
Coleman Ranch

2012 Budget Disclosure Packet

RIVERLAKE COMMUNITY ASSOCIATION RIVERLAKE LAKE ASSOCIATION

2012 SUMMARY BUDGET AND STATEMENT OF SIGNIFICANT POLICIES

November 23, 2011

Dear Member:

Enclosed is the 2012 Summary Budget for the Riverlake Community Association (RCA) and, if you are also a member of the Riverlake Lake Association (RLA), the Summary Budget for RLA. These budgets establish the revenue the level of expenditures for the Associations for the next calendar year - January 1, 2012 through December 31, 2012. The pro-forma operating budgets are available at the Association office upon request.

Due to various reductions in administrative and certain operational expenses, along with slight increases in miscellaneous sources of income, the basic component of RCA assessments and overall RLA assessments reflect reductions from the prior year. Cost center components (primarily reserves) of RCA assessments for private streets and other specially allocated charges offset such reductions somewhat (and vary from Village to Village); however, the general trend for 2012 is basically flat to a slight reduction in assessments, except for certain Villages where slight corrections were made to the 2011 budget, or where (significant) previously announced increases in reserves for street repairs are being posted, such as for Cobbleshores. Please see the discussion below on Asphalt.

The monthly assessments for each lot are detailed in the attached schedule titled "**Exhibit A**" - Total Assessment Obligations (your monthly assessments). The schedule also shows the "**reserve portion**" of each assessment which is included in the total assessments shown.

At the 2011 RCA and RLA annual membership meetings, held on November 8, 2011, the members of the associations voted to apply any excess membership income over expenses for the fiscal year ending December 31, 2011 to the subsequent fiscal year's operating budget, as allowed by Revenue Ruling 70-604. As of the date of this letter, the December 31, 2011 surplus is unknown; however, the 2012 Pro-Forma budgets for RCA and RLA reflect a budgeted loss of \$45,000 and \$30,000, respectively, to reflect application of a portion of the actual surplus as of September 30, 2011 to reduce the amount of assessments otherwise due in 2012.

A. Replacement Reserves.

Enclosed you will find disclosure forms for the RCA Common Area and for your own Village. These forms are the **California Homeowner Summary**; the state-mandated **California Assessment and Reserve Study Disclosure**; and the **30-Year Reserve Funding Plan**. These disclosures provide a brief review of the funding status for future major repairs and replacements required. If you are member of the Riverlake Lake Association, you will also find these same forms for the RLA common area. Copies of the complete RCA and RLA reserve studies are available for review at the Association office or on our website at www.Riverlake.org.

Current California law (Civil Code 1365) requires the Association to calculate the percentage of future major repairs and replacements funded. This calculation is made by dividing "the current amount of accumulated cash reserves set aside to repair, replace, restore, or maintain major components" by "the current estimate of the amount of cash reserve necessary to repair, replace, restore, or maintain the major components." The California Homeowner Summaries disclose these percentages.

The reserve allocation is an estimation of the cost to replace (and in some instances, repair) an item over an estimated life expectancy with normal wear and tear, and does not anticipate or include amounts for vandalism, theft, accident or unforeseeable occurrences (Acts of Nature). The estimated remaining life of each item listed in the Homeowner Summary varies for each subdivision (Village) depending on when the improvements were originally installed and the current condition of each component. Each Village's reserve components are calculated independently and each consist of only one cost center and thus, only one set of Village forms is provided.

In 2011, the board of directors (Board) coordinated with Browning Reserves Group to update current year expenses for each component in the reserve study. The study reflects the cash flow methodology for funding, based on reasonable replacement factors and inflation, with a useful life of 30 years or less. The 2012 reserve budget reflects a variety of reserve funding calculations as outlined below. Items surrounding the lake, such as docks, decking, walkways, bulkheads, top-rails and future dredging of the lake are reflected in the RLA reserve study. In 2012, the Board will meet further with Browning Reserve Group to refine the report.

The regular monthly assessments include a reserve allocation to finance the periodic replacement and maintenance of these major reserve components without the need for special assessments. The Association does not anticipate the need to levy special assessments in 2012 or thereafter.

B. Asphalt Condition

Based on the results from an onsite reserve study analysis completed in 2008, the Association identified specific areas throughout the community that had noticeable asphalt cracking, alligating and/or basic deterioration. The services of an engineering firm and an independent paving contractor were retained to examine the condition. The goal was to provide the Board with expert opinions of the current condition of the asphalt roadways, and subsequently obtain recommendations and possible solutions to current and future asphalt problems.

The asphalt situation at Riverlake affects all members living on the private streets owned and maintained by the RCA. The areas with the greatest amount of premature deteriorations are contained within the Villages that surround the lake. Cobbleshores and Stillwater are affected the most, with roads in Marina Cove, Bridgeview and West Shore having lesser problems.

The premature deterioration is caused by a combination of factors. Generally, the problem is related to water table levels which are affecting the roadway base and causing a premature breakdown of the asphalt surface. In addition, excessive lawn watering runoff is penetrating behind the concrete curbing and percolating through the base rock and into the sub-grade. The challenges facing Riverlake with respect to the roadway are not from a lack of maintenance or adherence to normal maintenance regimes.

The team of experts has identified a designated area that needed repairs in Stillwater to be used as a test site for future evaluations and recommended that we make specific repairs to the asphalt in that area. The repair to the test site was completed in October 2010 and includes a new type of composite grid along with an asphalt overlay. Case studies using the composite grid product with an overlay, comparable to the repairs made at Riverlake, reveal a very high success rate that should hopefully strengthen the asphalt's integrity. It will take as much as five (5) years from completion of the test site to assess whether this is a viable solution. Future major repairs at other areas within Riverlake will be determined based on the outcome of the analysis of the test site.

Raising the reserve contribution by regular pro-rated amounts until the funds are needed (as done previously), may not provide adequate capital for future repairs in the event of unexpected rising costs, such as periodic increases in petroleum-based products. Because of this, Riverlake has established new projections of annual capital reserve contributions for most Villages. This has caused an increase in the reserve contribution to those living in the private street areas, varying somewhat by Village, and is based on the current assessment of the condition of the roadways and the estimated time when the repair(s) will be done.

Based on the 2008 amount of capital allocated for asphalt repair as identified in the reserve account, the RCA Board authorized a reserve contribution increase, beginning in 2009, to assist in adequately funding the reserve components when the capital expenditures are needed. The increase was based on either a straight-line pro-rated increase or a three, four or eleven year catch-up program. Most Villages showed a four (4) year catch-up through 2012 with two Villages (Stillwater and Cobbleshores) extending through 2018. A table summarizing this catch-up was provided in last year's budget letter of November 18, 2010.

In its review of the initial 2011 reserve study update, management observed that in many cases (Villages) 2012 reflected significant percentage increases in contributions, followed by actual percentage reductions (in 2013) or much smaller increases. Accordingly, the RCA Board elected to smooth out the accumulation of necessary funds by reducing the 2012 percentage increase and raising slightly those for subsequent years, while still operating within the policy assumptions adopted for the reserves analysis. The following table shows a summary of the 2012 reserve contribution for RCA and the Villages, per lot, and RLA (per assessment unit), and the anticipated percentage changes over time. The percentage changes will naturally change over time based upon many variables, including further analysis of anticipated replacement dates, replacement costs, reserves interest income, and others.

| Village Association - | 2012 Reserve Contribution Per Lot | Future Year Increases through Catch-up Period |
|-----------------------|-----------------------------------|---|
| Stillwater | \$42.65 | 5.4% through 2019 |
| Cobbleshores | \$43.21 | 21.3% for 2013, then 13.9% through 2018 |
| Westshore | \$57.07 | 4.1% through 2023 |
| Marina Cove | \$32.91 | 3.3% or less, ongoing |
| Bridgeview | \$30.88 | 3.5% through 2018 |
| Oakshore | \$25.86 | 6.1% through 2023 |
| Coleman Ranch | \$37.56 | 7% through 2022 |
| East Shore | \$30.00 | 5.9% through 2018 |
| Southshore | \$22.56 | 10.4% through 2019 |
| RLA | \$3.31* | 2.2% or less, ongoing. |
| RCA | \$4.93 | 1.7% for 2013, then 0 |
| The Islands | \$13.57 | 6.3% through 2030 |
| Stillwater II | \$7.73 | 2.8% ongoing |
| Dutra Bend | \$.95 | 2.5% or less, ongoing |
| Northland | \$1.59 | 3%-3.2% ongoing |

Note – In general the contribution for each side of a halfplex or duplex building is 75% of the per lot amount above.

*Per Assessment unit (different lots have different levels of assessment units, varying from 2.5 to 10 depending on Village and access to the lake.

