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Windemere Court Homeowner's Association RESERVE STUDY December 31,2003

Windemere Court Homeowner's Association
Reserve Study Summary
December 31,2003

The following information is a condensed summary of the full reserve study, in compliance with Calif. Civil Codes 1365, 1365.5, and 1366. It is intended for inclusion with the annual budget information to be distributed to the homeowners. California Civil Code1365.5 requires a full study (physical inspection necessary) every 3 years, and the study must be reviewed annually. Refer to the complete study for detailed estimates of individual remaining lives, current costs, and projected future replacement costs.

Reserve Component Groups	Estimated Remaining Life	Estimated Replacement Cost	Annual Funding Requirement	Accumulated Funding Requirement	Allocation of Fund Balance	Percent of Fund Balance
Roofing	3 - 30	$ 48,622	$ 2,482	$ 22,541	$ 22,070	28.5%
Painting/Siding/Trim	1 - 5	28,818	4,518	10,866	10,639	13.7%
Fencing/Security/Railings	3 - 12	10,296	515	6,329	6,197	8.0%
Paved Surfaces	1 - 5	2,460	196	1,864	1,825	2.4%
Pool And Spa	1 - 14	10,806	848	4,483	4,389	5.7%
Mechanical/Plumbing	1 - 12	33,800	1,400	21,742	21,288	27.5%
Landscaping	2 - 7	4,000	225	3,050	2,986	3.9%
Lighting	2 - 2	4,285	214	3,857	3,776	4.9%
Miscellaneous	5 - 5	900	45	675	661	0.9%
Contingency (5%)		7,199	522	3,770	3,692	4.8%
Totals		$ 151,186	$ 10,966	$ 79,176	$ 77,524	100.0%

Percentage Funded as of Study Date			97.9%
Current Annual Funding (from budget)			$ 10,920
Reserve Fund Balance as of Study Date: December 31,2003			$ 77,524
Anticipated Funding to Year End			$ 1,820
Anticipated Expenditures	(2/12 of first year's projected disbursements)		$ (1,034)
Cash Projected at Year End February 29, 2004			$ 78,310
$ Per Unit, Per Month (Annual*/Minimum*/Current*)	$ 32	$ 27	$ 31

*All funding options assume a 3% increase per year

We present this summary of the repair and replacement funding program of the Association as of December 31,2003, and the related reserve funding projection for the 20-year period from 2004 to 2023, based on information provided by management and is based upon the consultant's estimates of the most probable reserve component replacement costs and remaining useful lives as described in the consultant's report. This report reflects the consultant's judgment of the most likely costs, conditions, and remaining lives at the time of inspection. The annual requirement is based on the cost of each component divided by its total useful life. The accumulated requirement is the annual requirement multiplied by the number of years each component has been in service. The difference between accumulated requirement total and the actual cash balance may indicate a deficit which would be expressed in the percentage funded.

Assumptions have been made about costs, conditions, and future events and circumstances that may occur. Some of these assumptions Inevitably will not materialize; and unanticipated events and circumstances may occur subsequent to the date of this report. Therefore, the actual replacement costs and remaining lives may vary from this report and the variations may be material.

The compilation of this reserve funding analysis and projection is based on representations of management and the consultant's estimates. We have not audited or reviewed the accompanying analysis and projections and, accordingly, do not express an opinion or any other form of assurance on them. We assume no responsibility to update this report for events or circumstances occurring after the date of issuance of this report.

February 12,2004

Sonnenberg & Company, CPA's

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Windemere Court
Homeowner's Association
Reserve Study Report

Board of Directors and Owners:

We have compiled the accompanying reserve study report of the Windemere Court Homeowner's Association as of December 31, 2003, the reserve funding projections for the twenty-year period from 2004 through 2023, and the related reserve study summary sheet for distribution to owners/members, in accordance with guidelines established by the American Institute of Certified Public Accountants.

The accompanying reserve study report is based on information provided by management and an independent consultant's judgment and estimates, based on circumstances at the time of the inspection, of the most probable reserve component replacement costs, normal and remaining useful lives as described in the accompanying consultant's report.

Assumptions have been made about costs, conditions, and future events and circumstances that may occur. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the date of this report. Therefore, the actual replacement costs and remaining lives may vary from this report and the variations could be material.

This report is designed to help your Association comply with California Civil Code 1365 and should not be used for any other purpose. The study is required to be updated and distributed to each owner-member within 60 days (and not less than 45 days) prior to the beginning of each fiscal year along with the operating budget and a statement regarding assessment collection policies.

A compilation is limited to presenting financial information that is the representation of management. We have not audited or reviewed the accompanying analysis and projection and, accordingly, do not express an opinion or any other form of assurance on them. We assume no responsibility to update this report for events and circumstances occurring after the date of this report.

February 12, 2004

Sonnenberg & Company, CPAs

Consultant's Estimates (See Inspection Report)

