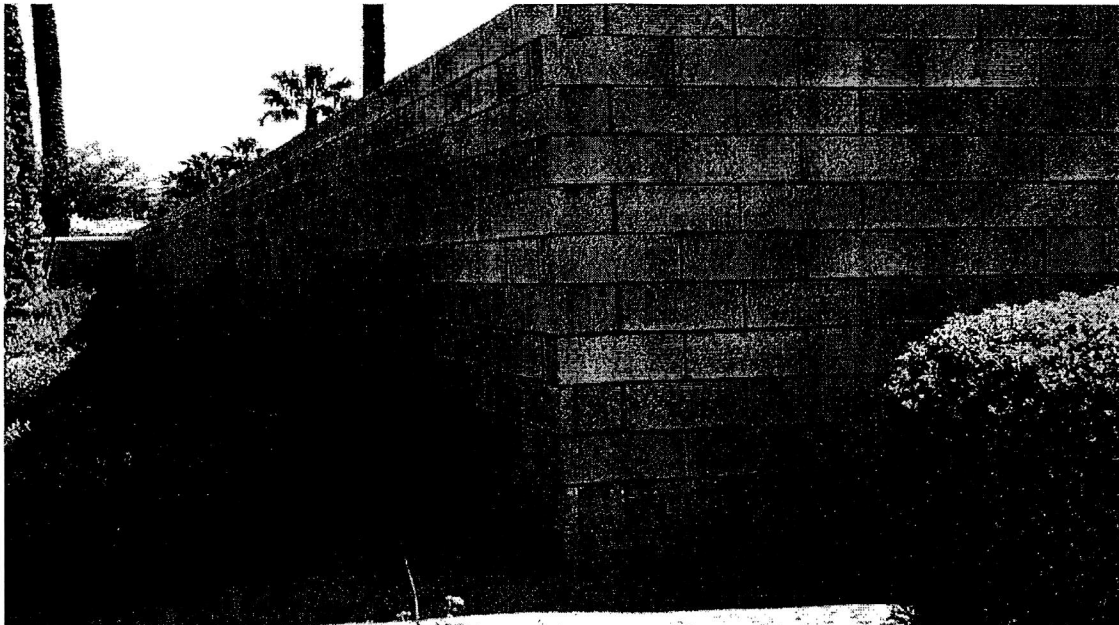
## Fence / Gate and Block Wall Repairs / Maintenance

The replacement allowance in this study includes any gates and block walls in the common areas. The following information will provide an overview of how you can maintain and prolong the useable life of fencing, gates or handrails.

**Wrought Iron or Metal:** 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 or anodized wrought iron should have an estimated useful life of 30 or more years with normal maintenance/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 (Block walls):** 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 + footing work is about at \$10 - \$15 per square foot and this will depend on the volume of work and the type of block or reinforcements. *Add 15% for a stucco finish.*

Block wall repair allowance is included



## Landscape / Storm Drainage

**Irrigation Maintenance:** This study has allocated a replacement allowance for any irrigation timers, control panels, valve parts and new tubing (PBC) replacements. *Some of the expenses are located in the operating budget.* Most of these repairs can be done on an as needed basis. The estimated useful life of most digital timers is about 12 years. For controller valve parts the estimated useful life is about 10 years depending on the quality. For example, plastic valve controller valves have a shorter life span compared to brass valves. You can expect to pay an extra 30% to 50% for brass valves but in the long run you save on time and money because it will last longer.

Current replacement costs for landscape irrigation installation work (includes valves, pipes, timers) is about \$1.50 per square foot (and up) of landscaped area. This allowance will depend of the volume of work and quality of parts. Check with your landscaper for estimates when the time is appropriate. For more information you can go to [www.Irritrol.com](http://www.Irritrol.com) or [www.Rainbird.com](http://www.Rainbird.com).

**Tree Maintenance:** An allowance for tree trimming is normally provided in the operating budget because the costs are based on historical expenses. Normally trees below 10 feet will be done on a regular basis by your landscapers. Any large trees (above 10 feet) should be placed on a schedule that will be trimmed according to its needs. Some may require trimming every year and others can wait for 2 or 3 years because some species grow faster than others. Extra large trees will require special pruning. Tree trimming near buildings can prevent property damages, gutter problems and will help with the overall appearance. Trimming can also prevent falling branches (or even the tree itself) in high winds. On a case by case basis, some large trees (or tree roots) will need to be removed in order to prevent sidewalk and building damages. Also, inspect trees for any pests or diseases that can be harmful such as pine beetles.

**Drainage Retention Basin Area:** This study provides a contingency allowance for any storm drainage maintenance and replacement allowances. Occasional repairs and maintenance can be done on an as-needed basis. Some of these will involve piping replacement work and clearing clogged drainage lines. The allowances in this study can be adjusted (increase as needed) as the Association matures and the needs are greater. Good maintenance will include inspections to determine if there is a need to clean, replace any pipes, man-covers, metal grates or drain basins. In some cases sump pumps could be added in low spots in order to assist with flooding problems.

Water retention drainage maintenance allowance is included



An allowance is provided for palm tree replacement work



### **Contingency Allowance:**

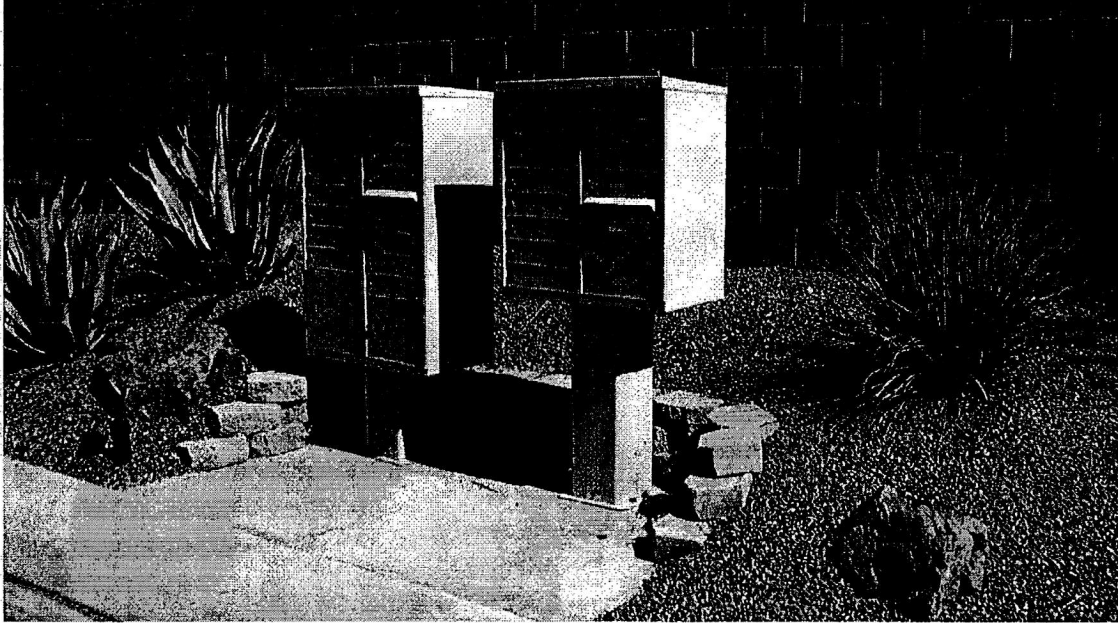
A contingency allowance is provided for any unbudgeted or unusual expenses such as geological problems, concrete replacement, block-walls and any special equipment repairs. Normally a contingency fund is based on an estimated amount per the age of the property, the historical expense records, the construction 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](http://www.mailboxes.com) or call 1-800-mailbox.



Mailboxes replacement allowance is provided



**Signage Replacement:** This study has allocated a replacement allowance for the entrance signs. Most signs such as the ones on your property are crafted in a custom size per your specifications. Painting the wood and metal (polishing the metal if it is made of brass) 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.bergensign.co](http://www.bergensign.co), [www.seton.com](http://www.seton.com), [www.corporatesigns.com](http://www.corporatesigns.com), [www.scottsigns.com](http://www.scottsigns.com), [www.SignsNow.com](http://www.SignsNow.com) or [www.FastSigns.com](http://www.FastSigns.com).