C. Monthly Assessment Collection Policy.

As explained in Article 7.08 – 7.13 of the Riverlake Covenants, Conditions and Restrictions (CC&R's), the Association has an assessment collection policy with respect to the collection of assessment obligations, which has been adopted by the Board. A description of the Association's Assessment collection policy is as follows:

1. Regular assessments are due by the first (1st) day of each month and are considered delinquent if not received by the Association, at the location such assessment is payable to, by the close of business on or before the fifteenth (15th) day of the month that assessment is due. Special and Special Individual Assessments are due on the date(s) specified upon imposition and each installment thereof shall be delinquent if not received by the Association, at the location such assessment is payable to, by the close of business on the fifteenth (15th) day after it is due. A late charge of twelve dollars and fifty cents (\$12.50) or ten percent (10%) of the delinquent assessment, whichever is greater, shall be due on any such delinquent assessment.
2. If any portion of any assessment or late charge remains unpaid sixty (60) days after the original due date thereof, a letter of intent to record a notice of delinquent assessment (pre-lien letter) will be prepared and sent, by certified mail, to the delinquent record owner(s) at the owners' last mailing address provided to the Association. Such letter will include the following:
 - A). A copy of the Association's Assessment Collection Policy and the Notice of Lien.
 - B). An itemized statement of the charges owed, including an itemized listing of (i) the amount of any delinquent assessments, (ii) the fees and reasonable costs of collection, (iii) reasonable attorneys' fees, (iv) late charges, and (v) interest.
3. **IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION.** Each owner has the right to inspect the Association's records pursuant to Corporations Code Section 8333. An owner shall not be liable to pay the charges, interest, and costs of collection; if it is determined the assessment was paid on time to the Association. Each owner has the right to request a meeting with the Board of Directors in accordance with Civil Code Section 1367.1(b).
4. All such amounts, and all other assessments and related charges for such lot thereafter due to the Association until all such amounts are paid, must be paid in full and the Association shall not be required to accept any partial or installment payments from the date of the notice specified in Paragraph 2 above to the time that all such amounts are paid in full.
5. If requested by an owner who is in receipt of a letter of intent to record a notice of delinquent assessment (pre-lien) as described in paragraph 2 above, the Association will participate in a dispute resolution program as outlined below. Pending its outcome, the Association will not record a Notice of Delinquent Assessment against the owner's separate interest property.
6. An owner may make a formal, written request to meet with the Board to discuss a payment plan for the debt described in the letter of intent to record a notice of delinquent assessment. The board shall meet with the owner, in executive session, within forty-five (45) days of the postmark of the request, if the request is mailed within fifteen (15) days of the date of the postmark if the notice, unless there is no regularly scheduled Board meeting within that period.
7. If all such amounts have not been paid within ninety (90) days after the original due date thereof, and the owner had not requested the dispute resolution program within 30 days from the date of mailing a letter of intent to record a notice of delinquent assessment (pre-lien), a Notice of Delinquent Assessment ("Lien") will be prepared and recorded as to the delinquent lot and the owner(s) thereof. The Association reserves the right to recover costs of collection, all resulting collection fees and costs, which will be added to the total delinquent amount. A copy of the Lien will be sent, by certified mail, to the address as described in Paragraph 2 above within ten (10) days after its recordation.
8. If all such amounts have not been paid in full within thirty (30) days after the recordation of such Lien, the Association may, without further advance notice, proceed to take any and all additional enforcement

remedies ad the Association, in its sole discretion, deems appropriate, including, without limitation, non-judicial foreclosure of such Lien, judicial foreclosure, or suit for money damages all at the expense of such lot and the owner(s) thereof.

9. At the option of the Association, interest shall be due on all such amounts, once due and unpaid for thirty (30) days, at the rate of twelve percent (12%) per annum.
10. The Association shall charge a “returned check charge” of twenty-five dollars (\$25.00) for all checks returned as “non-negotiable”, “insufficient funds” or any other reason.
11. All payments received by the Association, regardless of the amount paid, will be directed to the oldest assessment balances first, until such time as all assessment balances are paid, and then to fees and costs of collection, attorneys' fees, late charges and interest.
12. Kocal Management Group (KMG) collects your monthly assessments on behalf of the Associations. If you have questions concerning your monthly assessments payments (account balance), you may contact KMG at (916) 985-3633, ext. 122.

The mailing address for your monthly payment of assessments is:

**Riverlake Community Association (and/or Riverlake Lake Association)
C/O Kocal Mgt. Group LLC
PO Box 80297
City of Industry, CA 91716-8297**

Overnight payments go to:

**Riverlake Community Association (and/or Riverlake Lake Association)
C/O Kocal Mgt. Group LLC
Attn: Lockbox #80297
19935 E. Walnut Drive
North Walnut, CA 91795**

13. The Board of Directors of the Association may revise this policy, either generally or on a case-by-case basis, if it finds good cause to do so.
14. Notwithstanding the above, the Association does not waive the right to bring an action at law or equity to collect delinquent assessments.

CA CIVIL CODE 1365.1

NOTICE OF ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the Associations that manage them. Please refer to the section of Civil Code indicated for further information. A portion of the information in this notice applies to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

Owners may submit a secondary address to the Association. Upon receipt of a written request by an owner identifying a secondary address for purpose of collection notices, the Association shall send additional copies of any notices required to the secondary address provide by the Owner. The Owners request shall be in writing and

shall be mailed to the Association in a manner that shall indicate the Association has received it. The Owner may identify or change its address at any time, provide that if a secondary address is identified to send noticed to the indicated secondary address from the point the Association received the request.

ASSESSMENT AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay Association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an Association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an Association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Section 1367.4 of the Civil Code. When using judicial or nonjudicial foreclosure, the Association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 1366, 1367.1, and 1367.4 of the Civil Code)

In a judicial or nonjudicial foreclosure, the Association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The Association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged by a member or a member's guests, if the governing documents provide for this. (Sections 1366 and 1367.1 of the Civil Code). The Association must comply with the requirements of Section 1367.1 of the Civil Code when collecting delinquent assessments. If the Association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the Association. (Section 1367.1 of the Civil Code).

At least 30 days prior to recording a lien on an owner's separate interest, the Association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the Association's records to verify the debt. (Section 1367.1 of the Civil Code) If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 1367.1 of the Civil Code)

The collection practices of the Association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, he or she may request a receipt, and the Association is required to provide it. On the receipt, the Association must indicate the date of payment and the person who received it. The Association must inform owners of a mailing address for overnight payments. (Section 1367.1 of the Civil Code) An owner may dispute an assessment debt by submitting a written request for dispute resolution to the Association as set forth in Article 5 (commencing with Section 1368.810) of Chapter 4 of Title 6 of Division 2 of the Civil Code. In addition, an Association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 2 (commencing with Section 1369.510) of Chapter 7 of

Title 6 of Division 2 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the Association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 1367.1 of the Civil Code)

MEETING AND PAYMENT PLANS

An owner of a separate interest that is not a timeshare may request the Association to consider a payment plan to satisfy a delinquent assessment. The Association must inform owners of the standards for payment plans, if any exist. (Section 1367.1 of the Civil Code)

The board of directors must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the Association, if they exist. (Section 1367.1 of the Civil Code)"

(c) A member of an Association may provide written notice by facsimile transmission, United States mail, or E-mail to the Association of a secondary address. If a secondary address is provided, the Association shall send any and all correspondence and legal notices required pursuant to this article to both the primary and the secondary address.

D. Rules Enforcement Procedures and Schedule of Monetary Penalties

COMPLIANCE PROCEDURE

The Board of Directors (the "Board") of the Riverlake Community Association (the "Association") is primarily responsible for enforcing all of the rules and regulations which apply to the Riverlake planned development as found in the Master Declaration of Covenants, Conditions and Restrictions for Riverlake (the "Declaration") and the rules adopted by the Board (collectively, the "Rules").

In order to fulfill this responsibility in a fair, efficient manner, the Board has adopted the following Rules Enforcement Procedures and Schedule of Monetary Penalties for addressing violations of the Rules. These procedures are designed to provide notice of a violation followed by an opportunity for voluntary correction. In the rare event that voluntary correction is not obtained, the following procedures ensure that notice and opportunity for a hearing are provided to the owners alleged to be in violation of the Rules as required by the Declaration, the Association's Bylaws and California law. The ultimate goal is to ensure that all owners comply with the Rules in order to protect and enhance the value and appearance of the property, and the quality of life, within Riverlake.

1. Reports of Violations. Violations may be brought to the Association's attention in a variety of ways, including by the observation of Association staff or members of the Board. The Association may also be made aware of violations through reports from owners. All such owner reports must be received in writing before they will be acted upon. Any owner reporting a violation of the Rules consents to the open use of his or her report and agrees to cooperate in the Association's investigations and enforcement actions, including any related hearings. No requests for confidentiality in this regard will be granted. Basic fairness to the owner accused of violating the Rules, and the Association's need to ensure that adequate evidence of a violation exists, require nothing less.

2. Initial Determination of Credibility. When the Association becomes aware of a possible violation of the Rules, the Association's general manager will make an initial determination of whether there is credible evidence that a violation of the Rules has in fact occurred.

3. Provision of a Courtesy Notice. If the general manager concludes that there is credible evidence that a violation has occurred, a letter describing the nature of the violation, including a reference to the specific Rule in question, will be sent by first-class mail or personally delivered to the owner. The letter will also grant the owner at least ten days to bring the owner's lot into compliance with the Rules where the violation involves architectural issues, property use restrictions or other similar matters where affirmative corrective action by the owner is required to come into compliance with the Rules. In the case of violations that are not ongoing, the letter will indicate that future violations of the same Rule will result in formal Association disciplinary action. The Association may, but shall not be obligated to, provide a copy of the letter to the resident of the lot if the owner is not in residence. The form of the letter will be in the discretion of the general manager, subject to oversight by the Board, and may be altered from time to time. If compliance is obtained within the time frame indicated, no further action will be taken. The purpose of this letter is to gain the owner's voluntary compliance in a friendly, non-punitive and non-confrontational manner.