Accountant's Program

COMPONENT	Units Measured		Unit Cost	Srce	Cond	Current Replcmt Cost	Estimated Usfl/Remg Life		Annual Funding Reqrmnt	Accumltd Funding Reqrmnt	Cash In Reserve	Deficit	2004 Disb 1	2005 Disb 2	2006 Disb 3	2007 Disb 4	2008 Disb 5
ROOFING																	
Built Up Asphalt	51	sq	270.00	C/M	G	13,770	15	15	918	-	-	-					
Fiberglass Shingles	59	sq	200.00	C/M	G-F	11,800	20	5	590	8,850	8,665	185					13,216
Courtyard Upper Walkway	2,800	sf	6.00	C/M	G	16,800	25	7	672	12,096	11,844	252					
Skylights-Large	2	ea	350.00	C/M	G	1,876	15	15	125	-	-	-					
Skylights-Smaller	3	ea	250.00	C/M	G-F	1,876	20	3	94	1,595	1,561	33			1,989		
Gutters/Downspouts	Allowance			C/M	G	2,500	30	30	83	-	-	-					
PAINTING/SIDING/TRIM																	
Wood Siding/Trim, Replace	Allowance			C/M	G-P	1,500	10	1	150	1,350	1,322	28	1,500				
Exterior Wood-Exposed & T	9,600	sf	1.00	C/M	G	9,600	5	5	1,920	-	-	-					10,752
Exterior Wood/Misc-Courty	12,600	sf	0.75	C/M	G-F	9,450	10	5	945	4,725	4,626	99					10,584
Doors, Unit Entry & Extras	43	ea	35.00	C	G-F	1,505	10	3	151	1,054	1,032	22			1,595		
Wrought Iron Rails/Gates/F	442	lf	Total	C/M	G-P	1,600	5	3	320	640	627	13			1,696		
Deck Coating	2,950	sf	1.75	/M/	F	5,163	5	2	1,033	3,098	3,033	65		5,317			
FENCING/RAILINGS/GATES/ENTRY SECURITY																	
Wrought Iron 2ft. Balcony R	112	lf	16.00	C	G-F	1,792	30	12	60	1,075	1,053	22					
Wrought Iron Courtyard Rails	LIFE OF THE PROJECT/CONTINGENCY								-	-	-	-					
Wrought Iron 3-5ft. Fencing	54	lf	28.00	C	G-F	1,512	25	7	60	1,089	1,066	23					
Wrought Iron Pedestrian G	2	ea	Total	C	G	825	25	7	33	594	582	12					
Wrought Iron Vehicular Gat	1	ea	2,592.00	C/M	G	2,592	20	5	130	1,944	1,903	41					2,903
Vehicular Gate Motor Asse	1	ea	2,325.00	A/C	G	2,325	10	3	233	1,628	1,594	34			2,465		
Entry Phone System	1	ea	1,250.00	C/M	G	1,250	10	3	-	-	-	-			1,325		
PAVED SURFACES																	
Garage Floor-Clean/Re-stripe	Total			A/C	F	960	10	1	96	864	846	18	960				
Concrete Paving @ Courtyard & Ent	Allowance			C/M	G-P	1,500	15	5	100	1,000	979	21					1,680
POOL AND SPA																	
Resurface Spa	1	ea	1,600.00	C/A	F	1,600	15	7	107	853	836	18					
Coping Tiles	24	lf	17.00	C	F	408	20	2	20	367	360	8		420			
Border Tiles	24	lf	16.00	C	F	384	15	7	26	205	201	4					
Concrete Decking	Allowance			C	G-F	1,000	20	2	50	900	881	19		1,030			
Heater	1	ea	1,450.00	C/A	P	1,450	12	1	121	1,329	1,301	28	1,450				
Filter	1	ea	864.00	C/A	G	864	15	8	58	403	395	8					
Pumps/Motors	2	ea	425.00	C/M	G	850	8	4	106	425	416	9				927	
Furniture	12	ea	Total	C/M	F	2,000	10	10	200	-	-	-					
Gas Barbecues	2	ea	600.00	C/M	G	2,250	14	14	161	-	-	-					
MECHANICAL/PLUMBING																	
Hot Water Heater (Raypak)	1	ea	4,300	C	F	4,300	20	3	215	3,655	3,579	76			4,558		

Consultant's Estimates (See Inspection Report)

Accountant's Program

COMPONENT	Units Measured		Unit Cost	Srce	Cond	Current Replcmt Cost	Estimated Usfl/Remg Life		Annual Funding Reqrmnt	Accumltd Funding Reqrmnt	Cash In Reserve	Deficit	2004 Disb 1	2005 Disb 2	2006 Disb 3	2007 Disb 4	2008 Disb 5
Hot Water Storage Tank	1	ea	2,000	C	N/A	2,000	15	1	133	1,867	1,828	39	2,000				
Garage Exhaust Fan-5 HP	1	ea	1,200	C	F	1,200	20	2	60	1,080	1,057	23		1,236			
Sump Pumps & Controls	2	ea	Total	C/M	N/A	1,350	10	8	135	270	264	6					
Fire Alarm Control Panel	1	ea	750	/M/	G	750	15	8	50	350	343	7					
Fire Extinguishers/Cabinets			OPERATING BUDGET						-	-	-	-					
Elevator, Reline Cylinder	1	ea	7,000	C/V	N/A	7,000	30	12	233	4,200	4,112	88					
Elevator, Equipment	1	ea	17,200	C/V	N/A	17,200	30	12	573	10,320	10,105	215					
LANDSCAPING																	
Irrigation Timers/Valves/Piping	Allowance			C/M	G-N/A	1,500	15	7	100	800	783	17					
Planter Waterproof/Replacement	Allowance			C	G-F	2,500	20	2	125	2,250	2,203	47		2,575			
LIGHTING																	
Wall Mount Exterior Floods			OPERATING BUDGET						-	-	-	-					
Ceiling Mounted @ Courtya	31	ea	55.00	C	F	1,705	20	2	85	1,535	1,502	32		1,756			
Ceiling Mounted @ Garage	9	ea	100.00	C	F	900	20	2	45	810	793	17		927			
Exit Light Fixtures	6	ea	120.00	C/M	F	720	20	2	36	648	634	14		742			
Column Lights (Bollards)	6	ea	160.00	C	F	960	20	2	48	864	846	18		989			
MISCELLANEOUS																	
Mailboxes, Gang-type	30	ea	30.00	C	G-F	900	20	5	45	675	661	14					1,008
CONTINGENCY (5%)						7,199			522	3,770	3,692	79	296	750	681	46	2,007
TOTALS						151,186			10,966	79,176	77,524	1,652	6,206	15,742	14,309	973	42,150

Windemere Court Homeowner's Association
29 Units; Built 1986

Major Repairs and Replacements Funding Requirements
Following Fifteen Year Projection:

Consultant's Estimates (See Inspection Report) **Accountant's Program**

COMPONENT	Estimated Usfl/Remg Life		Annual Funding Reqrmnt	2009 Disb	2010 Disb	2011 Disb	2012 Disb	2013 Disb	2014 Disb	2015 Disb	2016 Disb	2017 Disb	2018 Disb	2019 Disb	2020 Disb	2021 Disb	2022 Disb	2023 Disb
				6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
ROOFING																		
Built Up Asphalt	15	15	918										19,553					
Fiberglass Shingles	20	5	590															
Courtyard Upper Walkway	25	7	672		19,824													
Skylights-Large	15	15	125										2,664					
Skylights-Smaller	20	3	94															
Gutters/Downspouts	30	30	83															
PAINTING/SIDING/TRIM																		
Wood Siding/Trim, Replace	10	1	150						1,950									
Exterior Wood-Exposed & Trim	5	5	1,920					12,192					13,632					15,072
Exterior Wood/Misc-Courtyard	10	5	945										13,419					
Doors, Unit Entry & Extras	10	3	151								2,047							
Wrought Iron Rails/Gates/Fenc	5	3	320			1,936					2,176					2,416		
Deck Coating	5	2	1,033		6,092					6,866					7,641			
FENCING/RAILINGS/GATES/ENTRY SECURITY																		
Wrought Iron 2ft. Balcony Rails	30	12	60							2,383								
Wrought Iron Courtyard Rails	-	-	-															
Wrought Iron 3-5ft. Fencing	25	7	60		1,784													
Wrought Iron Pedestrian Gates	25	7	33		974													
Wrought Iron Vehicular Gate	20	5	130															
Vehicular Gate Motor Assembly	10	3	233								3,162							
Entry Phone System	10	3	-								1,700							
PAVED SURFACES																		
Garage Floor-Clean/Re-stripe	10	1	96						1,248									
Concrete Paving @ Courtyard	15	5	100															2,355
Resurface Spa	15	7	107		1,888													
Coping Tiles	20	2	20															
Border Tiles	15	7	26		453													
Concrete Decking	20	2	50															
Heater	12	1	121								1,972							
Filter	15	8	58			1,045												
Pumps/Motors	8	4	106							1,131								1,335
Furniture	10	10	200					2,540										3,140
Gas Barbecues	14	14	161									3,128						
MECHANICAL/PLUMBING																		
Hot Water Heater (Raypak)	20	3	215															