## Reserve Funding Options Montage at Mission Hills Homeowners' Association

Date of Report: 11/6/2007 (revised)

Effective Date of Study: 01/01/2008

Current Findings:			Remarks
Total Members (units, homes)	128		Client records
Cash Reserves	\$83,063	Estimated Cash Reserves for 12/31/07	Client records
Fully Funded Reserves (100%)	\$124,297		Exhibit D
Percent Funded	67%		Exhibit D

Reserve Funding (next fiscal year):			Remarks
Reserve Funding (per year)	\$41,060	Straight Line Method	Exec Summary (pg 3)
Add: Special Assessments	\$0		Exhibit E
Funding Contributions (per unit / month)	\$27		cost per unit
Percent Funded at Year End	54%		Exhibit E

Funding Assumptions (next fiscal year):			Remarks
Cash Reserves (start of fiscal year)	\$83,063		Exhibit E
Add: Special Assessments	\$0		Exhibit E
Add: Reserve Funding	\$41,060		Exhibit B, E
Less: Expenses (per Exhibit E)	\$34,851		Exhibit E
Projected Reserves at Yr End	\$89,272		Exhibit E
Fully Funded Reserves at Yr End	\$165,358		Exhibit E

Reserve Funding Options (1st year)	Per Unit / Month	Per Unit / YR	Totals / 1st Year	Percent Funded	Remarks
Fully Funded Method (ideal reserves)	\$76	\$915	\$117,146	100%	Exhibit D, E
Threshold Method	\$16	\$190	\$24,368	44%	Proposed Budget
Straight Line Method	\$27	\$321	\$41,060	54%	Exhibit D
1st Year Baseline Method	\$23	\$272	\$34,851	50%	Exhibit D
30 YR Baseline Method (no inflation)	\$26	\$312	\$39,873	53%	Exhibit E, F

### Assumptions / Comments

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

Threshold Funding is calculated to meet your funding goals (or based on a percentage of the ideal reserves).

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

Baseline Funding Method will maintain a predetermined level of reserves and cover any projected expenses.

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**

Date of Report: 11/6/2007 (revised) Effective Date of Study: 01/01/2008	Current Budget 2007	Year 1 2008	Year 2 2009	Year 3 2010	Year 4 2011	Year 5 2012	Annual Increase	Remarks Source/Code
<b>Projected Income</b>							(% per Yr)	
2001 Regular Assessments	\$196,608	\$205,842	\$233,195	\$241,106	\$246,985	\$254,025	5%	P
2002 Interest Income	\$3,458	\$3,543	\$1,339	\$1,818	\$2,151	\$2,751	-9%	P
2003 Assessment Violations	\$1,000	\$0	\$0	\$0	\$0	\$0		H
2003 Late Fees	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	0%	H
<b>TOTAL PROJECTED INCOME</b>	<b>\$202,266</b>	<b>\$210,585</b>	<b>\$235,734</b>	<b>\$244,124</b>	<b>\$250,336</b>	<b>\$257,976</b>	<b>5%</b>	<b>P</b>
<b>Administrative Expenses</b>								
4001 Audit	\$1,500	\$1,550	\$1,597	\$1,644	\$1,694	\$1,745	3%	H
4002 Reserve Study	\$1,250	\$0	\$0	\$1,200	\$0	\$0	(1 x 3 yrs)	H
4003 Professional Fee	\$500	\$650	\$670	\$690	\$710	\$732	3%	H
4004 Legal Services	\$0	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126	3%	H
4005 CAI Membership	\$400	\$425	\$438	\$451	\$464	\$478	3%	H
4006 Meeting & Board Expense	\$655	\$200	\$206	\$212	\$219	\$225	3%	H
4007 Management Services	\$22,680	\$22,680	\$23,360	\$24,061	\$24,783	\$25,527	3%	H
4008 PPM Website	\$0	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126	3%	H
4008 End of Year Closing	\$480	\$520	\$536	\$552	\$568	\$585	3%	H
4009 Printing/Postage	\$1,199	\$1,177	\$1,212	\$1,249	\$1,286	\$1,325	3%	H
4010 State Required Forms	\$125	\$125	\$129	\$133	\$137	\$141	3%	H
4011 Miscellaneous/Contingency	\$11,601	\$2,134	\$2,198	\$2,264	\$2,332	\$2,402	3%	H
<b>Social Membership</b>								
4500 Mission Hills Social Membership	\$74,780	\$86,784	\$89,388	\$92,069	\$94,831	\$97,676	3%	H
<b>Insurance &amp; Taxes</b>								
5001 Insurance	\$3,697	\$3,648	\$3,757	\$3,870	\$3,986	\$4,106	3%	H
5002 State Franchise Tax	\$10	\$323	\$329	\$336	\$343	\$350	2%	H
5003 Federal Tax	\$0	\$942	\$961	\$980	\$1,000	\$1,020	2%	H
<b>Maintenance</b>								
6001 Landscape Contract	\$17,556	\$16,598	\$17,096	\$17,609	\$18,137	\$18,681	3%	H
6002 Landscape Extras	\$500	\$500	\$515	\$530	\$546	\$563	3%	H
6003 Sprinkler Maintenance	\$300	\$300	\$309	\$318	\$328	\$338	3%	H
6004 Tree Trimming	\$5,921	\$6,110	\$6,293	\$6,482	\$6,677	\$6,877	3%	H
6005 Tree Removal	\$200	\$3,800	\$3,914	\$4,031	\$4,152	\$4,277	3%	H
6006 Annual Color	\$2,000	\$2,500	\$2,575	\$2,652	\$2,732	\$2,814	3%	H
6007 Seed/Scalp/Fertilizer	\$600	\$650	\$670	\$690	\$710	\$732	3%	H
6008 New Plants	\$200	\$200	\$206	\$212	\$219	\$225	3%	H
6009 Contract Maintenance	\$1,320	\$1,248	\$1,285	\$1,324	\$1,364	\$1,405	3%	H

**5 Year Pro Forma Budget  
Montage at Mission Hills Homeowners' Association**

Date of Report: 11/6/2007 (revised) Effective Date of Study: 01/01/2008	Current Budget 2007	Year 1 2008	Year 2 2009	Year 3 2010	Year 4 2011	Year 5 2012	Annual Increase	Remarks Source/Code
6010 Equipment Repair	\$400	\$400	\$412	\$424	\$437	\$450	3%	H
6011 Grounds Misc.	\$100	\$100	\$103	\$106	\$109	\$113	3%	H
6012 Street Sweeping	\$4,224	\$3,994	\$4,114	\$4,237	\$4,364	\$4,495	3%	H
6013 Retention Basin Well	\$1,000	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126	3%	H
6014 Holiday Décor	\$0	\$2,000	\$2,060	\$2,122	\$2,185	\$2,251	3%	H
6015 Electrical/Lighting/Relamping	\$1,800	\$1,800	\$1,854	\$1,910	\$1,967	\$2,026	3%	H
6016 Pest Control	\$1,650	\$1,560	\$1,607	\$1,655	\$1,705	\$1,756	3%	H
6017 Signs	\$80	\$1,080	\$1,112	\$1,146	\$1,180	\$1,216	3%	H
6018 Security/keys/clickers	\$200	\$200	\$206	\$212	\$219	\$225	3%	H
6019 Gate Metal/Motor/Arm Repairs	\$2,791	\$1,280	\$1,318	\$1,358	\$1,399	\$1,441	3%	H
6020 Gate Phone Repairs	\$200	\$200	\$206	\$212	\$219	\$225	3%	H
<b>Utilities</b>								
7001 Electricity	\$13,873	\$14,697	\$15,285	\$15,896	\$16,532	\$17,193	4%	H
7002 Mailbox Lighting Electricity	\$80	\$80	\$83	\$87	\$90	\$94	4%	H
7003 Gate Telephone	\$925	\$1,009	\$1,049	\$1,091	\$1,135	\$1,180	4%	H
7004 Water	\$3,101	\$3,234	\$3,299	\$3,365	\$3,432	\$3,501	2%	H
<b>Total Operating Expenses</b>	<b>\$177,898</b>	<b>\$187,698</b>	<b>\$193,442</b>	<b>\$200,563</b>	<b>\$205,468</b>	<b>\$211,762</b>	<b>3%</b>	<b>P</b>
<b>Add: Reserve Funding</b>	<b>\$24,368</b>	<b>\$22,887</b>	<b>\$42,292</b>	<b>\$43,561</b>	<b>\$44,868</b>	<b>\$46,214</b>	<b>15%</b>	<b>P</b>
<b>Operating Exp + Reserves</b>	<b>\$202,266</b>	<b>\$210,585</b>	<b>\$235,734</b>	<b>\$244,124</b>	<b>\$250,336</b>	<b>\$257,976</b>	<b>5%</b>	<b>P</b>
<b>Net Income</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>n/a</b>	<b>n/a</b>
<b>Per Unit Costs</b>								
Operating Exp + Reserves	\$202,266	\$210,585	\$235,734	\$244,124	\$250,336	\$257,976	5%	P
Less: Interest Income + other income	(\$5,658)	(\$4,743)	(\$2,539)	(\$3,018)	(\$3,351)	(\$3,951)	-6%	P
<b>Total (less interest &amp; other income)</b>	<b>\$196,608</b>	<b>\$205,842</b>	<b>\$233,195</b>	<b>\$241,106</b>	<b>\$246,985</b>	<b>\$254,025</b>	<b>5%</b>	<b>P</b>
Number of Units / Members	128	128	128	128	128	128	n/a	member units
\$ Per Unit / Month	\$132	\$137	\$153	\$159	\$163	\$168	5%	P
\$ Per Unit (less interest & other income)	\$128	\$134	\$152	\$157	\$161	\$165	5%	P