4. Scheduling and Notice of a Disciplinary Hearing. If the violation is not corrected within the time frame specified in Paragraph 3 above, or if the violation reoccurs, the Association shall schedule a disciplinary hearing. The owner shall be provided with a written notification of the hearing (the "Hearing Notice"). The Hearing Notice shall be personally delivered to the owner or mailed by first class mail to the owner's address as shown on the Association's records at least ten days prior to the date of the hearing. The Hearing Notice shall contain at least the following information: (i) the date, time and place of the hearing, (ii) the nature of the alleged violation for which the owner may be disciplined, (iii) the nature of the discipline which may be imposed, (iv) a statement that the owner has a right to attend and may address the Board at the hearing, and (v) a statement that the owner may submit a written statement to the Board regarding the violation.

5. Conduct of the Disciplinary Hearing. The disciplinary hearing shall be held in executive session. Only the following parties may be present at the hearing: (i) the owner, (ii) legal counsel for the owner, (iii) the Board, (iv) members of the Association's staff, (v) the Association's legal counsel, (vi) members of the other Board of directors of the Association not conducting the hearing, (vii) witnesses who will provide testimony, and (viii) such other persons as the Board deems helpful to the conduct of the hearing and the determination of the facts, subject to the Board's right, but not obligation, to exclude witnesses during the times they are not providing testimony. The owner may present witnesses, photographs or other evidence at the hearing. The owner may also choose to appear at the hearing solely in writing. **A hearing will be held whether or not the owner chooses to appear or submit evidence.** The hearing shall be conducted under the direction of the Board which shall determine the procedure to be followed including without limitation the sequence in which evidence and witnesses shall be presented.

6. Decision of the Board of Directors. After reviewing the evidence presented at the hearing, the Board shall deliberate and reach a decision regarding whether or not a violation of the Rules has occurred and, if the Board determines that a violation has occurred, the nature of the discipline to be imposed. However, in its sole discretion, the Board may also take the matter under submission and set a continued hearing at which its final determination will be made. The Board may also request that additional evidence be provided for its consideration at the continued hearing. The Board shall provide the owner with notice of such continued hearing in conformance with Paragraph 4 and shall conduct the hearing in accordance with Paragraph 5, except that the Board may limit the presentation of evidence and testimony at the continued hearing to evidence and testimony not previously presented. The decision of the Board shall be final and conclusive.

7. Forms of Discipline. If the Board determines that a violation has occurred, it may impose a fine not to exceed \$25.00, suspend rights and take any other action it deems appropriate including, without limitation, the commencement of legal proceedings to gain compliance. A fine may be imposed for a continuing violation on a periodic basis, not to exceed a \$25.00 per day, until compliance is obtained. In its discretion, the Board may condition or suspend its imposition of discipline based on the owner fulfilling specific requirements designed to result in compliance with the Rules. The disciplinary action imposed by the Board shall not take effect any earlier than the later of (i) five days following the date of the hearing at which the discipline is imposed, (ii) three days

following the date the written notice required by Paragraph 8 is sent if given by first-class mail, or (iii) one day following the date the written notice required by Paragraph 8 is delivered if given by personal service.

8. Written Notice of Disciplinary Action. If the Board imposes discipline on the owner, the Board shall provide written notification of the disciplinary action to the owner, either by personal delivery or first-class mail, within 15 days following the hearing at which the discipline is imposed.

9. Immediate Corrective Action / Injunctive Relief. The procedures set forth above shall not limit or prevent the Association from (i) taking immediate corrective action in the event of an emergency or a threat to the safety and well being of the residents of Riverlake or the Association's staff, or (ii) from obtaining injunctive relief to preserve the status quo, preserve the Association's rights or otherwise prevent damage or injury to the Association or any owner, or the property of either. If action is taken by the Association pursuant to this paragraph, the Board may act on its own initiative to schedule a disciplinary hearing. If the Board has not scheduled a disciplinary hearing and the owner involved desires a hearing, the owner must make a written request for a hearing which must be received by the Association not later than ten days following the date when the owner is informed of the Association's action. The hearing shall be held within thirty days following the receipt by the Board of the Member's request for a hearing.

10. Collection of Amounts due the Association. Except to the extent that discipline is imposed based upon an owner's nonpayment of such amounts, the collection of assessments and other amounts due to the Association shall not be subject to the above procedures, but shall be governed by a separate collection policy adopted by the Board.

The foregoing Rules Enforcement Procedures and Schedule of Monetary Penalties were adopted by the Board of Directors on February 27, 2002.

E. Internal Dispute Resolution Procedure

Summary of the Internal Dispute Resolution Process set forth in California Civil Code Sections 1363.810-1363.850

California Civil Code Section 1363.810 – 1363.850 require an Association to provide a fair reasonable and expeditious procedure for resolving certain disputes between the Association and a member. The following procedure, which may be invoked by either party to a dispute, shall apply:

1. The party may request the other party to meet and confer in an effort to resolve the dispute. The request shall be made in writing.
2. A member of an Association may refuse a request to meet and confer. The Association may not refuse a request to meet and confer.
3. The Association's Board of directors shall designate a member of the Board to meet and confer with the other party to the dispute.
4. The parties shall meet promptly at a mutually convenient time and place, explain their positions to each other, and confer in good faith in an effort to resolve the dispute.
5. A resolution of the dispute agreed to by the parties shall be memorialized in writing and signed by the parties, including the Board designee on behalf of the Association.

An agreement reached under this section binds the parties and is judicially enforceable if both of the following conditions are satisfied:

- (1) The agreement is not in conflict with law or the governing documents of the common interest development or Association.
- (2) The agreement is either consistent with the authority granted by the Board of directors to its designee or the agreement is ratified by the Board of directors.

A member of the Association may not be charged a fee to participate in the process.

If the parties to the dispute are unable to resolve the matter using this internal dispute resolution procedure, the Association or the members may then serve a Request for Resolution pursuant to California Civil Code Section 1369.530, if applicable.

F. Alternative Dispute Resolution Procedure

1. Summary of California Civil Code Sections 1369.510 – 1369.590 concerning Alternative Dispute Resolution.

Alternative Dispute Resolution (ADR) means mediation, arbitration, conciliation, or other non-judicial procedure that involves a neutral party in the decision-making process. The form of ADR chosen pursuant to this article may be binding or non-binding, with the voluntary consent of the parties. (Civil code 1369.510)

California Civil Code Section 1369.510 – 1369.590 addresses your rights to sue the Association or another member of the Association regarding the enforcement of the governing documents. The following is a summary of the provisions of the Civil Code Sections 1369.510 – 1369.590:

In general, Civil Code Section 1369.510 – 1369.590 encourages parties to certain disputes involving enforcement of an Association governing documents to submit the dispute to a form of alternative dispute resolution (ADR) such as mediation or arbitration prior to filing a lawsuit. The form of ADR may be binding or non-binding, and the costs of the ADR shall be borne by the parties.

1369.520. Pre-filing Requirements

An Association or an owner or a member of a common interest development may not file an enforcement action in the superior court unless the parties have endeavored to submit their dispute to ADR. This section applies only to an enforcement action that is solely for declaratory, injunctive, or for that relief in conjunction with a claim for monetary damages not in excess of the jurisdictional limits stated in Sections 116.220 and 116.221 of the Code of Civil Procedure.

This section does not apply to small claims actions or assessment dispute.

1369.530. Initiating Process

Any party to a dispute may initiate the process of ADR by serving a Request for Resolution on all other parties to the dispute. A Request of Resolution must contain: (1) a brief description of the dispute between parties, (2) a request for ADR, (3) a notice that the party receiving the Request of Resolution is required to respond within 30 days of receipt or the Request will be deemed rejected, and (4) if sent to the owner of a separate interest, a copy of Civil Code Section 1369.510 – 1369.590.

Service of the Request for Resolution shall be by personal delivery, first-class mail, express mail, facsimile transmission, or other means reasonably calculated to provide the party on whom the request is served actual notice of the request.

A party on whom a Request for Resolution is served has 30 days following service to accept or reject the request. If a party does not accept the request within that period, the request is deemed rejected by the party.

1369.540 Completion, Conduct and Cost

- (a) If the party on whom a Request for Resolution is served accepts the request, the parties shall complete the alternative dispute resolution within 90 days after the party initiating the request received the acceptance, unless this period is extended by written stipulation signed by both parties.
- (b) Chapter 2 (commencing with Section 1115) of Division 9 of the Evidence Code applies to any form of alternative dispute resolution initiated by a Request for Resolution under this article, other than arbitration.
- (c) The costs of the alternative dispute resolution shall be borne by the parties.