Windemere Court Homeowner's Association
29 Units; Built 1986

Major Repairs and Replacements Funding Requirements
Following Fifteen Year Projection:

Consultant's Estimates (See Inspection Report) **Accountant's Program**

COMPONENT	Estimated Usfl/Remg Life		Annual Funding Reqrmnt	2009 Disb	2010 Disb	2011 Disb	2012 Disb	2013 Disb	2014 Disb	2015 Disb	2016 Disb	2017 Disb	2018 Disb	2019 Disb	2020 Disb	2021 Disb	2022 Disb	2023 Disb
				6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Hot Water Storage Tank	15	1	133											2,900				
Garage Exhaust Fan-5 HP	20	2	60															
Sump Pumps & Controls	10	8	135			1,634										2,039		
Fire Alarm Control Panel	15	8	50			908												
Fire Extinguishers/Cabinets	-	-	-															
Elevator, Reline Cylinder	30	12	233							9,310								
Elevator, Equipment	30	12	573							22,876								
LANDSCAPING																		
Irrigation Timers/Valves/Piping	15	7	100		1,770													
Planter Waterproof/Replaceme	20	2	125															
LIGHTING																		
Wall Mount Exterior Floods	-	-	-															
Ceiling Mounted @ Courtyard	20	2	85															
Ceiling Mounted @ Garage	20	2	45															
Exit Light Fixtures	20	2	36															
Column Lights (Bollards)	20	2	48															
Mailboxes, Gang-type	20	5	45															
CONTINGENCY (5%)			522	-	1,639	276	-	737	160	2,128	553	156	2,463	145	382	223	-	1,095
TOTALS			10,966	-	34,424	5,799	-	15,469	3,358	44,694	11,610	3,284	51,732	3,045	8,023	4,677	-	22,997

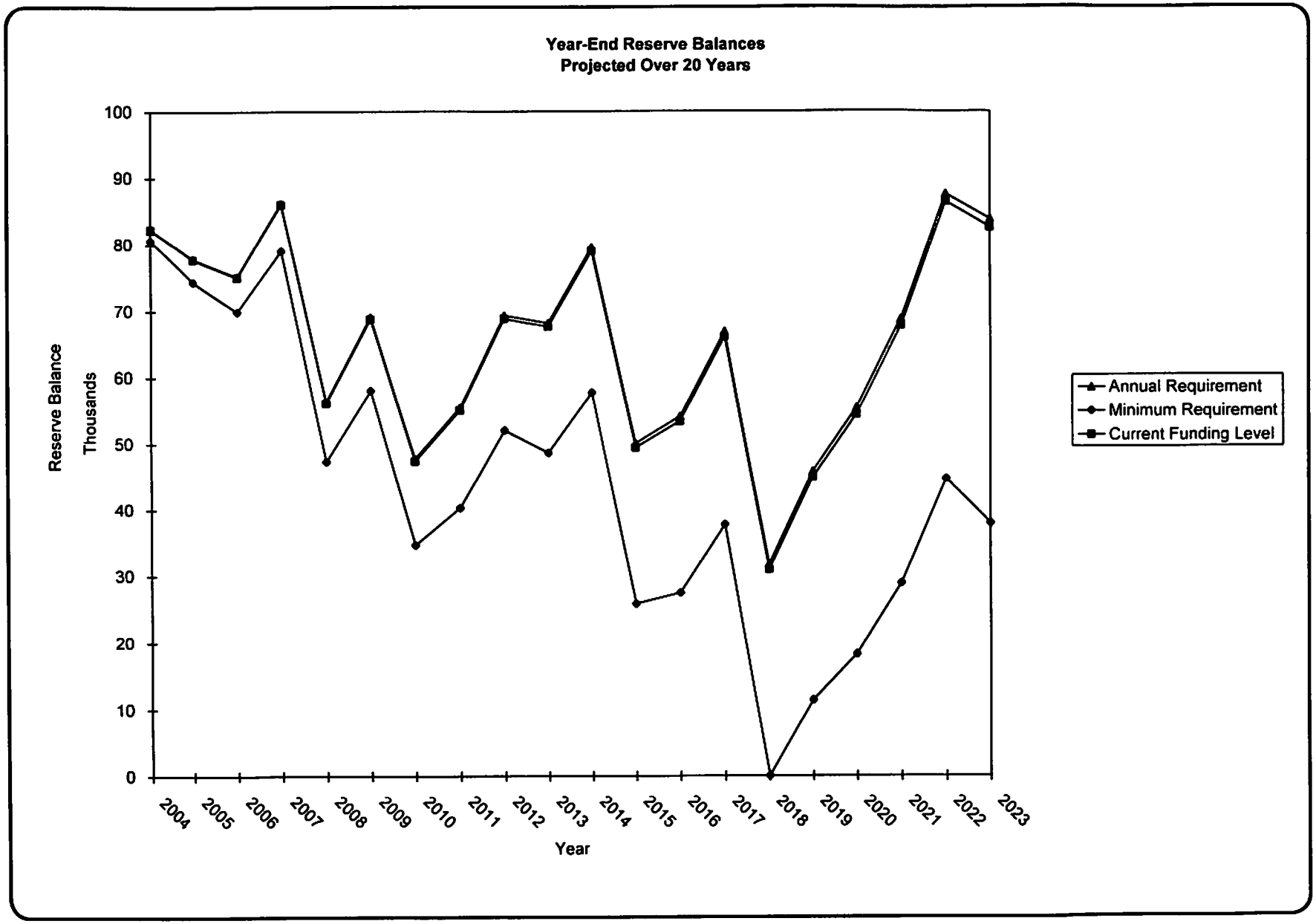
20-Year Cash Projections:

Fiscal Year Ended --------	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of Years----------	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Option 1 - Annual Requirement Funding:																				
$ Per Unit Per Month	32																			
Beginning Cash	77524																			
Annual Requirement	10966	11295	11634	11983	12342	12713	13094	13487	13891	14308	14737	15180	15635	16104	16587	17085	17597	18125	18669	19229
(includes 3% annual increase)																				
Annual Disbursements	6206	15742	14309	973	42150	0	34424	5799	0	15469	3358	44694	11610	3284	51732	3045	8023	4677	0	22997
Ending Cash Reserve - Option	82285	77838	75163	86173	56365	69078	47748	55436	69328	68167	79547	50032	54057	66877	31733	45772	55347	68795	87464	83696
Option 2 - Minimum Funding																				
$ Per Unit Per Month	27																			
Beginning Cash	77524																			
Minimum Funding	9260	9538	9824	10119	10422	10735	11057	11389	11730	12082	12445	12818	13203	13599	14007	14427	14860	15305	15765	16237
(includes 3% annual increase)																				
Annual Disbursements	6206	15742	14309	973	42150	0	34424	5799	0	15469	3358	44694	11610	3284	51732	3045	8023	4677	0	22997
Ending Cash Reserve - Option	80579	74375	69890	79036	47308	58042	34676	40266	51996	48610	57696	25820	27413	37728	3	11384	18221	28850	44614	37855
Option 3 - Current Funding: May be inadequate after Year 3																				
$ Per Unit Per Month	31																			
Beginning Cash	77524																			
Current Funding	10920	11248	11585	11933	12291	12659	13039	13430	13833	14248	14676	15116	15569	16036	16517	17013	17523	18049	18591	19148
(includes 3% annual increase)																				
Annual Disbursements	6206	15742	14309	973	42150	0	34424	5799	0	15469	3358	44694	11610	3284	51732	3045	8023	4677	0	22997
Ending Cash Reserve - Option	82239	77744	75021	85980	56121	68780	47395	55027	68860	67640	78957	49379	53339	66091	30877	44845	54346	67718	86308	82460

Percent of Accumulated Reserve Requirement Funded: **97.9%**

Projected Cash at End of Fiscal Year:

Cash In Reserves at December 31,2003	77,524	
Monthly Allocations through year-end	1,820	
Anticipated Expenditures	(1,034)	(2/12 of first year's projected disbursements)
Cash Projected at Year End December 31, 2003	78,310	


Year-End Reserve Balances
Projected Over 20 Years
Reserve Balance
Thousands
100
90
80
70
60
50
40
30
20
10
0
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
Year
Annual Requirement
Minimum Requirement
Current Funding Level

Windemere Court Homeowner's Association
Notes and Assumptions
December 31,2003

Note A Key to Reserve Funding Program:

These definitions correspond to the column headings on the Major Repair and Replacement Reserve Funding Requirements Schedule.

Consultant's Estimate Section, page 2:

Component - Each major repair or replacement item considered by the Board of Directors and Consultant to require reserve funding.

Units Measured - The quantity in terms of area or item count as determined by actual measure, bids/invoices, DRE budget or other sources.

Unit Cost - The current replacement cost per unit of measure.

Source - Indicates where data was derived. C = Consultant's database/previous study; M = Management or Board of Directors information; V = Vendor (pool/landscape/roofer/elevator/etc) information; NA = No Access or data Not Available.

Condition - The physical condition from the consultant's visual inspection and other sources. Code: N = New or nearly new, G = Good, F = Fair, P = Poor condition, needs to be replaced soon.

Current Replacement Cost - The present cost of repairing or replacing the reserve components as estimated by the independent consultant or current bids/invoices. However, replacement costs will inevitably increase.

Estimated Useful Life - The normal useful life for the reserve components included in this reserve study.

Estimated Remaining Life - The remaining useful life for reserve components. As per CC1365.5, only components with remaining lives of 30 years or less are included here. Repair, replacement or refurbishment will be necessary at the end of the component's remaining life.

Funding Projection Section - pages 2 & 3:

Annual Reserve Requirement - The normal annual reserve requirement is computed by dividing the current replacement cost by the estimated useful life. This is the amount which should be set aside annually, exclusive of any reserve deficit or inflation.

Windemere Court Homeowner's Association
Notes and Assumptions
December 31,2003

Funding Projection Section - pages 2 & 3 (continued):

Accumulated Reserve Requirement - This amount is computed by multiplying the difference between the estimated useful and remaining life times the annual reserve requirement. This is the amount of reserve savings which should be on hand, according to the full funding method, as of the date of this reserve report.

Cash in Reserves - The amount of actual reserve savings on hand that have been accumulated for replacement of reserve components.

Deficit - That amount which is computed by subtracting the accumulated reserve requirement from the amount of cash on hand. This is the combined shortage, if any, of reserve savings for each of the reserve components.

Future Replacement Cost - The amount of future replacement cost projected at an estimated rate of inflation which for purposes of this report is assumed to be 3 per cent (3%).

Full Funding Requirement - The amount of funding required for each component over its remaining useful life, based on the future replacement cost as inflated, combined with the annual reserve requirement plus an additional amount calculated to make up any deficit in funding.

Twenty Year Projections - The amounts of the estimated future replacement cost cash expenditures projected for each year. Some major repair expenditures may be spread over two or three years. Five years disbursements are shown on page 2 and the following fifteen years are shown on page 3.

Balance - The amount of funding balance projected by component at end of the five year and twenty year projections, assuming funding and expenditures are made as scheduled.

20-year Cash Projections, pages 4 & 5:

Option 1 - Annual Funding - The cash projection starting with current reserve cash balance, adding the annual requirement as computed on page 2, and annual disbursements as projected on pages 2 and 3. The funding deficit is not considered in this method, but allocations are increased for inflation at 3% per year. This funding may not be adequate to meet projected expenditures.

Option 2 - Minimum Funding - An amount calculated to be the least amount of funding necessary to meet projected disbursements over the 20-year projection. The projections include a recommended 3% annual increase to minimize the effects of future costs on present owners.

Option 3 - Current Funding - Funding each component over its remaining useful life. The amount combines the inflated future replacement cost requirement plus an amount calculated to make up any deficit in funding.

Windemere Court Homeowner's Association
Report Conclusions
December 31,2003

Note B Inflation and Interest Earned on Reserves:

Provision has been made in the funding projections for inflation, computed at 3 per cent (3%), however the current funding will be the same regardless of future inflation. Interest earned on reserve savings funds should be added to reserve funds. As costs increase in the future, the annual reserve reports should be revised accordingly.

Note C Reserve Calculations:

Based on estimated current replacement costs of $151,186 and estimated normal and remaining useful lives determined by the independent consultant, the annual reserve requirement is calculated to be $10,966. The accumulated reserve requirement is calculated to be $79,176. As of December 31,2003, the Association has $77,524 in savings accounts designated as reserve funds. Therefore, a deficit of $1,652 has been calculated. A portion of the annual reserve requirement may be provided for in the operating budget.