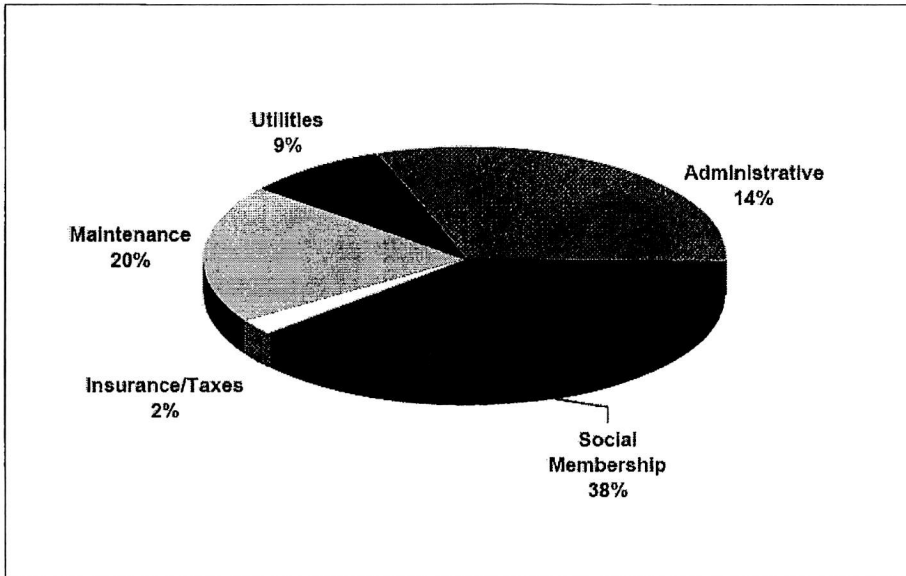
## 5 Year Pro Forma Budget Montage at Mission Hills Homeowners' Association

Date of Report: 11/6/2007 (revised)	Current Budget	Year 1	Year 2	Year 3	Year 4	Year 5	Annual Increase	Remarks
Effective Date of Study: 01/01/2008	2007	2008	2009	2010	2011	2012		Source/Code

5 Year Average Projections	Average/Yr	%	Per Unit per year	Per Unit per month
Administrative	\$33,646	14%	\$263	\$22
Social Membership	\$92,150	38%	\$720	\$60
Insurance/Taxes	\$5,190	2%	\$41	\$3
Maintenance	\$48,334	20%	\$378	\$31
Utilities	\$20,466	9%	\$160	\$13
Reserve Funding	\$39,964	17%	\$312	\$26
<b>Average / Year</b>	<b>\$239,751</b>	<b>100%</b>	<b>\$1,873</b>	<b>\$156</b>

5 Year Average per unit per month = \$156  
 5 Year Average per unit per month less interest & other income = \$154

**5 YEAR PRO FORMA BUDGET SUMMARY**



**SOURCE CODE / ASSUMPTIONS**

H = Historical Costs + Inflation    P = Projected Costs + Inflation    NB = No Budget Provided / Approved    R = Recommended  
 Annual updates of this study are required in order to reconcile your actual costs with the projected expenses.

## 5 Year Plan Montage at Mission Hills Homeowners' Association

Date of Report: 11/6/2007 (revised)

Effective Date of Study: 01/01/2008

	Year 1 2008	Year 2 2009	Year 3 2010	Year 4 2011	Year 5 2012	Average \$ Per YR ( 5 Yr Ave)	Annual Increase (% per Yr)
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### Projected Income

Regular Assessments	\$205,842	\$233,195	\$241,106	\$246,985	\$254,025	\$236,231	5%
Interest + Other Income	\$4,743	\$2,539	\$3,018	\$3,351	\$3,951	\$3,520	-6%
<b>Totals</b>	<b>\$210,586</b>	<b>\$235,734</b>	<b>\$244,124</b>	<b>\$250,336</b>	<b>\$257,976</b>	<b>\$239,751</b>	<b>5%</b>

### Operating Expenses

Administrative	\$31,461	\$32,405	\$34,577	\$34,378	\$35,410	\$33,646	3%
Social Membership	\$86,784	\$89,388	\$92,069	\$94,831	\$97,676	\$92,150	3%
Insurance/Taxes	\$4,913	\$5,048	\$5,186	\$5,329	\$5,475	\$5,190	3%
Maintenance	\$45,520	\$46,886	\$48,292	\$49,741	\$51,233	\$48,334	3%
Utilities	\$19,020	\$19,716	\$20,439	\$21,189	\$21,968	\$20,466	4%
<b>Totals</b>	<b>\$187,698</b>	<b>\$193,442</b>	<b>\$200,563</b>	<b>\$205,468</b>	<b>\$211,762</b>	<b>\$199,787</b>	<b>3%</b>

### Reserve Funding

Projected Reserves (start of fiscal year)	\$83,063	\$89,272	\$121,185	\$143,392	\$183,382	\$124,059	20%
Add: Special Assessments	\$0	\$0	\$0	\$0	\$0	\$0	
Add: Reserve Funding Contributions	\$22,887	\$42,292	\$43,561	\$44,868	\$46,214	\$39,964	15%
Less: Expense Disbursements	\$34,851	\$10,379	\$21,354	\$4,878	\$75,656	\$29,424	35%
<b>Cash Flow (year end reserves)</b>	<b>\$89,272</b>	<b>\$121,185</b>	<b>\$143,392</b>	<b>\$183,382</b>	<b>\$153,939</b>	<b>\$138,234</b>	<b>12%</b>
Fully Funded Reserves + inflation	\$165,358	\$180,252	\$218,337	\$247,231	\$294,868	\$221,209	15%
Percent Funded (%)	54%	67%	66%	74%	52%	63%	-1%

### Summary / Per Unit Costs

Operating Exp + Reserves	\$210,585	\$235,734	\$244,124	\$250,336	\$257,976	\$239,751	5%
Less: interest income + other income	(\$4,743)	(\$2,539)	(\$3,018)	(\$3,351)	(\$3,951)	-\$3,520	-6%
Total (less interest & other income)	\$205,842	\$233,195	\$241,106	\$246,985	\$254,025	\$236,231	5%
Number of Units / Members	128	128	128	128	128	128	n/a
\$ Per Unit / Month	\$137	\$153	\$159	\$163	\$168	\$156	5%
\$ Per Unit (less interest & other income)	\$134	\$152	\$157	\$161	\$165	\$154	5%

### Assumptions / Comments

Contingency Allowance	0.5%	Based on the age, goals & condition (% of the Replacement Cost)
Inflation Allowance (5 Yr Plan)	3% - 4%	Selected inflation rate used in Exhibit B (Operating Expenses)
Inflation Allowance (30 Yr Cash Flow)	2.5%	Selected inflation rate used in Exhibit E (Construction & Labor Costs)
Interest Rate	1.5%	This rate can be adjusted to match your current yield (see Exhibits B & E)