1369.590

"FAILURE OF A MEMBER OF THE ASSOCIATION TO COMPLY WITH THE ALTERNATIVE DISPUTE RESOLUTION REQUIREMENTS OF SECTION 1369.520 OF THE CIVIL CODE MAY RESULT IN THE LOSS OF YOUR RIGHT TO SUE THE ASSOCIATION OR ANOTHER MEMBER OF THE ASSOCIATION REGARDING ENFORCEMENT OF THE GOVERNING DOCUMENTS OR THE APPLICABLE LAW."

The law requires the party filing a lawsuit for enforcement of the Association's governing documents to file a certificate with the court stating the (1) ADR had been completed prior to the filing of the suit, or (2) ADR was not undertaken because one of the other parties to the dispute did not accept the terms offered for the ADR, or (3) ADR will not be undertaken because preliminary or temporary injunctive relief is necessary. Failure to file this certificate can be grounds for dismissing the lawsuit.

Furthermore, while the prevailing party in any lawsuit to enforce the governing documents shall be awarded attorney's fees and costs, under Civil Code 1369.580 the court may consider whether a party's refusal to participate in ADR was reasonable when it determines the amount of the award.

G. Insurance

In accordance with California Civil Code Section 1365.9 attached also is a summary of the insurance maintained by the Associations.

H. Notice of Right to Receive Minutes

Meetings of the Boards are held in the Association's office at 799 Lake Front Drive, Sacramento, CA. Notices of the scheduled meeting date and time, including a proposed agenda, are posted at the Association office at least four days prior to the regular meeting. Copies of the minutes of the meetings of the Boards, or unapproved drafts, are available for members at no charge within thirty (30) days of the meeting by written request or by stopping at the Association office during normal business hours. They are also available on the Riverlake website at www.riverlake.org.

I. Security Disclaimer

We hope that our security systems provide some deterrence to crime. However, no matter what steps we take, the association can never be completely safe and secure. For example, it is possible for someone to enter the property under false pretenses to commit crimes, for residents to commit crimes against their own neighbors, for guests of residents to commit crimes, and for employees to commit crimes. As a result, the association is not and can never be free of crime and we cannot guarantee your safety or security. Accordingly, you should NOT rely on the

association to protect you from loss or harm. Instead, you should provide for your own security by taking common sense precautions such as carrying insurance against loss; keeping your doors locked; refusing to open your door to strangers; asking workmen for identification; installing a security system; locking your car; etc.

I. Change of General Manager

The Associations' prior General Manager, Kevin Hubred, left the Associations in September to take another GM position in Auburn. The Associations have since hired a replacement, Debbi Friend, who comes to Riverlake with many years of Homeowners Associations experience. Please welcome Debbi when you have a chance to do so.

Our administrative Coordinator, Tara Correa, remains on staff with expanded experience resulting from acting as Interim Manager. Thank you Tara for your good work in this interim period. Tara is further assisted in the office by Teena Stone, who works part-time. Sal Lopez, our maintenance technician, remains on staff as well, doing an excellent job maintaining physical assets of the community.

If you have any questions or concerns regarding the above matters, please feel free to contact the Association office at 395-7462 or by email at AC@Riverlake.org.

For the Board of Directors
Riverlake Community Association & Riverlake Lake Association



Deborah L. Friend, MBA, CCAM, CMCA, AMS, PCAM
General Manager

Enclosure

DISCLOSURE DOCUMENTS INDEX

| Item Description | Reference Code |
|--|-------------------------------|
| 1 Assessment & Reserve Funding Disclosure Summary (form) | Civ. Code §1365.2. |
| 2 Pro Forma Operating Budget or Pro Forma Operating Budget Summary | Civ. Code §1365(a) |
| 3 Assessment Collection Policy | Civ. Code §1365(e) &1367.1(a) |
| 4 Notice/Assessments and Foreclosure (form) | Civ. Code §1365.1 |
| 5 Insurance Coverage Summary | Civ. Code §1365(f) |
| 6 Board Minutes Access | Civ. Code §1363.05(e) |
| 7 Alternative Dispute Resolution (ADR) Rights (summary) | Civ. Code §1369.590 |
| 8 Internal Dispute Resolution (IDR) Rights (summary) | Civ. Code §1363.850 |
| 9 Architectural Changes Notice | Civ. Code §1378(c) |
| 10 Secondary Address Notification Request | Civ. Code §1367.1(k) |
| 11 Monetary Penalties Schedule | Civ. Code §1363(g) |
| 12 Reserve Funding Plan (summary) | Civ. Code §1365(b) |
| 13 Review of Financial Statement | Civ. Code §1365(c) |
| 14 Annual Update of Reserve Study | Civ. Code §1365(a) |

Annual Insurance Disclosure 2011-12

In accordance with the requirements set forth under California Civil Code 1365, associations must provide the following insurance summary annually. This disclosure will list the insurance your association carries through our agency.

Riverlake Community Association & Riverlake Lake Association

Effective: February 12, 2011 to 2012

- **Property Insurance Coverage**

Insurer: Philadelphia Insurance Company
Policy Limits: \$1,405,000. / Deductible: \$1,000.

- **General Liability Insurance Coverage**

Insurer: Farmers Insurance Group of Companies
Policy Limits: \$1,000,000. Occurrence / Aggregate: \$2,000,000.

- **Crime/Employee Dishonesty/Fidelity Bond Coverage**

Insurer: Farmers Insurance Group of Companies
Policy Limits: \$1,000,000. / Deductible: \$10,000.

- **Flood Insurance Coverage**

Insurer: National Flood Insurance Program
Policy Limits: Clubhouse: \$200,000. / Deductible: \$1,000.
Contents: \$50,000. / Deductible \$1,000.
Residential: N/A

- **Directors and Officers Coverage: \$1,000,000. / Deductible: \$1,000.**

- **Excess Liability/Umbrella Coverage: \$10,000,000. / SIR: \$0.**

- **Workers Compensation Coverage: \$1,000,000. / \$1,000,000. / \$1,000,000.**

- **Earthquake/DIC Insurance Coverage: N/A**

This summary of the association's policies of insurance provides only certain information, as required by subdivision (f) of Section 1365 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property or, real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.

RIVERLAKE COMMUNITY ASSOCIATION
2012 Summary Budget

| | 2011 Budget | 2012 Budget |
|---|------------------------|------------------------|
| REVENUES | | |
| Member Dues | \$ 1,113,142 | \$ 1,118,327 |
| Late Charges | 6,875 | 8,000 |
| Landscape Maintenance Fees / Reimbursement | 48,951 | 54,765 |
| Miscellaneous Revenue | 5,515 | 14,800 |
| Architectural Control Committee Fees | 250 | - |
| Interest & Dividends | 1,000 | 500 |
| Reserve Interest | 45,000 | 70,000 |
| Total Revenues | \$ 1,220,733 | \$ 1,266,392 |
| EXPENSES | | |
| Payroll, Taxes, and Benefits | | |
| Administrative Staff | \$ 150,619 | \$ 132,851 |
| Maintenance Staff | 37,722 | 35,586 |
| Temporary Staff | - | - |
| Insurance | 26,500 | 26,500 |
| Other Administrative | 111,870 | 114,745 |
| Security Patrol | 144,616 | 134,904 |
| Repairs & Maintenance | 12,220 | 10,960 |
| Landscape Services | 297,249 | 305,797 |
| Utilities | 75,188 | 83,466 |
| Reserve Contributions | 369,749 | 396,584 |
| Reserve Interest | 45,000 | 70,000 |
| Total Expenses | \$ 1,270,733 | \$ 1,311,392 |
| EXCESS OF REVENUES OVER (UNDER) EXPENSES | \$ (50,000) | \$ (45,000) |

BUDGET DETAIL

REVENUES

Landscape Maintenance Fees / Reimbursement

| | | | | | |
|-------------|---|-----------|---------------|-----------|---------------|
| 5 | City of Sacramento | \$ | 12,609 | \$ | 13,404 |
| 6 | Chicory Bend | | 7,860 | | 11,168 |
| 7-8 | Linear Park Maintenance | | 12,022 | | 12,022 |
| 9 | Shorepark | | 9,611 | | 11,011 |
| 10 | Village | | 5,350 | | 6,130 |
| 11 | Halfplex | | 1,500 | | 1,030 |
| <hr/> | | | | | |
| 11 | Total Landscape Maintenance (Fees and reimbursement) | \$ | 48,951 | \$ | 54,765 |
| <hr/> <hr/> | | | | | |

Miscellaneous Revenue

| | | | | | |
|-------------|--|-----------|--------------|-----------|---------------|
| 12 | C C & R Violation Fines | \$ | 1,000 | \$ | 10,000 |
| 13 | Transfer Fees | | - | | - |
| 14 | Gate Remotes & Keys | | 1,400 | | 1,800 |
| | CC&R Books(included in Transfer Fees) | | - | | - |
| 15 | Primrose Alzheimer's Facility | | 2,915 | | 3,000 |
| 15-16 | Miscellaneous | | 200 | | - |
| 16 | Total Miscellaneous Revenue | \$ | 5,515 | \$ | 14,800 |
| <hr/> <hr/> | | | | | |