Note D Funding Calculations:

There are a variety of methods by which the Association can approach the desired level of funding. The Board is responsible to determine the optimum funding program. We have calculated three options

Option 1: Annual Requirement Funding. Annual allocation of $10,966 or $32 per unit per month. This option assumes that the Association will maintain the annual funding requirement as calculated on page 2, without regard for any funding deficiency. If there is a funding deficiency, this method will never achieve full funding and may not meet reserve requirements as they occur. A special assessment may be needed at some time to fund a major repair or replacement. A yearly increase of 3% is included for inflation.

Option 2: Minimum Funding. This option is intended to calculate the lowest amount of funding feasible over the next 20 years. A yearly increase of 3% is included for inflation. An allocation of $9,260 or $27 per unit per month will provide just adequate funds to meet expenditures.
After meeting the minimum funding through the year of the lowest reserve fund balance, the minimum funding has been recalculated to the annual funding requirement.

Option 3: Current Funding. The current budgeted funding level is projected over the 20-year period, including a 3% annual increase, as a comparison to options 1 and 2. Currently $10,920 or $31 per unit per month is allocated to reserves. Since some year-end balances are less than zero, then this funding may not be adequate to meet projected expenditures.

Percent of Accumulated Reserve Requirement Funded: **97.9%**

Projected Cash in Reserve Fund at End of Fiscal Year: **$78,310**

Reserve Study Inspection Report
Windemere Court Homeowners Association
29 Units; Built 1986

Greg Stevens—Inspector
In Association with Sonnenberg & Company, CPA's

Inspection Date: 2/7/04
Site Contact : Ray Robinson, Hilltop Executiv

Component Group / Component Description	Quantity	Meas	Unit Cost	Source Code *	Comp Cond	Replacement Cost	Norm Life	Remng Life	Inspection Notes
ROOFING									
Built Up Asphalt	51	sq	270.00	C/M	G	13,770	15	15	Redone 2002
Fiberglass Shingles	59	sq	200.00	C/M	G-F	11,800	20	5	Extende life due to on going maitenanc
Courtyard Upper Walkway	2,800	sf	6.00	C/M	G	16,800	25	7	Topcoating done regularly, should incre
Skylights-Large	2	ea	350.00	C/M	G	1,876	15	15	New with new roof 2002
Skylights-Smaller	3	ea	250.00	C/M	G-F	1,876	20	3	No problems noted except mold in dom
Gutters/Downspouts	Allowance			C/M	G	2,500	30	30	Added new gutters 2/25/00
Roofing Total						48,622			
PAINTING/SIDING/TRIM									
Wood Siding/Trim, Replace	Allowance			C/M	G-P	1,500	10	1	Dry rot/termites on individual balconys
Exterior Wood-Exposed & Trim	9,600	sf	1.00	C/M	G	9,600	5	5	Recently done
Exterior Wood/Misc-Courtyard	12,600	sf	0.75	C/M	G-F	9,450	10	5	Patio walls-note tendency for algae gro
Doors, Unit Entry & Extras	43	ea	35.00	C	G-F	1,505	10	3	Appear in good condition
Wrought Iron Rails/Gates/Fence	442	lf	Total	C/M	G-P	1,600	5	3	Noted rust at base posts in spa area
Deck Coating	2,950	sf	1.75	C/M/A	F	5,163	5	2	Appears in fair condition
Painting Total						28,818			
FENCING/RAILINGS/GATES/ENTRY SECURITY									
Wrought Iron 2ft. Balcony Rails (5	112	lf	16.00	C	G-F	1,792	30	12	Rust at some base posts
Wrought Iron Courtyard Rails	LIFE OF THE PROJECT/CONTINGENCY								Protected location = 40 to 50 year life
Wrought Iron 3-5ft. Fencing	54	lf	28.00	C	G-F	1,512	25	7	
Wrought Iron Pedestrian Gates	2	ea	Total	C	G	825	25	7	
Wrought Iron Vehicular Gate	1	ea	2,592.00	C/M	G	2,592	20	5	Apperance and operation both good
Vehicular Gate Motor Assembly	1	ea	2,325.00	A/C	G	2,325	10	3	Rebuild motors as needed from operati
Entry Phone System	1	ea	1,250.00	C/M	G	1,250	10	3	Good working order
Fencing/Gates Total						10,296			
PAVED SURFACES									
Garage Floor-Clean/Restripe	Total			A/C	F	960	10	1	To be done soon
Concrete Paving @ Courtyard & Entry	Allowance			C/M	G-P	1,500	15	5	Recoated front walk 8/19/02
Paving Total						2,460			
SPA & EQUIPMENT									
Resurface Spa	1	ea	1,600.00	C/A	F	1,600	15	7	Fiberglass has long warranty, easy mai
Coping Tiles	24	lf	17.00	C	F	408	20	2	Some minor cracking
Border Tiles	24	lf	16.00	C	F	384	15	7	Colors fading

*** Data Sources: A=Actual Costs/Bids; C=Consultant Data Base; M=Management/Board Data; V=Vendor Data; N/A=No Access or Data Not Available**

Component Group	Quantity	Meas	Unit	Source	Comp	Replacement	Norm	Remng

Component Description			Cost	Code *	Cond	Cost	Life	Life	Inspection Notes
SPA & EQUIPMENT Continued)									
Concrete Decking	Allowance			C	G-F	1,000	20	2	For partial repairs or coating
Heater	1	ea	1,450.00	C/A	P	1,450	12	1	Appears to be original
Filter	1	ea	864.00	C/A	G	864	15	8	
Pumps/Motors	2	ea	425.00	C/M	G	850	8	4	Average life (rebuild/replace as needed
Furniture	12	ea	Total	C/M	F	2,000	10	10	Replaced 3/31/03
Gas Barbecues	2	ea	600.00	C/M	G	2,250	14	14	Replaced 10/17/02
Spa Total						10,806			
MECHANICAL/PLUMBING									
Hot Water Heater (Raypak)	1	ea	4,300	C	F	4,300	20	3	Assumes repairs in interim from operati
Hot Water Storage Tank	1	ea	2,000	C	N/A	2,000	15	1	Repaired leak 2/13/03
Garage Exhaust Fan-5 HP	1	ea	1,200	C	F	1,200	20	2	
Sump Pumps & Controls	2	ea	Total	C/M	N/A	1,350	10	8	Replaced 5/04/01
Fire Alarm Control Panel	1	ea	750	C/M/A	G	750	15	8	
Fire Extinguishers/Cabinets			OPERATING BUDGET						Minimal Cost/Quantity
Elevator, Reline Cylinder	1	ea	7,000	C/V	N/A	7,000	30	12	Assumes relining rather than replacem
Elevator, Equipment	1	ea	17,200	C/V	N/A	17,200	30	12	Replaced bushings 11/05/03
Mechanical/Plumbing Total						33,800			
LANDSCAPING									
Irrigation Timers/Valves/Piping	Allowance			C/M	G-N/A	1,500	15	7	Timer newer, minimal area
Planter Waterproof/Replacement	Allowance			C	G-F	2,500	20	2	Some cracks noted in concrete planter
Landscaping Total						4,000			necessary
LIGHTING									
Wall Mount Exterior Floods			OPERATING BUDGET						Minimal quantity; replace as needed
Ceiling Mounted @ Courtyard	31	ea	55.00	C	F	1,705	20	2	
Ceiling Mounted @ Garage	9	ea	100.00	C	F	900	20	2	Includes allowance for re-wiring
Exit Light Fixtures	6	ea	120.00	C/M	F	720	20	2	
Column Lights (Bollards)	6	ea	160.00	C	F	960	20	2	Includes allowance for re-wiring
Lighting Total						4,285			
MISCELLANEOUS									
Mailboxes, Gang-type	30	ea	30.00	C	G-F	900	20	5	Extended life
Miscellaneous Total						900			On-going problem with water intruding into gar t; long-term effects not known. Not a normal reserve item and may require eventual special assessment if structural damage is indicated
CONTINGENCY (5%)						7,199			
TOTAL REPLACEMENT COST						$151,186			