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**

Date of Report: 11/6/2007 (revised) Effective Date of Study: 01/01/2008	Quantity Unit(s)	Measure Code	Cost Per Unit	Start Date (Life Cycle)	Useful Life	Remain Life	Source Code	Condition Code	Current Replace Cost	Fully Funded Reserves (Current)	Straight Line Funding (Cost / UL)	Baseline Funding (1st Year)	Remarks	
<b>Asphalt</b>														
101	Asphalt Seal / Stripe	206,000	SF	\$0.15	2004	4	1	B	fair	\$30,900	\$23,175	\$7,725	\$30,900	seal / stripe / repair allowance
102	Asphalt Replace	206,000	SF	\$1.45	2003	28	24	B	good	\$298,700	\$42,671	\$10,668	\$0	replacement allowance
<b>Concrete</b>														
201	Concrete Entrance Drives	14,500	SF	\$0.50	2003	6	2	B	PM	\$7,250	\$4,833	\$1,208	\$0	clean / seal / repair allowance
202	Concrete Street Curbs / Apron	1	allowance	\$5,000	as needed	20	15	B	good	\$5,000	\$1,250	\$250	\$0	repair allowance
<b>Electrical / Lighting</b>														
301	Landscape Fixtures Phase 1	86	fixtures	\$50	2002	12	7	B/H	AN	\$4,300	\$1,792	\$358	\$0	fixtures, ballast replacement
302	Landscape Fixtures Phase 2	250	fixtures	\$50	2003	12	8	B/H	AN	\$12,500	\$4,167	\$1,042	\$0	fixtures, ballast replacement
303	Landscape Fixtures Phase 3	233	fixtures	\$50	2004	12	9	B/H	AN	\$11,650	\$2,913	\$971	\$0	fixtures, ballast replacement
304	Light Fixtures (NEW)	17	fixtures	\$50	2005	12	10	H	AN	\$850	\$142	\$71	\$0	fixtures, ballast replacement
305	Light Fixtures (NEW)	9	fixtures	\$50	2006	12	11	H	AN	\$450	\$38	\$38	\$0	fixtures, ballast replacement
306	Water Fountains Lights	2	fixtures	\$78	2003	5	1	H	AN	\$156	\$125	\$31	\$156	fixtures, ballast replacement
307	Water Fountains Lights	8	fixtures	\$78	2006	5	4	H	AN	\$624	\$125	\$125	\$0	fixtures, ballast replacement
308	Electrical Meter / Contingency	4	allowance	\$2,500	02-04	24	18	B/H	AN	\$10,000	\$2,500	\$417	\$0	electrical / meter panel replace
<b>Mechanical</b>														
401	Gate Operators Gerald Ford Dr	4	allowance	\$3,200	2002	10	5	B	AN	\$12,800	\$6,400	\$1,280	\$0	replacement allowance
402	Gate Operators Da Valle Rd	4	allowance	\$3,200	2003	10	6	B	AN	\$12,800	\$5,120	\$1,280	\$0	replacement allowance
403	Gate Moving Parts	Refer to Operating Budget											wheels, arm trolley, parts	
404	Gate Sensors / Loop Systems	2	allowance	\$1,020	2006	6	5	H	AN	\$2,040	\$340	\$340	\$0	replacement allowance
405	Intercom Gerald Ford Dr	1	allowance	\$4,000	2002	12	7	B	AN	\$4,000	\$1,667	\$333	\$0	replacement allowance
406	Intercom Da Valle Rd	1	allowance	\$4,000	2003	12	8	B	AN	\$4,000	\$1,333	\$333	\$0	replacement allowance
<b>Water Fountains</b>														
501	Water Fountain Pumps	2	allowance	\$583	2003	5	1	H	AN	\$1,166	\$933	\$233	\$1,166	replacement allowance
502	Water Fountain Pumps	2	allowance	\$583	2006	5	4	H	AN	\$1,166	\$233	\$233	\$0	replacement allowance
503	Water Fountain Filters	2	allowance	\$1,000	2003	12	8	H	AN	\$2,000	\$667	\$167	\$0	replacement allowance
504	Water Fountain Resurface	2	allowance	\$5,000	2003	10	6	H	AN	\$10,000	\$4,000	\$1,000	\$0	resurface allowance
<b>Painting</b>														
601	Paint Wrought Iron Gates	1,360	SF	\$2.13	2006	4	3	H	good	\$2,900	\$725	\$725	\$0	prep & paint allowance
602	Paint Block Walls	2,860	LF	\$5.00	2004	6	3	H	good	\$14,300	\$7,150	\$2,383	\$0	prep & paint allowance

**Component Inventory Schedule  
Montage at Mission Hills Homeowners' Association**

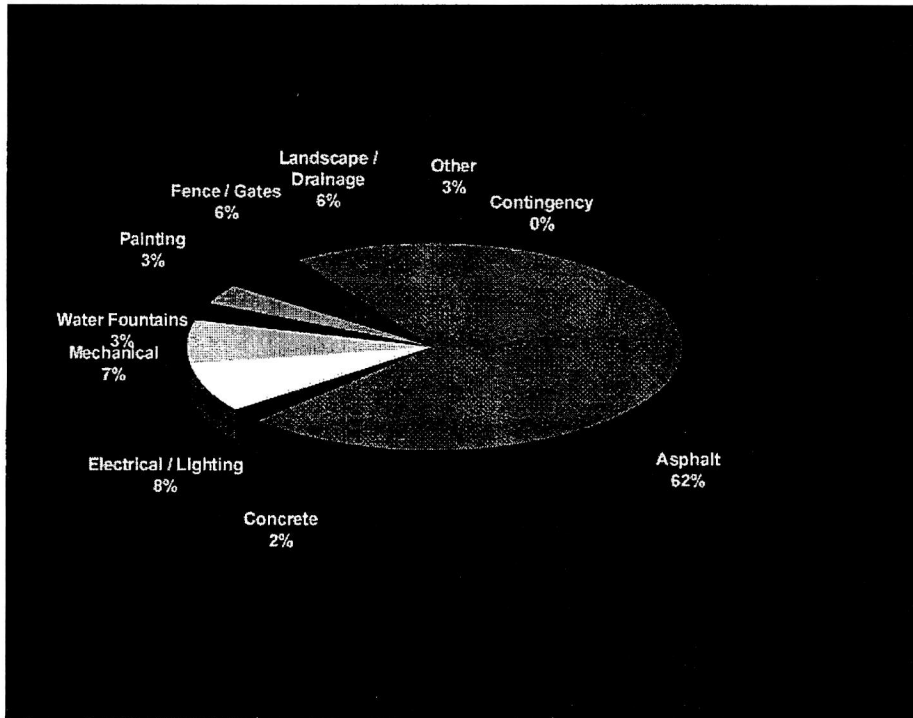
Date of Report: 11/6/2007 (revised) Effective Date of Study: 01/01/2008	Quantity Unit(s)	Measure Code	Cost Per Unit	Start Date (Life Cycle)	Useful Life	Remain Life	Source Code	Condition Code	Current Replace Cost	Fully Funded Reserves (Current)	Straight Line Funding (Cost / U/L)	Baseline Funding (1st Year)	Remarks	
<b>Fence / Gates</b>														
701	Entrance Gates (Vehicle)	5	allowance	\$5,000	2002	30	25	B	good	\$25,000	\$4,167	\$833	\$0	wrought iron custom design
702	Entrance Gates (Pedestrian)	2	allowance	\$800	2002	27	22	B	good	\$1,600	\$296	\$59	\$0	wrought iron custom design
703	Block Wall Repairs	1	allowance	\$3,500	as needed	5	5	C	PM	\$3,500	\$0	\$700	\$0	repair allowance
<b>Landscape / Drainage</b>														
801	Irrigation Timers	3	allowance	\$950	2002	12	7	B	AN	\$2,850	\$1,188	\$238	\$0	replacement allowance
802	Backflow	3	allowance	\$900	2002	18	13	B	AN	\$2,700	\$750	\$150	\$0	replacement allowance
803	Irrigation Valves / Extras	Refer to Operating Budget											repair / replacement	
804	Tree Trimming	Refer to Operating Budget											tree trim allowance	
805	Landscape Remodel	1	allowance	\$5,000	as needed	10	10	C	AN	\$5,000	\$0	\$500	\$0	landscape remodel
805	Palm Tree Contingency	1	allowance	\$15,000	as needed	5	5	C	AN	\$15,000	\$0	\$3,000	\$0	palm tree replacement
806	Drainage Retention Basin	1	allowance	\$5,000	as needed	10	10	C	AN	\$5,000	\$0	\$500	\$0	storm drainage allowance
<b>Other</b>														
901	Mailboxes	128	boxes	\$75	2002	15	10	B	good	\$9,600	\$3,200	\$640	\$0	replacement allowance
902	Monument Signage	5	allowance	\$1,200	as needed	10	6	C	AN	\$6,000	\$2,400	\$600	\$0	replacement allowance
<b>Contingency</b>														
1001	Contingency	1	allowance	\$2,629	as needed	1	1	C	C	\$2,629	\$0	\$2,629	\$2,629	0.5%
<b>Totals</b>									\$528,431	\$124,297	\$41,060	\$34,851		