EXPENSES

Other Administrative

| | | | | |
|-------------------------------------|-----------|----------------|-----------|----------------|
| Accounting Fees / Tax Return Prep. | \$ | 46,500 | \$ | 47,610 |
| Bank Fees | | 225 | | - |
| Claims Paid | | - | | - |
| Financial Consulting | | - | | - |
| Legal Fees | | 3,500 | | 3,500 |
| HR Services/Payroll Processing Fees | | 1,900 | | 1,900 |
| Depreciation | | 2,502 | | 2,587 |
| Storage Bldg. Loan Repayment | | - | | - |
| Office Expense | | 9,500 | | 6,900 |
| Education / Affiliations | | 2,250 | | 2,250 |
| Telephone | | 4,200 | | 3,087 |
| Postage | | 3,800 | | 4,200 |
| Printing | | 7,200 | | 7,400 |
| Neighborhood Functions | | 875 | | 850 |
| Community Lake Usage | | 11,169 | | 10,561 |
| Misc. Expense | | 3,250 | | 3,500 |
| Architectural Control Expense | | - | | - |
| Reserve Study Update | | 5,000 | | 2,400 |
| Bad Debt Expense | | 10,000 | | 18,000 |
| Total Other Administrative | \$ | 111,871 | \$ | 114,745 |
| <hr/> <hr/> | | | | |

Repairs & Maintenance

| | | | | |
|---------------------------------------|-----------|---------------|-----------|---------------|
| Janitorial Services & Supplies | \$ | 1,400 | \$ | 1,300 |
| Vehicle Gates | | - | | - |
| Automobile Expense | | 2,000 | | 1,510 |
| Miscellaneous Repairs | | 7,500 | | 7,000 |
| Backflow Testing | | 1,320 | | 1,150 |
| Total Repair & Maintenance | \$ | 12,220 | \$ | 10,960 |

Landscape

| | | | | |
|---------------------------------|-----------|----------------|-----------|----------------|
| Landscape - Contracted Services | \$ | 278,249 | \$ | 293,797 |
| Landscape - Additional Services | | 10,000 | | 5,000 |
| Sprinkler Repairs | | 9,000 | | 7,000 |
| Total Landscape | \$ | 297,249 | \$ | 305,797 |

Utilities

| | | | | |
|---------------------------------|-----------|---------------|-----------|---------------|
| Electricity | \$ | 27,000 | \$ | 30,000 |
| Gas | | 488 | | 300 |
| Non-Pocket Water | | 21,000 | | 23,656 |
| Pocket Water | | 19,500 | | 23,750 |
| Gate Entry Intercom / Telephone | | 7,200 | | 5,760 |
| Total Utilities | \$ | 75,188 | \$ | 83,466 |

2012 MONTHLY ASSESSMENT OBLIGATIONS
Riverlake Community Association/ Riverlake Lake Association
Exhibit A

| RIVERLAKE COMMUNITY ASSOCIATION | | 2012 | RIVERLAKE LAKE ASSOCIATION | | 2012 | Total Assessments |
|---------------------------------|--|----------------|----------------------------|---|----------------|-------------------|
| <u>BRIDGEVIEW</u> | | | | | | |
| 62 | 62 Private Street R-1 Lots including reserves of | 78.66 35.46 | 62 | 62 Non-Lakefront Lots including reserves of | 19.27 8.25 | 97.93 43.72 |
| 36 | 36 Private Street R-2 Lots including reserves of | 59.00 26.60 | 32 | 32 Non-Lakefront Lots including reserves of | 14.45 6.19 | 73.45 32.79 |
| | | | 4 | 4 Lakefront Lots including reserves of | 28.90 12.38 | 87.90 38.98 |
| 11 | 11 Public Street R-1 Lots including reserves of | 37.10 4.58 | 11 | 11 Non-Lakefront Lots including reserves of | 19.27 8.25 | 56.37 12.84 |
| 8 | 8 Public Street R-2 Lots including reserves of | 27.83 3.44 | 8 | 8 Non-Lakefront Lots including reserves of | 14.45 6.19 | 42.28 9.63 |
| <u>117</u> | | | <u>117</u> | | | |
| <u>COBBLESHORES</u> | | | | | | |
| 82 | 82 Private St. R-1 Lots including reserves of | 96.80 57.00 | 52 | 52 Lakefront Lots including reserves of | 77.07 33.02 | 173.86 90.01 |
| | | | 30 | 30 Non-lakefront Lots including reserves of | 38.53 16.51 | 135.33 73.51 |
| 4 | 4 Private St. R-2 Lots including reserves of | 72.60 42.75 | 2 | Lots 110 A & B including reserves of | 57.80 24.76 | 130.40 67.51 |
| | | | 1 | Lot 122 A including reserves of | 38.53 16.51 | 111.13 59.26 |
| | | | 1 | Lot 122 B including reserves of | 77.07 33.02 | 149.66 75.76 |
| 18 | 18 Private St. R-2 Lots including reserves of | 72.60 42.75 | 18 | 18 Non-Lakefront Lots including reserves of | 28.90 12.38 | 101.50 55.13 |
| 5 | 5 Public Street R-1 Lots including reserves of | 37.10 4.58 | 5 | 5 Lakefront Lots including reserves of | 77.07 33.02 | 114.17 37.60 |
| 43 | 43 Public Street R-1 Lots including reserves of | 37.10 4.58 | 43 | 43 Non-Lakefront Lots including reserves of | 19.27 8.25 | 56.37 12.84 |
| 20 | 20 Public Street R-2 Lots including reserves of | 27.83 3.44 | 20 | 20 Non-Lakefront Lots including reserves of | 14.45 6.19 | 42.28 9.63 |
| <u>172</u> | | | <u>172</u> | | | |

2012 MONTHLY ASSESSMENT OBLIGATIONS
Riverlake Community Association/ Riverlake Lake Association
Exhibit A

| RIVERLAKE COMMUNITY ASSOCIATION | 2012 | RIVERLAKE LAKE ASSOCIATION | 2012 | Total Assessments | | |
|------------------------------------|----------------------------|-------------------------------|-----------|-----------------------|-------|--------|
| <u>COLEMAN RANCH</u> | | | | | | |
| 53 | 53 Private Street R-1 Lots | 120.24 | | 120.24 | | |
| | including reserves of | 42.14 | | 42.14 | | |
| <u>53</u> | | | | | | |
| <u>DUTRA BEND</u> | | | | | | |
| 116 | 116 Public Street R-1 Lot: | 41.98 | | 41.98 | | |
| | including reserves of | 5.53 | | 5.53 | | |
| 36 | 36 Public Street R-2 Lots | 31.87 | | 31.87 | | |
| | including reserves of | 4.15 | | 4.15 | | |
| <u>152</u> | | | | | | |
| <u>EASTSHORE</u> | | | | | | |
| 7 | 7 Public Street R-1 Lots | 38.64 | | 38.64 | | |
| | including reserves of | 4.58 | | 4.58 | | |
| 6 | 6 Public Street R-2 Lots | 29.37 | | 29.37 | | |
| | including reserves of | 3.44 | | 3.44 | | |
| | (lots 4A,B, 7A,B & 42A,B) | | | | | |
| 4 | 4 Private Street R-2 Lots | 61.57 | | 61.57 | | |
| | including reserves of | 25.94 | | 25.94 | | |
| | (Lots 16A,B, & 38A,B) | | | | | |
| 32 | 32 Private Street R-1 Lots | 81.58 | | 81.58 | | |
| | including reserves of | 34.59 | | 34.59 | | |
| <u>49</u> | | | | | | |
| <u>ISLANDS</u> | | | | | | |
| 97 | 97 Private Street R-1 Lots | 92.54 | | 92.54 | | |
| | including reserves of | 18.15 | | 18.15 | | |
| <u>97</u> | | | | | | |
| <u>MARINA COVE</u> | | | | | | |
| 47 | 47 Private Street R-1 Lots | 86.95 | 17 | 17 Lakefront Lots | 77.07 | 164.02 |
| | including reserves of | 37.49 | | including reserves of | 33.02 | 70.51 |
| | | | 30 | 30 Non-Lakefront Lots | 19.27 | 106.22 |
| | | | | including reserves of | 8.25 | 45.75 |
| 3 | 3 Public Street R-1 Lots | 37.10 | 3 | 3 Non-Lakefront Lots | 19.27 | 56.37 |
| | including reserves of | 4.58 | | including reserves of | 8.25 | 12.84 |
| 4 | 4 Public Street R-2 Lots | 27.83 | 3 | 3 Non-Lakefront Lot | 14.45 | 42.28 |
| | including reserves of | 3.44 | | including reserves of | 6.19 | 9.63 |
| | | | 1 | 1 Lakefront Lot | 57.80 | 85.63 |
| | | | | including reserves of | 24.76 | 28.20 |
| <u>54</u> | | | <u>54</u> | | | |