*** Data Sources: A=Actual Costs/Bids; C=Consultant Data Base; M=Management/Board Data; V=Vendor Data; N/A=No Access or Data Not Available**

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HOMEOWNERS ASSOCIATION
RESERVE STUDY INSPECTION
CONSULTANT'S REPORT

Inspection Date: 9//03
Location:
Age of Project: Built 19
Units/Buildings:
Amenities: Pool/Spa, Clubrooms, Lobbies, Gated Entries, Elevators, Tennis Courts, Green Belts
Management/Association Representative:

ASSUMPTIONS AND DATA USED IN THE REPORT

The Association has the responsibility to maintain the common areas defined by the CC&R's, including: roofing; painting; paving; fences; recreational facilities; mechanical equipment, landscaping/irrigation and common area lighting.

Repair and replacement estimates are based on current costs from estimating manuals (Craftsman's National Construction Estimator and Means Mechanical Data, as well as previous experience and on-file invoices in our data base. All costs are modified by location, quantity and quality. It is important that these modifying factors be reviewed annually and the reserve projections adjusted to meet changing conditions. Costs are also based on replacement with similar materials. Associations may choose to upgrade components at a cost higher than that projected by this report.

Normal useful lives are based on warranties, information provided by the California Department of Real Estate, and the consultant's historical experience. Both useful and remaining lives are based on site location (ocean proximity, higher UV factors in the desert, air born pollution in some urban zones) and quality of materials and installation. Frequency of usage (foot traffic on carpeting, automatic vehicular gate motors, etc.) is considered. Actual remaining lives will vary with deferred maintenance or better than average maintenance.

The Source Code on the worksheets indicates how the main assumptions for each component were determined. (C) indicates that all data came from the consultant's database and estimating books; (M) indicates that most or all of the data came from the Association's Community Manager or members of the Board of Directors (or representatives appointed by the Board to assist with the Reserve Study); (V) refers to information received from the Association's service vendors, such as pool/spa, landscape, and elevator maintenance company representatives. (A) indicates that costs (and sometimes remaining lives based on warranties) were derived from actual cost invoices or bids. (P) refers to data from previous reserve studies, if found to be accurate.

All descriptions of current conditions and anticipated life expectancies are based upon the assumptions that (1) the project will continue to receive regular preventative maintenance by qualified contractors, and (2) unseen or catastrophic events do not intervene in the interim. All reasonable efforts have been made to provide reliable information in this report.

Events subsequent to the date of this report are not provided for; and the consultant takes no responsibility for subsequent updating of this report.

FOR SPECIFIC NOTES ON INDIVIDUAL COMPONENTS, PLEASE REFER TO THE INSPECTION REPORT WORKSHEETS AT THE END OF THIS REPORT.

Reserve Study Disclosures, per National Reserve Study Standards of the Community Associations Institute:

1. I am not involved with any person(s) involved in management or ownership of this Association which would create actual or perceived conflicts of interest.
2. The inspection consisted of a brief, representative visual examination of the accessible major reserve components in order to determine quantities and relative condition. No destructive testing was performed.
3. In addition to my personal inspection, this report also relies on information supplied by the Association's Community Manager, Board of Directors, service vendors and repair/replacement publications.
This is an update with site visit; I have relied on previous reserve studies for data. Such studies are assumed to have been deemed accurate and reliable by the Association.
5. Inaccessible systems such as plumbing, underground electrical, and storm drain lines were not included in the inspection. Based on factors such as the age of the project and any reported problems and/or replacements, such systems may or may not be included in the reserve funding study.
6. Information provided to me about current or pending reserve projects is considered reliable; my inspection is not to be considered as a project audit and/or quality inspection.
7. The data and conclusions in this report are valid as of the study's completion date. Components which will not undergo major repair or replacement within thirty (30) years from the study date are generally considered to be "life of the project" (i.e., beyond reasonable projections) and are not included. These items normally include building superstructures and foundations, most concrete surfaces, sewer/storm drains, and water main delivery systems.

CONCLUSIONS/RECOMMENDATIONS

The overall condition of the Association's commonly held physical reserve components is considered to be good to fair and an adequate maintenance program is being adhered to.

Richard Barker
California Contractor Lic. # 762395

February 7, 2004

MAINTENANCE RECOMMENDATIONS

ROOFS: Perform the following procedures every spring and fall:

* Clean roofs, storm drains and catch basins of debris. If trees are overhanging the roofs, have them trimmed prior to debris removal.

* Inspect all roof penetrations, including water heater exhausts and plumbing vents, for cracks in the sealant and patch as necessary with a flexible roof mastic.

* Check all metal flashings, including edge and chimneys, for corrosion and separation. Repair/caulk as needed. Inspect capsheet parapets and flashings for cracking and apply mastic to all seams and bare/cracked areas.

* TILE ROOFS: Inspect the tile roofs for any damaged or missing tiles and have a qualified roofer replace them as necessary. The tiles themselves will normally last the life of the project; however, the roofing felt underlayment materials (which form the actual waterproofing membrane) have a normal life expectancy of 30 to 40 years. Replacement of this type of roof usually consists of removing all the tile and underlayment, installing new felt underlayment and re-installing the original tiles, with costs including an allowance for breakage.

*FIBERGLASS/ASPHALT COMPOSITION SHINGLES: Annual inspection for curling, missing shingles (especially ridgecaps); note also any loss of granular particles at the leading edges of shingles which indicate that they are nearing the end of their useful life. Fiberglass or asphalt shingles have a useful life of 15 to 40 years, depending on warranty and installation.