## Component Inventory Schedule Montage at Mission Hills Homeowners' Association

Date of Report: 11/6/2007 (revised) Effective Date of Study: 01/01/2008	Quantity	Measure	Cost	Start Date	Useful	Remain	Source	Condition	Current	Fully Funded	Straight Line	Baseline	Remarks
	Unit(s)	Code	Per Unit	(Life Cycle)	Life	Life	Code	Code	Replace	Reserves	Funding	Funding	
									Cost	(Current)	(Cost / UL)	(1st Year)	

### CURRENT REPLACEMENT COST



Inventory	Current Replace Cost	Fully Funded Reserves	% Replace Cost
Asphalt	\$329,600	\$65,846	62%
Concrete	\$12,250	\$6,083	2%
Electrical / Lighting	\$40,530	\$11,800	8%
Mechanical	\$35,640	\$14,860	7%
Water Fountains	\$14,332	\$5,833	3%
Painting	\$17,200	\$7,875	3%
Fence / Gates	\$30,100	\$4,463	6%
Landscape / Drainage	\$30,550	\$1,938	6%
Other	\$15,600	\$5,600	3%
Contingency	\$2,629	\$0	0.5%
<b>Totals</b>	<b>\$528,431</b>	<b>\$124,297</b>	<b>100%</b>
Current Cash Reserves		\$83,063	
Percent Funded (%)		67%	

#### SOURCE CODE

A : Allowance provided by client or vendor  
 B : Budget Allowance (Estimator Guides)  
 H : Historical Cost Data of Property  
 DRE: Department of Real Estate 2007 Cost Manual  
 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%)  
 P : Poor (replacement needed)  
 RA: Repair / Contingency Allowance

#### CONDITION CODE

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

#### CONDITION CODE

U : Unknown Condition (no inspection was done)  
 PM : Preventive Maintenance  
 D : Difficult to predict (subject to breakdown)  
 RA: Repair Allowance  
 AN: Repair or Replace as needed

**30 Year Cash Flow Summary**  
**Montage at Mission Hills Homeowners' Association**

Date of Report: 11/8/2007 (revised) Effective Date of Study: 01/01/2008	Useful Life	Remain Life	Next Year (Cycle)	Current Replace Cost	Year 1 2008	Year 2 2009	Year 3 2010	Year 4 2011	Year 5 2012	Year 6 2013	Year 7 2014	Year 8 2015	Year 9 2016	Year 10 2017	Year 11 2018	Year 12 2019	Year 13 2020	Year 14 2021	Year 15 2022
<b>Asphalt</b>																			
101 Asphalt Seal / Stripe	4	1	5	\$30,900	30,900				30,900				30,900				30,900		
102 Asphalt Replace	28	24	52	\$298,700															
<b>Concrete</b>																			
201 Concrete Entrance Drives	6	2	8	\$7,250		7,250						7,250						7,250	
202 Concrete Street Curbs / Apron	20	15	35	\$5,000															5,000
<b>Electrical / Lighting</b>																			
301 Landscape Fixtures Phase 1	12	7	19	\$4,300							4,300								
302 Landscape Fixtures Phase 2	12	8	20	\$12,500								12,500							
303 Landscape Fixtures Phase 3	12	9	21	\$11,650									11,650						
304 Light Fixtures (NEW)	12	10	22	\$850										850					
305 Light Fixtures (NEW)	12	11	23	\$450												450			
306 Water Fountains Lights	5	1	6	\$156	156				156							156			
307 Water Fountains Lights	5	4	9	\$624			624						624					624	
308 Electrical Meter / Contingency	24	18	42	\$10,000															
<b>Mechanical</b>																			
401 Gate Operators Gerald Ford Dr	10	5	15	\$12,800					12,800										12,800
402 Gate Operators De Valle Rd	10	6	16	\$12,800						12,800									
403 Gate Moving Parts	Refer to Operating Budget																		
404 Gate Sensors / Loop Systems	6	5	11	\$2,040					2,040							2,040			
405 Intercom Gerald Ford Dr	12	7	19	\$4,000							4,000								
406 Intercom De Valle Rd	12	8	20	\$4,000								4,000							
<b>Water Fountains</b>																			
501 Water Fountain Pumps	5	1	6	\$1,166	1,166				1,166							1,166			
502 Water Fountain Pumps	5	4	9	\$1,166			1,166						1,166					1,166	
503 Water Fountain Filters	12	8	20	\$2,000								2,000							
504 Water Fountain Resurface	10	8	18	\$10,000					10,000										
<b>Painting</b>																			
601 Paint Wrought Iron Gates	4	3	7	\$2,900			2,900				2,900					2,900			2,900
602 Paint Block Walls	6	3	9	\$14,300			14,300						14,300						14,300
<b>Fence / Gates</b>																			
701 Entrance Gates (Vehicle)	30	25	55	\$25,000															
702 Entrance Gates (Pedestrian)	27	22	49	\$1,600															
703 Block Wall Repairs	5	5	10	\$3,500					3,500					3,500					3,500

**30 Year Cash Flow Summary  
Montage at Mission Hills Homeowners' Association**

Date of Report: 11/6/2007 (revised) Effective Date of Study: 01/01/2008	Useful Life	Remain Life	Next Year (Cycle)	Current Replace Cost	Year 1 2008	Year 2 2009	Year 3 2010	Year 4 2011	Year 5 2012	Year 6 2013	Year 7 2014	Year 8 2015	Year 9 2016	Year 10 2017	Year 11 2018	Year 12 2019	Year 13 2020	Year 14 2021	Year 15 2022
<b>Landscape / Drainage</b>																			
801 Irrigation Timers	12	7	19	\$2,850							2,850								
802 Backflow	18	13	31	\$2,700													2,700		
803 Irrigation Valves / Extras	Refer to Operating Budget																		
804 Tree Trimming	Refer to Operating Budget																		
805 Landscape Remodel	10	10	20	\$5,000										5,000					
805 Palm Tree Contingency	5	5	10	\$15,000					15,000					15,000					15,000
806 Drainage Retention Basin	10	10	20	\$5,000										5,000					
Other																			
901 Mailboxes	15	10	25	\$9,600										9,600					
902 Monument Signage	10	6	16	\$6,000					6,000										
Contingency																			
1,001 Contingency	1	1	2	\$2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629
<b>Totals</b>				\$528,431	\$34,851	\$9,879	\$19,829	\$4,419	\$68,869	\$32,751	\$16,679	\$28,379	\$61,269	\$41,579	\$9,341	\$2,629	\$36,229	\$11,669	\$56,129

**Cash Flow Projections & Assumptions**

Current Cash Reserves	As of 9/30/07	\$78,052																	
Add: Additional Funding	Anticipated through current year	\$5,011																	
Projected Reserves (start of fiscal year)	Effective Date of Study: 01/01/2008	\$83,063	\$89,272	\$121,185	\$143,392	\$183,382	\$153,939	\$163,558	\$192,780	\$208,682	\$184,179	\$184,529	\$227,454	\$280,755	\$289,355	\$333,165			
Add: Special Assessments		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add: Reserve Funding Contributions		\$41,060	\$42,292	\$43,561	\$44,868	\$46,214	\$47,600	\$49,028	\$50,499	\$52,014	\$53,574	\$55,181	\$56,837	\$58,542	\$60,298	\$63,313			
Less: Expense Disbursements	2.5% inflation rate	\$34,851	\$10,379	\$21,354	\$4,878	\$75,656	\$37,961	\$19,828	\$34,577	\$76,517	\$53,225	\$12,256	\$3,536	\$49,942	\$16,488	\$81,292			
<b>Cash Flow (year end reserves)</b>		\$89,272	\$121,185	\$143,392	\$183,382	\$153,939	\$163,558	\$192,780	\$208,682	\$184,179	\$184,529	\$227,454	\$280,755	\$289,355	\$333,165	\$315,187			
Fully Funded Reserves + inflation		\$165,368	\$180,252	\$216,337	\$247,231	\$294,868	\$272,309	\$288,994	\$325,925	\$349,910	\$332,789	\$340,428	\$391,598	\$454,365	\$472,551	\$526,932			
Percent Funded (%)		54%	67%	66%	74%	52%	60%	67%	64%	53%	55%	67%	72%	64%	71%	60%			
Projected interest income	1.5% interest rate	\$1,248	\$1,339	\$1,818	\$2,151	\$2,751	\$2,309	\$2,453	\$2,891	\$3,130	\$2,763	\$2,768	\$3,412	\$4,211	\$4,340	\$4,997			