2012 MONTHLY ASSESSMENT OBLIGATIONS
Riverlake Community Association/ Riverlake Lake Association
Exhibit A

| RIVERLAKE COMMUNITY ASSOCIATION | | 2012 | RIVERLAKE LAKE ASSOCIATION | | 2012 | Total Assessments |
|---------------------------------|----------------------------|--------|----------------------------|-----------------------|-------|-------------------|
| <u>NORTHLAND</u> | | | | | | |
| 20 | 20 Public Street R-1 Lots | 46.40 | | | | 46.40 |
| | including reserves of | 6.18 | | | | 6.18 |
| 4 | 4 Public Street R-2 Lots | 34.80 | | | | 34.80 |
| | including reserves of | 4.63 | | | | 4.63 |
| <u>24</u> | | | | | | |
| <u>OAKSHORE</u> | | | | | | |
| 49 | 49 Private Street R-1 Lots | 76.34 | | | | 76.34 |
| | including reserves of | 30.44 | | | | 30.44 |
| 6 | 6 Private Street R-2 Lots | 57.64 | | | | 57.64 |
| | including reserves of | 22.83 | | | | 22.83 |
| <u>55</u> | | | | | | |
| <u>SOUTHSHORE</u> | | | | | | |
| 111 | 111 Private Street R-1 Lot | 68.79 | | | | 68.79 |
| | including reserves of | 27.14 | | | | 27.14 |
| 30 | 30 Private Street R-2 Lots | 51.98 | | | | 51.98 |
| | including reserves of | 20.36 | | | | 20.36 |
| <u>141</u> | | | | | | |
| <u>STILLWATER</u> | | | | | | |
| 102 | 101 Private Street R-1 Lot | 89.01 | 48 | 48 Lakefront Lots | 77.07 | 166.08 |
| | including reserves of | 47.23 | | including reserves of | 33.02 | 80.24 |
| | | | 54 | 54 Non-Lakefront Lots | 38.53 | 127.54 |
| | | | | including reserves of | 16.51 | 63.74 |
| 10 | 12 Private Street R-2 Lots | 66.76 | 10 | 10 Non-Lakefront Lots | 28.90 | 95.66 |
| | including reserves of | 35.42 | | including reserves of | 12.38 | 47.80 |
| <u>112</u> | | | <u>112</u> | | | |
| <u>STILLWATER II</u> | | | | | | |
| 36 | 36 Private Street R-1 Lots | 126.20 | 13 | 13 Lakefront Lots | 77.07 | 203.26 |
| | including reserves of | 54.96 | | including reserves of | 33.02 | 87.98 |
| | | | 23 | 23 Non-Lakefront Lots | 38.53 | 164.73 |
| | | | | including reserves of | 16.51 | 71.47 |
| <u>36</u> | | | <u>36</u> | | | |

2012 MONTHLY ASSESSMENT OBLIGATIONS
Riverlake Community Association/ Riverlake Lake Association
Exhibit A

| RIVERLAKE COMMUNITY ASSOCIATION | 2012 | RIVERLAKE LAKE ASSOCIATION | 2012 | Total Assessments |
|------------------------------------|--------|---------------------------------------|-------|----------------------|
| <u>WESTSHORE (UNIT I)</u> | | | | |
| 6 6 Public Street R-1 Lots | 37.10 | 6 6 Non-Lakefront Lots | 19.27 | 56.37 |
| including reserves of | 4.58 | including reserves of | 8.25 | 12.84 |
| <u>WESTSHORE (UNIT II)</u> | | | | |
| 6 6 Public Street R-2 Lots | 27.83 | 2 2 Lakefront Lots | 57.80 | 85.63 |
| including reserves of | 3.44 | including reserves of (Lots 17A,B) | 24.76 | 28.20 |
| | | 4 4 Non-Lakefront Lots | 14.45 | 42.28 |
| | | including reserves of | 6.19 | 9.63 |
| 4 4 Private Street R-2 Lots | 88.25 | 4 4 Non-Lakefront Lots | 14.45 | 102.70 |
| including reserves of | 46.24 | including reserves of | 6.19 | 52.43 |
| 30 30 Private Street R-1 Lots | 117.66 | 13 13 Lakefront Lots | 77.07 | 194.73 |
| including reserves of | 61.65 | including reserves of | 33.02 | 94.67 |
| | | 17 17 Non-lakefront Lots | 19.27 | 136.93 |
| | | including reserves of | 8.25 | 69.90 |
| 46 | 0.00 | 46 | | |
| 1108 | | | | |

2012 MONTHLY ASSESSMENT OBLIGATIONS
Riverlake Community Association/ Riverlake Lake Association
Exhibit A

| RIVERLAKE COMMUNITY ASSOCIATION | 2012 | RIVERLAKE LAKE ASSOCIATION | 2012 | Total Assessments |
|---|-----------------------|-------------------------------|------------------------|----------------------|
| <u>COMMERCIAL</u> | | | | |
| <u>Parcel 2, The Landing Apartments</u> | | | | |
| 1 | 55 deemed Lots | 2040.67 | 1 145 assessment units | 3158.12 |
| | including reserves of | 252.00 | including reserves of | 730.74 |
| <u>Parcel 10, The Reserve Apartments</u> | | | | |
| 1 | 26 deemed Lots | 964.68 | | 964.68 |
| | including reserves of | 119.13 | | 119.13 |
| <u>Parcel 11, The Crossing Apartments</u> | | | | |
| 1 | 62 deemed Lots | 2300.39 | | 2300.39 |
| | including reserves of | 284.07 | | 284.07 |
| <u>Parcel 14, The Village Shopping Center **</u> | | | | |
| 1 | 17.5 deemed Lots | 649.30 | | 649.30 |
| | including reserves of | 80.18 | | 80.18 |
| 1 | 2.5 deemed Lots | 92.76 | | 92.76 |
| | including reserves of | 11.45 | | 11.45 |
| 1 | 2.5 deemed Lots | 92.76 | | 92.76 |
| | including reserves of | 11.45 | | 11.45 |
| <u>Parcel 16, Shorepark I Apartments</u> | | | | |
| 1 | 74 deemed Lots | 2745.63 | | 2745.63 |
| | including reserves of | 339.05 | | 339.05 |
| <u>Parcel 17, Shorepark II Apartments</u> | | | | |
| 1 | 76 deemed Lots | 2819.84 | | 2819.84 |
| | including reserves of | 348.22 | | 348.22 |
| <u>Parcel 19, Montessori School</u> | | | | |
| 1 | 3 deemed Lots | 111.31 | | 111.31 |
| | including reserves of | 13.75 | | 13.75 |

November 23, 2011

This is a summary of the Reserve Study that has been performed for Riverlake:~RCA, (the "Association"). This study was done in compliance with California *Civil Code Section 1365 and 1365.5* and is being provided to you, as a member of the Association, as required under these statutes. A full copy is available (through the Association) for review by members of the Association.

The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. This is done utilizing the "Cash Flow Method." This is a method of developing a reserve funding plan where the contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund.

Browning Reserve Group prepared this Update w/ Site Visit Review for the January 1, 2012 - December 31, 2012 fiscal year.

Riverlake:~RCA is a Planned Development with a total of 1,378 Lots.

The Reserve Study is not an engineering report, and no destructive testing was performed. The costs outlined in the study are for budgetary and planning purposes only, and actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report.

Funding Assessment

Based on the 30 year cash flow projection, the Association's reserves appear adequately funded as the reserve fund ending balances remain positive throughout the replacement of all major components during the next 30 years.

California statute imposes no reserve funding level requirements nor does it address funding level adequacy, and although one or more of the reserve fund percentages expressed in this report may be less than one hundred percent, those percentages do not necessarily indicate that the Association's reserves are inadequately funded.

| <i>Reserve Component</i> | <i>Current Replacement Cost</i> | <i>Useful Life</i> | <i>Remaining Life</i> | <i>2011 Fully Funded Balance</i> | <i>2012 Fully Funded Balance</i> | <i>2012 Line Item Contribution based on Cash Flow Method</i> |
|---|---|------------------------|---------------------------|--|--|--|
| 01000 - Paving | 19,225 | 5-25 | 1-1 | 17,768 | 19,706 | 2,738 |
| 02000 - Concrete | 1,750 | 5-5 | 2-2 | 1,050 | 1,435 | 674 |
| 03000 - Painting: Exterior | 13,966 | 4-6 | 1-3 | 9,202 | 12,154 | 5,091 |
| 03500 - Painting: Interior | 4,550 | 7-7 | 1-1 | 3,900 | 4,664 | 1,221 |
| 04000 - Structural Repairs | 133,807 | 20-30 | 1-18 | 125,890 | 135,831 | 12,527 |
| 05000 - Roofing | 14,815 | 20-30 | 11-21 | 3,577 | 4,381 | 1,909 |
| 18000 - Landscaping | 30,419 | 1-1 | 0-1 | 18,244 | 24,959 | 22,875 |
| 19000 - Fencing | 1,920 | 15-15 | 2-2 | 1,664 | 1,837 | 247 |
| 19500 - Retaining Wall | 6,020 | 20-20 | 1-1 | 5,719 | 6,171 | 566 |
| 21000 - Signage | 6,500 | 20-20 | 1-1 | 6,175 | 6,663 | 611 |
| 22000 - Office Equipment | 22,475 | 1-20 | 0-14 | 16,858 | 13,165 | 5,756 |
| 23000 - Mechanical Equipment | 7,650 | 7-15 | 1-9 | 3,357 | 4,015 | 1,243 |
| 24000 - Furnishings | 35,500 | 8-8 | 4-4 | 17,750 | 22,742 | 8,979 |
| 25000 - Flooring | 8,100 | 7-7 | 2-2 | 5,786 | 7,116 | 2,228 |
| 26000 - Outdoor Equipment | 11,555 | 5-25 | 1-4 | 9,660 | 10,565 | 1,276 |
| 30000 - Miscellaneous | 17,500 | 7-7 | 1-1 | 15,000 | 17,938 | 4,697 |
| 32000 - Undesignated | 3,300 | 1-1 | 1-1 | 1,650 | 3,383 | 3,100 |
| Totals | \$339,052 | | | \$263,248 | \$296,722 | \$75,737 |
| Estimated Ending Balance | | | | \$285,104 | \$126,510 | \$4.58 |
| Percent Funded | | | | 108.3% | 42.6% | /Lot/month @ 1,378 |

November 23, 2011

(1) The current regular assessment per ownership interest is _____ per month for the fiscal year beginning January 1, 2012.