* WOOD SHAKE/SHINGLE ROOFS: Inspect wood shake roofs for loose, split or missing shakes, especially at the ridgecaps, and replace missing shakes as needed. An annual maintenance program is recommended for roofs between 12 and 20 years old, which may include shake replacements, metal shims at leaky areas, mold/mildew removal with a bleach solution, and a spray-on oil treatment to prevent UV ray damage. However, if curling, splitting, and mildew on Northern slopes is widespread, the cost of maintenance may not be cost-efficient compared to replacement. It is assumed that the Association will opt to replace wood shake roofs with fiberglass composition shingles.

*WOOD SIDING: Wood Product Plywood siding has a long life if adequately protected from moisture and sunlight UV rays. Painting, including renailing loose/warped areas and caulking all openings and window/door edges, should be done regularly. Irrigation sprinklers and vegetation must be kept away from siding. Once the delamination process has started, replacement is inevitable.

*DECK MEMBRANES: Wood Light-weight concrete platform decks having a membrane coating (elastomeric, fiberglass/epoxy, Pebblecoat) have a long life if topcoated regularly to protect against sunlight UV damage or water intrusion beneath the membrane. Edge flashings should be monitored for corrosion if close to the ocean. Areas of ponding or slopage towards the building may need to be rebuilt to provide adequate drainage.

PAINTING: All painted surfaces should be inspected every spring (prior to the more destructive sunlight of summer).

* Wood- flaking, fading and warping/delamination (plywood) are indications that painting is needed. Areas which are sufficiently deteriorated, especially due to wet/dry rot or insect damage, should be replaced prior to painting. Any earth-to-wood contact should be avoided to lessen the occurrence of insect damage and wet rot.

* Wrought Iron- All corroded areas should be wirebrushed or machine-ground, with badly corroded areas replaced with new welded sections. Prime with a zinc oxide primer or other suitable anti-corrosive primer before painting.

* All signs of deterioration should be touched up as needed, from the maintenance operating budget, in order to ensure the longest possible life between repaints and to prevent deterioration of underlying surfaces. South- and West-facing surfaces usually require more frequent maintenance due to their increased exposure to sunlight UV rays.

* Adequate preparation is vital to the quality and longevity of a repaint. This includes removal of loose paint and substrates; adequate caulking at window/door frames and minor cracks, sanding of rough areas and use of the appropriate specified primer on all raw, patched, and stained surfaces.

* Apply quality brands, following manufacturer's specifications, on all painted surfaces.

* All vegetation should be kept cleared away from the building exteriors.

FENCES, RAILINGS, GATES & ENTRY SECURITY: Inspect all fences and gates annually (summer).

* Loose posts, especially at gates, should be repaired or replaced immediately.

* Wood fences should be inspected for stability. Shaky sections usually indicate deteriorated post bases. These posts may be removed and replaced (with pressure-treated posts) if the majority of fencing is stable. The normal life range is 15 to 25 years, before replacement is required due to dry/wet rot, insect damage, vandalism, and weathering. We recommend that posts be replaced with pressure-treated posts for longer life. Attention to soil conditions (earth-to-wood contact, post base erosion, irrigation water ponding, orientation of irrigation spray heads) is important to the remaining life of wood fencing.

* Wrought Iron fences, gates and railings have a useful life of 15 to 25 years, depending on product quality, maintenance, and location. Replacement is most often due to corrosion at bases from irrigation water and overgrowth of vegetation, or ocean air at coastal locations. Inspect the base of iron fence posts for signs of corrosion or deterioration, usually due to standing water. This may be lessened by wirebrushing the corroded areas, applying a zinc primer, and applying concrete epoxy to sunken areas, sloped away from the posts.

* Ensure that irrigation sprinklers are positioned and angled away from fences, and remove dirt and vegetation from bottom rails of fences. Any areas of corrosion should be wirebrushed, primed and touch-up as needed to extend the life of the fencing.

* Paint or seal all fences according to the recommended schedule in this report.

* It is recommended that as it becomes necessary to replace deck guardrails that current building codes be followed. Currently all residential guardrails must be at least 36 inches high with no opening greater than 4 inches.

* Security vehicular gates have a normal 15 to 20 year replacement cycle, unless damaged by vehicles.

* Electric vehicular gate motors (including controls, drive mechanisms and sensors) have a normal life expectancy (depending upon amount of use and location) of 6 to 10 years. The motor may be rebuilt as needed in the interim from the operating budget.

*Entrance security phone systems have a normal life expectancy of 8 to 12 years. Normal service includes parts replacement as needed and regular cleaning of the keypad.

ASPHALT AND CONCRETE SURFACES: Inspect all asphalt surfaces two to three times per year. Remove any loose stones which can damage the asphalt if run over by cars.

* Areas of surface erosion may be due to landscape overwatering, which can be controlled. If there are recurring patterns of surface erosion, installation of a concrete drain swale following the runoff lines may be necessary.

* Stress cracking (long cracks usually across drives) should be filled with a hot rubber filler in the dry season as needed to prevent water from getting under the pavement and collapsing it. However, the cost of continual crackfilling should be weighed against the one-time cost of overlay or replacement.

* It is the assumption of the industry that most concrete surfaces (including walks, curbs, and aprons) will last from 25 years to the life of the project (beyond 30 years) unless damaged by tree roots, poor base compaction, or water undermining the base. Lifted, sunken, or broken concrete sidewalk areas should be inventoried twice a year. If caused

by tree roots, the trees should be removed and replaced with a species which has a less aggressive (more vertical) root system. Some lifted sidewalk sections may only need to have the edges bevel-ground by a qualified concrete grinder.

POOL/SPA AND EQUIPMENT: Inspect all pool and spa interior surfaces monthly. Inspect deck caulking and expansion joints every spring and fall. Resurfacing of the pool and spa liners is normally done on a 7 to 12 year cycle.

* Any cracks which are noted in the pool/spa liners, border tile or border coping, as well as cracks in the concrete decking, should be repaired promptly. Water intrusion into the soil underneath the pool, spa or decking may cause subsidence and should be avoided.

* Deteriorated caulking (most notably between the coping tiles and decking) should be removed and replaced as soon as possible. The ceramic inner border tiles at the pool have an 8 to 12 year normal life. The concrete coping tiles have a 20 year normal lifespan, with repairs done as needed from the operating budget in the interim.

* Water loss above normal evaporative loss should be investigated to minimize water intrusion into the underlying soil. If the pool and spa skimmers are two-piece models with neoprene ring fittings, they may need to be replaced with one-piece skimmers. If the cause of leaks is not apparent, consult with a a leak detection firm as soon as possible.

* The pool and spa heaters should be inspected for corrosion, especially at all gas and water fittings. If the pool heater is turned off during part of the year, it is very important to have a complete inspection done by a qualified professional prior to re-lighting it. Pool and spa heaters, filters, motors and pumps have an expected life of 6 to 12 years, depending upon quality of equipment and maintenance.