**30 Year Cash Flow Summary**  
**Montage at Mission Hills Homeowners' Association**

Date of Report: 11/6/2007 (revised)	Useful	Remain	Next	Current	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
Effective Date of Study: 01/01/2006	Life	Life	Year	Replace	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
			(Cycle)	Cost	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
<b>Asphalt</b>																			
101 Asphalt Seal / Stripe	4	1	5	\$30,900		30,900			30,900					30,900					30,900
102 Asphalt Replace	28	24	52	\$298,700										298,700					
<b>Concrete</b>																			
201 Concrete Entrance Drives	8	2	8	\$7,250					7,250						7,250				
202 Concrete Street Curbs / Apron	20	15	35	\$5,000															
<b>Electrical / Lighting</b>																			
301 Landscape Fixtures Phase 1	12	7	19	\$4,300				4,300											
302 Landscape Fixtures Phase 2	12	8	20	\$12,500					12,500										
303 Landscape Fixtures Phase 3	12	9	21	\$11,650						11,650									
304 Light Fixtures (NEW)	12	10	22	\$850							850								
305 Light Fixtures (NEW)	12	11	23	\$450								450							
306 Water Fountains Lights	5	1	6	\$156	156					156						156			
307 Water Fountains Lights	5	4	9	\$624				624						624					624
308 Electrical Meter / Contingency	24	18	42	\$10,000			10,000												
<b>Mechanical</b>																			
401 Gate Operators Gerald Ford Dr	10	5	15	\$12,800										12,800					
402 Gate Operators Da Valle Rd	10	6	16	\$12,800	12,800										12,800				
403 Gate Moving Parts	Refer to Operating Budget																		
404 Gate Sensors / Loop Systems	8	5	11	\$2,040		2,040							2,040						2,040
405 Intercom Gerald Ford Dr	12	7	19	\$4,000				4,000											
406 Intercom Da Valle Rd	12	8	20	\$4,000					4,000										
<b>Water Fountains</b>																			
501 Water Fountain Pumps	5	1	6	\$1,166	1,166					1,166						1,166			
502 Water Fountain Pumps	5	4	9	\$1,166				1,166						1,166					1,166
503 Water Fountain Filters	12	8	20	\$2,000					2,000										
504 Water Fountain Resurface	10	6	16	\$10,000	10,000										10,000				
<b>Painting</b>																			
601 Paint Wrought Iron Gates	4	3	7	\$2,900				2,900					2,900			2,900			
602 Paint Block Walls	6	3	9	\$14,300						14,300						14,300			
<b>Fence / Gates</b>																			
701 Entrance Gates (Vehicle)	30	25	55	\$25,000										25,000					
702 Entrance Gates (Pedestrian)	27	22	49	\$1,600							1,600								
703 Block Wall Repairs	5	5	10	\$3,500					3,500					3,500					3,500

**30 Year Cash Flow Summary  
Montage at Mission Hills Homeowners' Association**

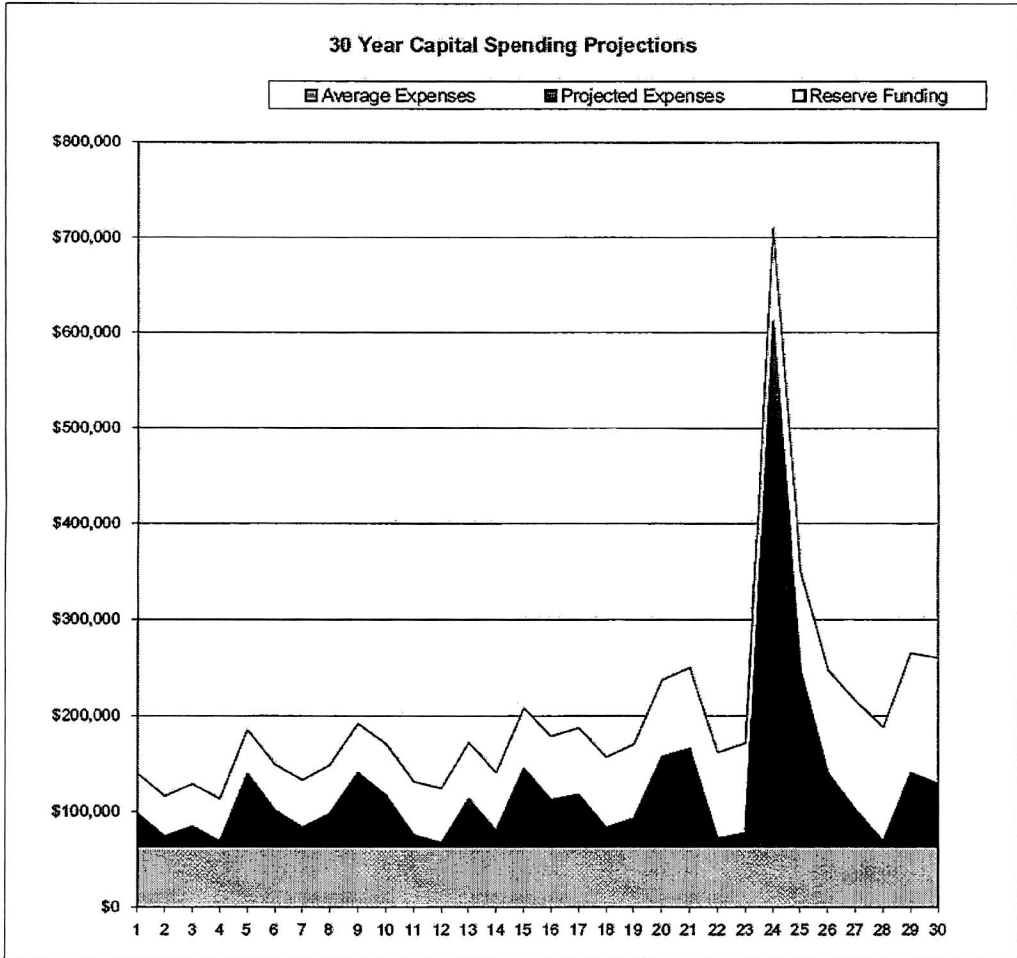
Date of Report: 11/6/2007 (revised) Effective Date of Study: 01/01/2008	Useful Life	Remain Life	Next Year (Cycle)	Current Replace Cost	Year 16 2023	Year 17 2024	Year 18 2025	Year 19 2026	Year 20 2027	Year 21 2028	Year 22 2029	Year 23 2030	Year 24 2031	Year 25 2032	Year 26 2033	Year 27 2034	Year 28 2035	Year 29 2036	Year 30 2037
<b>Landscape / Drainage</b>																			
801 Irrigation Timers	12	7	19	\$2,850				2,850											
802 Backflow	18	13	31	\$2,700															
803 Irrigation Valves / Extras	Refer to Operating Budget																		
804 Tree Trimming	Refer to Operating Budget																		
805 Landscape Remodel	10	10	20	\$5,000					5,000										5,000
805 Palm Tree Contingency	5	5	10	\$15,000					15,000					15,000					15,000
808 Drainage Retention Basin	10	10	20	\$5,000					5,000										5,000
<b>Other</b>																			
901 Mailboxes	15	10	25	\$9,600										9,600					
902 Monument Signage	10	6	16	\$6,000	6,000											6,000			
<b>Contingency</b>																			
1,001 Contingency	1	1	2	\$2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629	2,629
<b>Totals</b>				\$528,431	\$32,751	\$35,569	\$12,629	\$18,469	\$56,879	\$80,801	\$5,079	\$8,019	\$303,119	\$99,429	\$40,001	\$19,829	\$2,629	\$37,359	\$31,129

**Cash Flow Projections & Assumptions**

Current Cash Reserves	As of 9/30/07																		
Add: Additional Funding	Anticipated through current year																		
Projected Reserves (start of fiscal year)	Effective Date of Study: 01/01/2008	\$315,187	\$333,047	\$348,727	\$402,323	\$449,755	\$437,358	\$420,083	\$500,427	\$579,819	\$129,780	\$48,575	\$80,848	\$155,926	\$270,064	\$318,988	\$385,296		
Add: Special Assessments		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add: Reserve Funding Contributions		\$66,479	\$69,803	\$73,293	\$76,958	\$80,805	\$84,846	\$89,088	\$93,542	\$98,220	\$103,131	\$108,287	\$113,701	\$119,386	\$125,356	\$131,624			
Less: Expense Disbursements	2.5% inflation rate	\$48,619	\$54,122	\$19,697	\$29,525	\$93,203	\$102,120	\$8,744	\$14,150	\$548,259	\$184,336	\$78,014	\$38,823	\$5,249	\$76,452	\$65,295			
Cash Flow (year end reserves)		\$333,047	\$348,727	\$402,323	\$449,755	\$437,358	\$420,083	\$500,427	\$579,819	\$129,780	\$48,575	\$80,848	\$155,926	\$270,064	\$318,988	\$385,296			
Fully Funded Reserves + inflation		\$577,735	\$543,322	\$565,470	\$625,058	\$677,703	\$668,078	\$650,793	\$730,555	\$808,562	\$342,954	\$240,810	\$248,668	\$297,293	\$383,372	\$400,719			
Percent Funded (%)		64%	64%	71%	72%	65%	63%	77%	79%	16%	14%	34%	63%	91%	83%	96%			
Projected Interest Income	1.5% interest rate	\$4,728	\$4,996	\$5,231	\$6,035	\$6,746	\$6,560	\$6,301	\$7,506	\$8,697	\$1,947	\$729	\$1,213	\$2,339	\$4,051	\$4,785			