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page 1 of the attached summary.

(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 ownership interest per month or year (if assessments are variable, see note immediately below): | Purpose of the assessment: |
|------------------------------|--|----------------------------|
| N/A | \$0.00 | N/A |
| Total: | \$0.00 | |

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page 1 of the attached report.

(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

This disclosure has been prepared by Browning Reserve Group and has been reviewed and approved by the association's board of directors based upon the best information available to the association at the time of its preparation. The accuracy of this information over the next 30 years will be dependent upon circumstances which are impossible to predict with specificity, and will require future action to adjust assessments over the period in accordance with the current projections and future developments.

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

| Approximate date assessment will be due: | Amount per ownership interest per month or year: |
|--|--|
| N/A | N/A |

(5) All major components are included in the reserve study and are included in its calculations. See next page §1365(a)(3)(A), for any major component exclusions.

(6) Based on the method of calculation in paragraph (4) of the subdivision (b) of section 1365.2.5, the estimated amount required in the reserve fund at the end of the current fiscal year is \$263,248, based in whole or in part on the last reserve study or update prepared by Browning Reserve Group as of November, 2011. The projected reserve fund cash balance at the end of the current fiscal year is \$285,104 resulting in reserves being 108% percent funded at this date. Civil code section 1365.2.5(b)(4) does not require the board to fund reserves in accordance with this calculation.

An alternate and generally accepted method of calculation has been utilized to determine future reserve contribution amounts. The reserve contribution for the next fiscal year has been determined using the Cash Flow method of calculation (see section III, Reserve Fund Balance Forecast). This is a method of developing a reserve funding plan where the contributions to the reserve fund are designated to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of section 1365.2.5 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is presented in column (b) 'Fully Funded Balance' in the table immediately below; and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is presented in column (c) 'Reserve Ending Balance'; leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

| Fiscal Year (a) | Fully Funded Balance (b) | Reserve Ending Balance (c) | Percent Funded (d) |
|-----------------|--------------------------|----------------------------|--------------------|
| 2012 | \$296,722 | \$126,510 | 42.6% |
| 2013 | \$115,192 | \$164,436 | 142.7% |
| 2014 | \$132,190 | \$208,166 | 157.5% |
| 2015 | \$155,977 | \$207,802 | 133.2% |
| 2016 | \$136,094 | \$254,919 | 187.3% |

If the reserve funding plan approved by the association is implemented, the projected fund cash balance in each of those years will be the amounts presented in column (c) 'Reserve Ending Balance' in the table immediately above, leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

NOTE: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was 2.5% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 2.5% per year.

Additional Disclosures

§1365(a)(2)(D) The current deficiency in reserve funding as of December 31, 2012 is \$124 per ownership interest (average).

This is calculated as the current estimate of the amount of cash reserves necessary as of the end of the fiscal year for which the study is prepared, less, the amount of accumulated cash reserves actually (Projected to be) set aside to repair, replace, restore, or maintain the major components.

$$\text{Deficiency} = \frac{2012 \text{ Fully Funded Balance} - 2012 \text{ Reserve Ending Balance}}{\text{Ownership Interest Quantity}}$$

§1365(a)(3)(A) The current board of directors of the association has not deferred or determined to not undertake repairs or replacements over the next 30 years.

| Major Component: | Justification for Deferral: |
|------------------|-----------------------------|
| N/A | N/A |

§1365(a)(3)(B) The board of directors as of the date of the study does not anticipate the levy of a special assessment for the repair, replacement, or restoration of the major components.

30 Year Reserve Funding Plan Cash Flow Method

Final
Prepared for the 2012 Fiscal Year

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Beginning Balance | 218,071 | 285,104 | 126,510 | 164,436 | 208,166 | 207,802 | 254,919 | 280,771 | 328,501 | 351,092 |
| Inflated Expenditures @ 2.5% | 13,069 | 239,413 | 42,676 | 37,880 | 82,510 | 35,605 | 57,772 | 36,802 | 62,809 | 64,935 |
| Reserve Contribution | 73,890 | 75,737 | 77,010 | 77,010 | 77,010 | 77,010 | 77,010 | 77,010 | 77,010 | 77,010 |
| <i>Lots/month @ 1,378</i> | 4.47 | 4.58 | 4.66 | 4.66 | 4.66 | 4.66 | 4.66 | 4.66 | 4.66 | 4.66 |
| <i>Percentage Increase</i> | | 2.5% | 1.7% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Special Assessments / Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Pre Tax @ 2.50% | 6,212 | 5,082 | 3,592 | 4,600 | 5,135 | 5,713 | 6,613 | 7,522 | 8,390 | 8,928 |
| Ending Balance | 285,104 | 126,510 | 164,436 | 208,166 | 207,802 | 254,919 | 280,771 | 328,501 | 351,092 | 372,096 |
| <hr/> | | | | | | | | | | |
| Beginning Balance | 372,096 | 420,812 | 438,854 | 437,789 | 483,536 | 526,136 | 531,074 | 535,272 | 560,009 | 602,831 |
| Inflated Expenditures @ 2.5% | 38,083 | 69,582 | 88,897 | 42,637 | 46,875 | 85,124 | 85,977 | 65,795 | 48,544 | 46,697 |
| Reserve Contribution | 77,010 | 77,010 | 77,010 | 77,010 | 77,010 | 77,010 | 77,010 | 77,010 | 77,010 | 77,010 |
| <i>Lots/month @ 1,378</i> | 4.66 | 4.66 | 4.66 | 4.66 | 4.66 | 4.66 | 4.66 | 4.66 | 4.66 | 4.66 |
| <i>Percentage Increase</i> | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Special Assessments / Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Pre Tax @ 2.50% | 9,789 | 10,613 | 10,823 | 11,374 | 12,465 | 13,052 | 13,165 | 13,522 | 14,356 | 15,450 |
| Ending Balance | 420,812 | 438,854 | 437,789 | 483,536 | 526,136 | 531,074 | 535,272 | 560,009 | 602,831 | 648,594 |
| <hr/> | | | | | | | | | | |
| Beginning Balance | 648,594 | 634,525 | 384,724 | 379,407 | 400,848 | 423,188 | 451,992 | 412,001 | 427,452 | 386,030 |
| Inflated Expenditures @ 2.5% | 106,920 | 339,395 | 91,760 | 65,202 | 64,843 | 59,011 | 127,668 | 71,923 | 128,474 | 130,295 |
| Reserve Contribution | 77,010 | 77,010 | 77,010 | 77,010 | 77,010 | 77,010 | 77,010 | 77,010 | 77,010 | 77,010 |
| <i>Lots/month @ 1,378</i> | 4.66 | 4.66 | 4.66 | 4.66 | 4.66 | 4.66 | 4.66 | 4.66 | 4.66 | 4.66 |
| <i>Percentage Increase</i> | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Special Assessments / Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Pre Tax @ 2.50% | 15,841 | 12,583 | 9,434 | 9,633 | 10,173 | 10,805 | 10,667 | 10,364 | 10,043 | 8,985 |
| Ending Balance | 634,525 | 384,724 | 379,407 | 400,848 | 423,188 | 451,992 | 412,001 | 427,452 | 386,030 | 341,730 |

November 22, 2011

This is a summary of the Reserve Study that has been performed for Riverlake: Coleman Ranch, (the "Association"). This study was done in compliance with California *Civil Code Section 1365 and 1365.5* and is being provided to you, as a member of the Association, as required under these statutes. A full copy is available (through the Association) for review by members of the Association.

The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. This is done utilizing the "Cash Flow Method." This is a method of developing a reserve funding plan where the contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund.

Browning Reserve Group prepared this Update w/ Site Visit Review for the January 1, 2012 - December 31, 2012 fiscal year.

Riverlake: Coleman Ranch is a Planned Development with a total of 53 Lots.

The Reserve Study is not an engineering report, and no destructive testing was performed. The costs outlined in the study are for budgetary and planning purposes only, and actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report.

Funding Assessment

Based on the 30 year cash flow projection, the Association's reserves appear adequately funded as the reserve fund ending balances remain positive throughout the replacement of all major components during the next 30 years.

California statute imposes no reserve funding level requirements nor does it address funding level adequacy, and although one or more of the reserve fund percentages expressed in this report may be less than one hundred percent, those percentages do not necessarily indicate that the Association's reserves are inadequately funded.

