ARBOR WOODS

HOMEOWNERS ASSOCIATION

RESERVE STUDY REPORT

BALANCE SHEET DATE:

SEPTEMBER 2008

Prepared by:

HARTMANN INC.
POST OFFICE BOX 2069
LA MESA CA 91943-2069

CONTENTS

INTRODUCTION 1

GENERAL NOTE 2

PROJECT INFORMATION 2

RESERVE COMPONENT FINANCIAL DATA 3

RESERVE DATA SUMMARY 5

ESTIMATED MONTHLY RESERVE ALLOCATIONS 5

DEFICIT FUNDING ALTERNATIVES 6

RESERVE STUDY COLUMNAR HEADINGS 7

GENERAL SITE INFORMATION 8

MAINTENANCE SCHEDULE 10

INTRODUCTION

PURPOSE OF THE STUDY

This Reserve Study Report is designed to provide the Association members with current information concerning the major common area components of the community.

SOURCES OF DATA

All units of measurement used to determine replacement costs of reserve components are based on one or more of the following:

1. Construction drawings
2. An on site inspection of the complex
3. Information provided by the property management
4. Previous Reserve Analyses
5. California Department of Real Estate Budget Worksheet information

All estimated costs and useful lives are estimates based on data obtained from one or more of the following sources:

1. Current construction costs for the area
2. The National Construction Estimator
3. The National Repair and Remodeling Estimator
4. The Operating Cost Manual for Homeowners Associations

LIMITATIONS OF THE REPORT

All estimates of expected useful lives of the reserve components found in the Reserve Study Report for the development are the result of calculations and assumptions based on average conditions and a program of regular maintenance for these components. Acts of God, unusual weather conditions, vandalism, unexpected price changes for labor or materials or unusual wear cannot and have not been given any consideration in the estimation of useful lives for individual assets.

Each evaluation of the various reserve components within the complex is based on the assumption that each phase of the construction process was completed under building code requirements and accepted industry standards in effect at the time of construction.

If conditions are more favorable than average, then the estimated useful lives of the reserve components may be longer than expected with the resultant effect being a reduction in replacement funding requirements. Conversely, conditions which are less favorable than average will cause the estimated useful lives to be shorter than anticipated and will create a need to increase the funding for replacements.

An opinion is not offered or expressed with regard to whether or not the estimated replacement costs and/or the estimated useful lives of reserve components approximate or equal actual costs and/or actual lives. Hartmann Inc. does not warrant, guarantee or otherwise represent the reliability or accuracy of any information contained within this Report.

No analysis of construction defects or possible hazardous materials has been made and Hartmann Inc. shall have no responsibility for the same.

There has been no core sampling or other invasive examination of any reserve component and Hartmann Inc. shall have no responsibility for defects which could be found only with invasive examination.

Systems with an estimated useful life equal to the useful life of the complex (e.g., electrical, sewer, plumbing and telephone) have not been analyzed and Hartmann Inc. shall have no responsibility for such systems.

The information contained within the Reserve Study Report will provide the maximum benefit only if it is periodically reviewed and brought current. An annual reassessment of the status of the association's reserves is strongly recommended and is now a legal requirement and responsibility of the Board of Directors (Civil Code 1365).

This report is intended to provide information for the Board of Directors. It is not intended to be a report for litigation purposes.

GENERAL NOTE

The following items are not included in the Reserve Study Report; however, one or more may be obtained under a separate contract:

1. Specific schedules for any of the recommended maintenance programs can be provided.

2. Material specifications and their application are also available for various reserve components.

3. Assistance can be provided to the Board of Directors in obtaining competitive proposals for work to be completed within the complex.

4. A quarterly walk-through can be scheduled with a written report containing recommendations concerning maintenance on the project's various components.

PROJECT INFORMATION

Arbor Woods is located at 521 Arbor Drive in San Diego.

There is a total of 15 condominiums in the association.

Entrance to the community is through a controlled access gate system.

COMPONENT	CURRENT COST OF RENOVATION OR REPLACEMENT	ESTIMATED YEARS OF USEFUL LIFE	YEARS OF REMAINING LIFE	ANNUAL RESERVE REQUIREMENT	ACCUMULATED RESERVE REQUIREMENT
MISCELLANEOUS					
Contingency	2,500	1	0	2,500	2,500
FENCES/RAILS/GATES					
Metal Railings/Gates					
Paint	7,200	4	3	1,800	1,800
Repairs/Replacement	36,000	20	12	1,800	14,400
Wood Fencing					
Paint/Stain Allowance	960	5	2	192	576
Repair/Replacement Allowance	4,000	15	11	267	1,067
PAINT					
Stucco	13,500	10	6	1,350	5,400
Wood Trim/Doors/Fascia	6,000	5	1	1,200	4,800
ROOF					
Pitched Roofing	5,400	30	15	180	2,700
Flat	33,000	16	4	2,062	24,750
Gutters/Drains	3,660	30	15	122	1,830
Roof Check/Maintenance	150	1	0	150	150
ENTRY GATE SYSTEMS					
Residential					
Entry Panel	3,200	12	9	267	800
Garage Entry System					
Gate Motor	5,800	12	9	483	1,450
Gate Replacement	7,500	20	16	375	1,500
ELEVATOR					
Car Renovation Allowance	6,000	18	5	333	4,333
Modernization	60,000	30	15	2,000	30,000
PLUMBING					
Water Heaters	6,400	10	8	640	1,280
Circulating Pump Replacements	1,000	10	8	100	200