### 30 Year Cash Flow Chart Summary Montage at Mission Hills Homeowners' Association

Year	Average Expenses	Projected Expenses	Reserve Funding
1	\$63,239	\$34,851	\$41,060
2	\$63,239	\$10,379	\$42,282
3	\$63,239	\$21,354	\$43,561
4	\$63,239	\$4,878	\$44,868
5	\$63,239	\$75,656	\$46,214
6	\$63,239	\$37,981	\$47,600
7	\$63,239	\$19,826	\$49,028
8	\$63,239	\$34,577	\$50,499
9	\$63,239	\$76,517	\$52,014
10	\$63,239	\$53,225	\$53,574
11	\$63,239	\$12,256	\$55,181
12	\$63,239	\$3,536	\$56,837
13	\$63,239	\$49,942	\$58,542
14	\$63,239	\$16,488	\$60,298
15	\$63,239	\$81,292	\$63,313
16	\$63,239	\$48,619	\$66,479
17	\$63,239	\$54,122	\$69,803
18	\$63,239	\$19,697	\$73,293
19	\$63,239	\$29,525	\$76,958
20	\$63,239	\$93,203	\$80,805
21	\$63,239	\$102,120	\$84,846
22	\$63,239	\$8,744	\$89,088
23	\$63,239	\$14,150	\$93,542
24	\$63,239	\$548,259	\$98,220
25	\$63,239	\$184,336	\$103,131
26	\$63,239	\$76,014	\$108,287
27	\$63,239	\$38,623	\$113,701
28	\$63,239	\$5,249	\$119,386
29	\$63,239	\$76,452	\$125,356
30	\$63,239	\$65,295	\$131,624



#### 30 Year Reserve / Capital Projections

Projected Expenditures (next 30 yrs)	\$1,897,166
Projected Reserve Funding (next 30 yrs)	\$2,199,399
Projected Special Assessments (next 30 yrs)	\$0
Average Expenses per yr ( no inflation)	\$39,873
Average Expenses per yr ( + inflation)	\$63,239
Average Funding per Year (next 30 yrs)	\$73,313
Average Interest Income / Yr (next 30 yrs)	\$3,815
Total Members (units, homes)	128
Average Expenses Per Unit / Month	\$41
Average Funding Per Unit / Month	\$48
Date of Report: 11/6/2007 (revised)	
Effective Date of Study: 01/01/2008	



Jan 2009 Reserve Study Update

by Tom Tousignant  
October 12, 2008

Component Inventory Schedule - Exhibit D

Update 2009

Identified Major Components	Quantity Unit(s)	Measure Code	Cost Per Unit	Start Date (Life Cycle)	Useful Life	Remaining Life	Source Code	Condition Code	Current Replace Cost	Fully Funded Reserves (Current)	Straight Line Funding (Cost/UL) Annual Addition Required	Remarks
<b>Asphalt</b>												
Asphalt Seal/Stripe	206,000	SF	\$0.15	2008	5	4	B	fair	\$30,900	\$6,180	\$6,180	seal/strip/repair allowance
Asphalt Replace	206,000	SF	\$1.45	2003	28	22	B	good	\$298,700	\$64,007	\$10,668	replacement allowance
<b>Concrete</b>												
Concrete Entrance Drives	14,500	SF	\$0.50	2003	20	14	B	PM	\$7,250	\$2,175	\$363	clean/seal/repair allowance
Concrete Street Curbs/Apron - (Picasso, Da	4	allowance	\$5,000	2004	20	15	B	good	\$20,000	\$5,000	\$1,000	repair allowance
<b>Electrical/Lighting</b>												
Landscape Fixtures Par38 Bullet	12	fixtures	\$50	2002	12	5	B/H	AN	\$600	\$350	\$50	fixtures, ballast replacement
Landscape Fixtures FL13	45	fixtures	\$50	2003	12	6	B/H	AN	\$2,250	\$1,125	\$188	fixtures, ballast replacement
Landscape Fixtures Pagoda	3	fixtures	\$50	2004	12	7	B/H	AN	\$150	\$63	\$13	fixtures, ballast replacement
Landscape Fixtures Halogen Ground Mount	1	fixtures	\$50	2003	12	6	B/H	AN	\$50	\$25	\$4	fixtures, ballast replacement
Light Fixtures (NEW 2005) (See note 4)	17	fixtures	\$50	2005	12	8	H	AN	\$850	\$283	\$71	fixtures, ballast replacement
Light Fixtures (NEW 2006) (See note 6)	11	fixtures	\$50	2006	12	9	H	AN	\$550	\$138	\$46	fixtures, ballast replacement
Light Fixtures (NEW 2007) (See note 15)	5	fixtures	\$50	2007	12	10	H	AN	\$250	\$42	\$21	fixtures, ballast replacement
Light Fixtures (NEW 2008) (See note 17)	3	fixtures	\$50	2008	12	11	H	AN	\$150	\$13	\$13	fixtures, ballast replacement
Water Fountain Lights - GF Total lights	5	fixtures	\$78									
Water Fountain Lights - GF (New 2006) (Se	3	fixtures	\$78	2006	5	2	H	AN	\$234	\$140	\$47	
Water Fountain Lights - GF (New 2007) (Se	2	fixtures	\$78	2007	5	3	H	AN	\$156	\$62	\$31	
Water Fountain Lights - DV Total lights	5	fixtures	\$78									
Water Fountain Lights - DV (New 2005) (Se	2	fixtures	\$78	2005	5	1	H	AN	\$156	\$125	\$31	
Water Fountain Lights - DV (New 2006 = 3 -	1	fixtures	\$78	2006	5	2	H	AN	\$78	\$47	\$16	
Water Fountain Lights - DV (New 2007) (Se	4	fixtures	\$78	2007	5	3	H	AN	\$312	\$125	\$62	
Mailbox Lights (new 2005) (See note 5)	8	fixtures	\$50	2005	12	8	H	AN	\$400	\$133	\$33	
Battery backup GF entrance gates (See not	2	Each	\$750	2008	6	5		good	\$1,500	\$250	\$250	
Electric Meter/ Contingency	4	allowance	\$2,500	2004	24	19	B/H	AN	\$10,000	\$2,083	\$417	electrical/meter panel replace
<b>Mechanical</b>												
Gate Operators Gerald Ford Dr	4	allowance	\$3,200	2002	10	3	B	AN	\$12,800	\$8,960	\$1,280	replacement allowance
Gate Operators Da Vail Rd	4	allowance	\$3,200	2003	10	4	B	AN	\$12,800	\$7,680	\$1,280	replacement allowance
Gate Moving Parts	Refer to Operating Budget											
Gate Sensors/Loop Systems (See note 1)	2	allowance	\$1,020	2006	6	3	H	AN	\$2,040	\$1,020	\$340	replacement allowance
Intercom Gerald Ford Dr	1	allowance	\$4,000	2002	12	5	B	AN	\$4,000	\$2,333	\$333	replacement allowance
Intercom Da Vail Rd	1	allowance	\$4,000	2003	12	6	B	AN	\$4,000	\$2,000	\$333	replacement allowance
<b>Water Fountains</b>												
Water Fountain Pumps GF Total pumps	2											
Water Fountain Pumps GF (New 2006) (See	1	allowance	\$583	2006	5	2	H	AN	\$583	\$350	\$117	replacement allowance
Water Fountain Pumps GF (New 2008) (See	1	allowance	\$583	2008	5	4	H	AN	\$583	\$117	\$117	replacement allowance
Water Fountain Pumps DV Total pumps	2											
Water Fountain Pumps DV (New 2006) (See	2	allowance	\$583	2006	5	2	H	AN	\$1,166	\$700	\$233	replacement allowance
Water Fountain Filters (See note 19)	2	allowance	\$1,000	2008	12	11	H	AN	\$2,000	\$167	\$167	replacement allowance
Water Fountain Resurface	2	allowance	\$5,000	2004	10	5	H	AN	\$10,000	\$5,000	\$1,000	resurface allowance
<b>Painting</b>												
Paint Wrought Iron Gates (See note 7)	1,360	SF	\$2.13	2006	4	1	H	good	\$2,900	\$2,175	\$725	prep & paint allowance
Paint Block walls	2,860	LF	\$5.00	2004	6	1	H	good	\$14,300	\$11,917	\$2,383	prep & paint allowance
Paint entrance/comer Montage signs (New :	1	LS	\$1,300	2008	4	3		good	\$1,300	\$325	\$325	prep & paint allowance