Riverlake: Coleman Ranch
California Member Summary
Final
Prepared for the 2012 Fiscal Year

| <i>Reserve Component</i> | <i>Current Replacement Cost</i> | <i>Useful Life</i> | <i>Remaining Life</i> | <i>2011 Fully Funded Balance</i> | <i>2012 Fully Funded Balance</i> | <i>2012 Line Item Contribution based on Cash Flow Method</i> |
|-----------------------------------|---|------------------------|---------------------------|--|--|--|
| 01000 - Paving | 183,783 | 5-25 | 2-11 | 103,507 | 116,043 | 10,505 |
| 02000 - Concrete | 3,150 | 5-5 | 1-1 | 2,520 | 3,229 | 567 |
| 03000 - Painting: Exterior | 13,263 | 6-8 | 1-4 | 9,321 | 11,598 | 1,840 |
| 11000 - Gate Equipment | 26,257 | 1-12 | 0-6 | 16,884 | 17,381 | 2,411 |
| 18000 - Landscaping | 19,549 | 1-10 | 0-2 | 13,117 | 10,599 | 3,226 |
| 19000 - Fencing | 26,880 | 15-20 | 1-5 | 21,293 | 23,309 | 1,399 |
| 20000 - Lighting | 1,827 | 2-10 | 1-2 | 1,139 | 1,719 | 488 |
| 21000 - Signage | 1,675 | 12-12 | 1-1 | 1,535 | 1,717 | 126 |
| 26000 - Outdoor Equipment | 37,774 | 5-25 | 1-4 | 33,162 | 37,188 | 2,841 |
| 32000 - Undesignated | 1,080 | 1-1 | 1-1 | 540 | 1,107 | 486 |
| Totals | \$315,239 | | | \$203,019 | \$223,889 | \$23,889 |
| Estimated Ending Balance | | | | \$104,071 | \$79,019 | \$37.56 |
| Percent Funded | | | | 51.3% | 35.3% | /Lot/month @ 53 |

November 22, 2011

(1) The current regular assessment per ownership interest is _____ per month for the fiscal year beginning January 1, 2012.

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page 1 of the attached summary.

(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 ownership interest per month or year (if assessments are variable, see note immediately below): | Purpose of the assessment: |
|------------------------------|--|----------------------------|
| N/A | \$0.00 | N/A |
| Total: | \$0.00 | |

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page 1 of the attached report.

(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

This disclosure has been prepared by Browning Reserve Group and has been reviewed and approved by the association's board of directors based upon the best information available to the association at the time of its preparation. The accuracy of this information over the next 30 years will be dependent upon circumstances which are impossible to predict with specificity, and will require future action to adjust assessments over the period in accordance with the current projections and future developments.

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

| Approximate date assessment will be due: | Amount per ownership interest per month or year: |
|--|--|
| N/A | N/A |

(5) All major components are included in the reserve study and are included in its calculations. See next page §1365(a)(3)(A), for any major component exclusions.

(6) Based on the method of calculation in paragraph (4) of the subdivision (b) of section 1365.2.5, the estimated amount required in the reserve fund at the end of the current fiscal year is \$203,019, based in whole or in part on the last reserve study or update prepared by Browning Reserve Group as of October, 2011. The projected reserve fund cash balance at the end of the current fiscal year is \$104,071 resulting in reserves being 51.3% percent funded at this date. Civil code section 1365.2.5(b)(4) does not require the board to fund reserves in accordance with this calculation.

An alternate and generally accepted method of calculation has been utilized to determine future reserve contribution amounts. The reserve contribution for the next fiscal year has been determined using the Cash Flow method of calculation (see section III, Reserve Fund Balance Forecast). This is a method of developing a reserve funding plan where the contributions to the reserve fund are designated to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of section 1365.2.5 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is presented in column (b) 'Fully Funded Balance' in the table immediately below; and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is presented in column (c) 'Reserve Ending Balance'; leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

| Fiscal Year (a) | Fully Funded Balance (b) | Reserve Ending Balance (c) | Percent Funded (d) |
|-----------------|--------------------------|----------------------------|--------------------|
| 2012 | \$223,889 | \$79,019 | 35.3% |
| 2013 | \$204,475 | \$67,078 | 32.8% |
| 2014 | \$197,457 | \$93,571 | 47.4% |
| 2015 | \$228,345 | \$88,754 | 38.9% |
| 2016 | \$226,396 | \$95,017 | 42.0% |

If the reserve funding plan approved by the association is implemented, the projected fund cash balance in each of those years will be the amounts presented in column (c) 'Reserve Ending Balance' in the table immediately above, leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

NOTE: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was 2.5% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 2.5% per year.

Additional Disclosures

§1365(a)(2)(D) The current deficiency in reserve funding as of December 31, 2012 is \$2,733 per ownership interest (average).

This is calculated as the current estimate of the amount of cash reserves necessary as of the end of the fiscal year for which the study is prepared, less, the amount of accumulated cash reserves actually (Projected to be) set aside to repair, replace, restore, or maintain the major components.

$$\text{Deficiency} = \frac{\text{2012 Fully Funded Balance} - \text{2012 Reserve Ending Balance}}{\text{Ownership Interest Quantity}}$$

§1365(a)(3)(A) The current board of directors of the association has not deferred or determined to not undertake repairs or replacements over the next 30 years.

| Major Component: | Justification for Deferral: |
|------------------|-----------------------------|
| N/A | N/A |

§1365(a)(3)(B) The board of directors as of the date of the study does not anticipate the levy of a special assessment for the repair, replacement, or restoration of the major components.

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Beginning Balance | 87,047 | 104,071 | 79,019 | 67,078 | 93,571 | 88,754 | 95,017 | 96,452 | 101,533 | 131,716 |
| Inflated Expenditures @ 2.5% | 7,661 | 51,202 | 39,306 | 2,840 | 36,333 | 27,320 | 34,435 | 33,214 | 11,057 | 3,293 |
| Reserve Contribution | 22,326 | 23,889 | 25,561 | 27,350 | 29,265 | 31,314 | 33,506 | 35,851 | 38,361 | 41,046 |
| <i>Lots/month @ 53</i> | 35.10 | 37.56 | 40.19 | 43.00 | 46.01 | 49.24 | 52.68 | 56.37 | 60.32 | 64.54 |
| <i>Percentage Increase</i> | 7.0% | 7.0% | 7.0% | 7.0% | 7.0% | 7.0% | 7.0% | 7.0% | 7.0% | 7.0% |
| Special Assessments / Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Pre Tax @ 2.50% | 2,359 | 2,260 | 1,804 | 1,983 | 2,251 | 2,269 | 2,364 | 2,444 | 2,880 | 3,765 |
| Ending Balance | 104,071 | 79,019 | 67,078 | 93,571 | 88,754 | 95,017 | 96,452 | 101,533 | 131,716 | 173,234 |
| Beginning Balance | 173,234 | 209,020 | 15,848 | 17,116 | 45,870 | 71,905 | 118,886 | 105,793 | 129,342 | 169,810 |
| Inflated Expenditures @ 2.5% | 12,852 | 242,502 | 46,159 | 19,514 | 23,385 | 3,819 | 64,796 | 28,772 | 12,891 | 19,952 |
| Reserve Contribution | 43,919 | 46,554 | 47,020 | 47,490 | 47,965 | 48,445 | 48,929 | 49,418 | 49,665 | 49,665 |
| <i>Lots/month @ 53</i> | 69.06 | 73.20 | 73.93 | 74.67 | 75.42 | 76.17 | 76.93 | 77.70 | 78.09 | 78.09 |
| <i>Percentage Increase</i> | 7.0% | 6.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 0.5% | 0.0% |
| Special Assessments / Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Pre Tax @ 2.50% | 4,719 | 2,776 | 407 | 778 | 1,454 | 2,355 | 2,774 | 2,903 | 3,693 | 4,617 |
| Ending Balance | 209,020 | 15,848 | 17,116 | 45,870 | 71,905 | 118,886 | 105,793 | 129,342 | 169,810 | 204,140 |
| Beginning Balance | 204,140 | 235,854 | 237,184 | 239,535 | 289,650 | 326,491 | 319,511 | 304,713 | 326,924 | 342,457 |
| Inflated Expenditures @ 2.5% | 23,383 | 54,175 | 53,199 | 6,083 | 20,431 | 64,620 | 72,169 | 35,252 | 42,396 | 24,755 |
| Reserve Contribution | 49,665 | 49,665 | 49,665 | 49,665 | 49,665 | 49,665 | 49,665 | 49,665 | 49,665 | 49,665 |
| <i>Lots/month @ 53</i> | 78.09 | 78.09 | 78.09 | 78.09 | 78.09 | 78.09 | 78.09 | 78.09 | 78.09 | 78.09 |
| <i>Percentage Increase</i> | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Special Assessments / Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Pre Tax @ 2.50% | 5,432 | 5,840 | 5,885 | 6,533 | 7,607 | 7,975 | 7,706 | 7,798 | 8,264 | 8,873 |
| Ending Balance | 235,854 | 237,184 | 239,535 | 289,650 | 326,491 | 319,511 | 304,713 | 326,924 | 342,457 | 376,240 |