* Any debris and stored items should be kept well clear of the pool and spa heaters; and every effort should be made to provide a clean and dry equipment area.

* The pool area chairs, tables and chaise lounges have a 5 to 10 year lifespan, depending upon pool chemical damage and vandalism. Repairs and refurbishing may be done in the meantime, including re-powdercoating frames and restrapping.

* Annual maintenance (flushing and leak inspection/repair) of glazed metal solar panels is important to achieve their 10 to 20 year normal life.

INTERIOR CONTENTS: The primary determinants for interior furnishings are component quality, frequency of usage, and regularity of maintenance. Carpets may have useful lives of 5 to 15 years; appliances and kitchen counters/cabinet faces may last 5 to 30 years; and upholstered items may be re-upholstered rather than replaced if they are of good quality. Sometimes an Association may opt for a total renovation of their interior common areas rather then piecemeal replacement.

MECHANICAL EQUIPMENT: Regularly scheduled preventative maintenance, including lubrication according to manufacturer's specifications, is essential. If there are no maintenance contracts on items such as automatic gate openers, waterscape pumps, and HVAC equipment, it is advisable to have a maintenance chart based on the manufacturers' service schedules available for the Board to review.

* Domestic hot water boilers should be inspected twice yearly for thermostat calibration, checking for pinhole leaks in the exchanger tubes and fittings, as well as excessive soot in the exhaust stack which indicates inefficient ventilation or feed line problems. Most tankless heaters, such as Raypak or Teledyne Laars, have a 15 to 25 year industry average normal life. Replacement costs include an allowance for possible plumbing modifications and mechanized removal/replacement charges. In the interim, the heat exchanger tubes may be replaced occasionally due to mineral buildup and heat fatigue. Pumps and motors may be rebuilt or replaced as needed.

* Hydraulic passenger elevators are normally maintained under either a simple maintenance (oil and grease) or full maintenance (simple maintenance plus all above-ground mechanical part replacements) contract with a qualified elevator service company. Items not covered under simple maintenance agreements include underground hydraulics, casings and feed lines, door closers, drive motors and pumps, control panels, and passenger car interior renovation. Such items are typically long-lasting (20 to 40 years); however, due to the high cost of replacement, we recommend a

reserve for this component based on the chronological age of the equipment, site conditions, and maintenance vendor information. The underground hydraulic casings were, until recently, allowed to be re-sleeved, using PVC pipe; however, recent code upgrades and the reluctance of elevator vendors to accept liability for re-sleeving have necessitated the change to require full replacement of the casings, at a considerably higher cost.

* Parts and components should always be replaced with same or compatible items.

* Spare components kept on hand (e.g., pumps and motors, gate drive chains, fan belts, etc.) will save time and money.

* Maintenance contracts for major equipment will extend remaining lives and reduce breakdown liabilities.

* Components which break down frequently may be inadequately sized for the demands of usage, and may require system upgrades. A common example is the recurring breakdown of circulating pumps due to lack of horsepower or use of undersized piping.

*Most water delivery and wasteline plumbing systems have a very long life (40 to 75 years) and are not considered as normal reserve replacement items. However, if the Association has a history of pinhole leaks, soil electrolysis problems, or pressure blowouts, it may be advisable to include some form of reserve allocation if repairs cannot be regularly scheduled through the operating budget. Since it is difficult to accurately determine costs, extent of damage, and best procedures for replacement at each Association, we recommend consultation with a qualified plumbing contractor or mechanical engineer.

LANDSCAPE: Timer clocks and control valves should be checked monthly for efficient operation. The irrigation control timer clocks throughout the project have a normal life of 10 to 12 years. The control valves are normally rebuilt as needed from the maintenance operating budget due to the sporadic replacement cycle.

* Trees should be reviewed with the landscaper two times per year for insect problems, need for pruning, and root problems including pavement uplift and horizontal growth through lawn areas. Tree trimming above the contracted maintenance height, as well as removals due to pavement damage and building proximity, may be done on a recommended 2 to 4 year cycle. As the trees grow to maturity, the reserve or operating cost should be increased proportionately.

Planters will often need to be re-waterproofed over a 15 to 30 year period due to movement and root growth which compromises the interior waterproofing membrane. This is an expensive task involving removal of plants and soil and the old membrane material (usually fiberglass or felt matting embedded in bitumen or epoxy), repair/replacement of retaining walls, and application of a new waterproofing system.

* Plants and supplies are normally replaced as needed from the maintenance operating budget. Area renovation (new shrubs, new planting configurations, more drought-resistant plantings) may be reviewed annually.

LIGHTING: Fixtures should be inspected each time bulbs are replaced and no less than once a year. Ground-mounted fixtures should be inspected for corrosion and sprinkler heads in the area should be adjusted to avoid direct spray on the fixtures. Post-mounted fixtures should be inspected for post deterioration. All electrical repairs should be performed by a qualified electrician.

TERMITE TREATMENTS: Responsibility for termite treatments may be ambiguous; however, California Civil Code 1364 (b) states that:

(1) In a community apartment project, condominium project, or stock cooperative, as defined in Section 1351, unless otherwise provided in the declaration (CC&Rs), the association is responsible for the repair and maintenance of the common area occasioned by the presence of wood-destroying pests or organisms.

(2) In a planned development, unless a different maintenance scheme is provided in the declaration, each owner of a separate interest is responsible for the repair and maintenance of that separate interest as may be occasioned by the presence of wood-destroying pests or organisms.

California Civil Code 1364 (c) states that "the cost of temporary relocation during the repair and maintenance of the area within the responsibility of the association shall be borne by the owner of the separate interest affected."

Although the IRS prefers that termite treatments and other pest control costs be considered as operating budget allocations rather than reserves, the high cost of tenting is best considered as either a reserve component or a special assessment. Subsequent spot treatments and maintenance contracts may then be included in the operating budget.

CONTINGENCY RESERVE: In order to protect the Association against unforeseen, hidden or higher-than projected costs, a contingency equal to 3% (newer projects) to 5% (older projects) of the total annual allocation is recommended by the California Department of Real Estate.

MAJOR PLUMBING/STRUCTURAL REPLACEMENTS: As residential projects age, components which would earlier have been considered "Life of the Project" (i.e., having a remaining life of greater than 30 years) begin to show signs of deterioration. Such components include, but are not limited to, plumbing, underground electrical, storm drain lines, and wood siding and framing. Inclusion of such items is contingent on the maintenance responsibilities of the Association as outlined in its CC&R's. Since most such components are not accessible to visual inspection, and no defined scope of work is available, we recommend an allowance which may be modified as needed in future studies to fund specific projects.