Identified Major Components	Quantity Unit(s)	Measure Code	Cost Per Unit	Start Date (Life Cycle)	Useful Life	Remaining Life	Source Code	Condition Code	Current Replace Cost	Fully Funded Reserves (Current)	Straight Line Funding (Cost/UL) Annual Addition Required	Remarks
<b>Fences/Gates</b>												
Entrance Gates (Vehicle)	5	allowance	\$5,000	2002	30	23	B	good	\$25,000	\$5,833	\$833	wrought iron custom design
Entrance Gates (Pedestrian)	2	allowance	\$800	2002	27	20	B	good	\$1,600	\$415	\$59	wrought iron custom design
Block Wall Repairs	1	allowance	\$3,500	2004	5	0	C	PM	\$3,500	\$3,500	\$700	repair allowance
<b>Landscape/Drainage</b>												
Irrigation Timers	3	allowance	\$950	2002	12	0	B	AN	\$2,850	\$2,850	\$238	replacement allowance
Backflow	3	allowance	\$900	2002	18	11	B	AN	\$2,700	\$1,050	\$150	replacement allowance
Irrigation Valves/Extras	Refer to Operating Budget											
Tree Trimming	Refer to Operating Budget											
Landscape Remodel (New 2008 Study)	1	allowance	\$5,000	2004	10	5	C	AN	\$5,000	\$2,500	\$500	landscape remodel
Palm Tree Contingency (New 2008 Study)	1	allowance	\$15,000	2004	5	0	C	AN	\$15,000	\$15,000	\$3,000	palm tree replacemet
Drainage Retention Basin (New 2008 Study)	1	allowance	\$5,000	2004	10	5	C	AN	\$5,000	\$2,500	\$500	storm damage allowance
<b>Other</b>												
Mailboxes	128	Each	\$75	2002	15	8	B	good	\$9,600	\$4,480	\$640	replacement allowance
Monuments Signage	5	allowance	\$1,200	2004	10	5	C	AN	\$6,000	\$3,000	\$600	replacement allowance
<b>Total:</b>									<b>\$519,258</b>	<b>\$166,236</b>	<b>\$35,355</b>	

**Notes Jan 2009 Update (October 2008):**

- 1 Entry loop systems (\$2040 - GF & DV) replaced Jul 2006 - Operating Budget
- 2 Repair/overlay/R&R - update anticipated cost
- 3 Decision by Board to not slurry seal streets until 2008 - earliest (4 year cycle)
- 4 Lights replaced 2005 = 17 - Operating budget
- 5 Mailbox Lights new June 2005 = 8 - Reserve budget > Operating budget
- 6 Lights replaced 2006 = 11 - Operating budget
- 7 Paint gates (\$2900 - GF & DV) in Mar 2006 - Reserve budget
- 8 Fountain Lights replaced 2005 (2 DV Feb) - Operating budget
- 9 Fountain Lights replaced 2006 (2 GF Apr, 3 DV Sep, 1 GF Sep; update cost) - Operating budget
- 10 Fountain pumps (\$436 DV-Apr, \$740 GF-Sept & 1 ? -Oct) in 2006 - Operating budget
- 12 Exit loop systems (GF & DV) replaced Jan 2007 - Operating budget
- 13 New gate motor (GF entrance W leaf) Jan 2007 - Operating budget
- 14 Fountain Lights replace 2007 (2 ? Jun & 3 DV Sept & 1 DV Sept)
- 15 Lights replaced 2007 = 5 - Operating budget
- 16 Fountain pumps replaced in 2008 (\$565 GF-May) - Operating budget (thru Sept 2008)
- 17 Lights replaced 2008 = 3 - Operating budget (thru Sept 2008)
- 18 Install battery backup on 2 operators GF entrance \$1500 -Jun 2008 - Operating budget
- 19 Fountain filters replace GF & DV - \$1350 Oct 2008 - Operating

Actual Cost

\$2,040

\$1,019

\$1,499

\$2,900

\$78ea

# Jan 2009 Reserve Study Update

by Tom Tousignant

October 12, 2008

5 Year Plan

	Budget 0 2008	Actual 0 2008	Year 1 2009	Year 2 2010	Year 3 2011	Year 4 2012	Year 5 2013	Average \$ Per YR (5 Yr Ave)	Annual Increase (% per Yr)
<b>Projected Income</b>									
Regular Assessments	\$205,842	\$205,824	\$215,040	\$227,473	\$240,673	\$254,690	\$269,575	\$241,490	5.80%
Interest + Other Income	\$4,743	\$5,696	\$3,450	\$3,604	\$3,711	\$4,140	\$4,052	\$3,791	
<b>Totals</b>	<b>\$210,585</b>	<b>\$211,520</b>	<b>\$218,490</b>	<b>\$231,077</b>	<b>\$244,384</b>	<b>\$258,829</b>	<b>\$273,626</b>	<b>\$245,281</b>	
<b>Operating Expenses</b>									
Administrative	\$31,461	\$31,304	\$35,316	\$36,375	\$37,466	\$38,590	\$39,748	\$37,499	3.00%
Social Membership	\$86,784	\$86,784	\$92,544	\$98,717	\$105,301	\$112,325	\$119,817	\$105,741	6.67%
Insurance/Taxes	\$4,913	\$3,901	\$4,367	\$4,498	\$4,633	\$4,772	\$4,915	\$4,637	3.00%
Maintenance	\$45,520	\$47,161	\$44,803	\$47,043	\$49,395	\$51,865	\$54,458	\$49,513	5.00%
Utilities	\$19,002	\$17,765	\$18,607	\$19,537	\$20,514	\$21,539	\$22,616	\$20,563	5.00%
<b>Totals</b>	<b>\$187,680</b>	<b>\$186,915</b>	<b>\$195,636</b>	<b>\$206,170</b>	<b>\$217,309</b>	<b>\$229,091</b>	<b>\$241,554</b>	<b>\$217,952</b>	
<b>Reserve Funding</b>									
Projected Reserves (start of fiscal year)	\$83,063	\$84,127	\$83,170	\$103,103	\$89,780	\$113,445	\$122,947		
Add: Special Assessments	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Add: Reserve Funding Contributions	\$22,887	\$19,344	\$20,604	\$21,945	\$23,373	\$24,895	\$26,515		
Add: Reserve Interest	\$3,543	\$3,082	\$2,250	\$2,404	\$2,511	\$2,940	\$2,852		
Less: Expense Disbursements	\$34,851	\$23,383	\$2,921	\$37,671	\$2,219	\$18,332	\$50,102		
<b>Cash Flow (year end reserves)</b>	<b>\$74,642</b>	<b>\$83,170</b>	<b>\$103,103</b>	<b>\$89,780</b>	<b>\$113,445</b>	<b>\$122,947</b>	<b>\$102,212</b>		
<b>Summary/Per Unit Costs</b>									
Operating Exp + Reserves	\$210,585		\$218,490	\$231,077	\$244,384	\$258,829	\$273,626		
Less: interest income + other income	(\$4,743)		(\$3,450)	(\$3,604)	(\$3,711)	(\$4,140)	(\$4,052)		
Total (less interest & other income)	\$205,842		\$215,040	\$227,473	\$240,673	\$254,690	\$269,575		
Number of Units/Members	128		128	128	128	128	128		
\$ Per Unit/month (less interest & other income)	\$134.01		\$140.00	\$148.09	\$156.69	\$165.81	\$175.50		
<b>Budget Check</b>									
Operating Exp + Reserves			\$218,490	\$231,077	\$244,384	\$258,829	\$273,626		
Less: reserve contribution			(\$20,604)	(\$21,945)	(\$23,373)	(\$24,895)	(\$26,515)		
Less: reserve interest			(\$2,250)	(\$2,404)	(\$2,511)	(\$2,940)	(\$2,852)		
Funds available for Operations			\$195,636	\$206,728	\$218,500	\$230,995	\$244,259		
Operations shortfall (surplus)			\$0	(\$559)	(\$1,190)	(\$1,904)	(\$2,705)		