COMPONENT	CURRENT COST OF RENOVATION OR REPLACEMENT	ESTIMATED YEARS OF USEFUL LIFE	YEARS OF REMAINING LIFE	ANNUAL RESERVE REQUIREMENT	ACCUMULATED RESERVE REQUIREMENT
ELECTRICAL					
Light Fixtures	1,350	15	11	90	360
Post Light	875	18	14	49	194
Garage Exhaust Fan Motor	850	12	6	71	425
LANDSCAPE					
Backflow Prevention	1,850	18	3	103	1,542
Irrigation System Allowance	1,500	15	5	100	1,000
TOTAL FUNDING REQUIREMENTS	$208,695			$16,234	$103,057

RESERVE STUDY SUMMARY:

ACTUAL RESERVE BALANCE:	$20,454
ACCUMULATED RESERVE REQUIREMENTS:	$103,057
EXCESS/(DEFICIT):	$(82,603)
PERCENTAGE OF ACTUAL RESERVES TO REQUIRED RESERVES:	20%

MONTHLY RESERVE ALLOCATIONS:

MISCELLANEOUS	208.33
FENCES/RAILS/GATES	338.22
PAINT	212.50
ROOF	209.54
ENTRY GATE SYSTEMS	93.75
ELEVATOR	194.44
PLUMBING	61.67
ELECTRICAL	17.45
LANDSCAPE	16.90
TOTAL MONTHLY RESERVE ALLOCATIONS:	$1,352.81

NOTE: Minor rounding differences may occur.

DEFICIT FUNDING ALTERNATIVES:

CURRENT DEFICIT:	$82,603
NUMBER OF UNITS:	15

The current deficit may be funded in the future through a variety of options. The following alternatives assume the monthly fee will be adjusted to meet current requirements for operating costs and reserve estimates. The monthly fee would then have an increase that would be determined by selecting one of the options described below:

1. Immediate deficit reduction: Assess each unit a one time fee of:	$5,506.87
2. One year deficit reduction: Increase each unit's fee for the next 12 months by:	$458.91
3. Two year deficit reduction: Increase each unit's fee for the next 24 months by:	$229.45
4. Three year deficit reduction: Increase each unit's fee for the next 36 months by:	$152.97

Section 1365 of the California Civil Code requires a summary of the association's reserves to be distributed to all members of the association at least annually. The reserve data must be current.

The deficit funding alternatives must be reviewed at least once each year to determine whether the financial plan for the community association will adequately meet the association's funding requirements.

RESERVE STUDY COLUMNAR HEADINGS

RESERVE COMPONENT:

This provides a description of the reserve component by item, location or name.

CURRENT MAINTENANCE OR REPLACEMENT COST:

The maintenance or replacement cost is an estimated current cost and is based on one or more of the following sources:

1. Various published standards including the National Construction Estimator and the Operating Cost Manual for Homeowners Associations.

2. Information provided by the developer, management company and/or the property manager.

3. Estimates from qualified and knowledgeable contractors. No consideration has been given to potential cost variations that could occur due to changes in material costs, labor costs, and the rate of inflation.

ESTIMATED USEFUL LIFE:

This is an estimate based on information found in published standards, generally accepted industry estimates, and the Operating Cost Manual for Homeowners Associations along with a visual assessment of the reserve components. Those reserve items that are expected to have useful lives equaling the life of the entire complex are not discussed.

REMAINING LIFE:

This value is the result of subtracting the age of the reserve component from the estimated useful life. This is designed to be used as a general guideline and may be influenced by the quality of the labor and materials that are used in the maintenance procedures. Reassessments of the condition of each of the reserve components must be made on an annual basis.

ANNUAL RESERVE REQUIREMENT:

The Annual Reserve Requirement is determined by dividing the Current Replacement Cost by the Estimated Useful Life. The reserve requirements are calculated on a "straight line" basis. Adequate annual reserves are required to assure the availability of funds when various reserve components require replacement.

ACCUMULATED RESERVE REQUIREMENT:

The Accumulated Reserve Requirement is found by multiplying the Annual Reserve Requirement by the expended life of the reserve component. A comparison may then be made between current required reserves and current actual reserves.

GENERAL SITE INFORMATION

GENERAL

All signage, including building and unit designations, should be routinely checked for general condition and repair requirements.

All common area locks and door hardware should be regularly checked and tightened as required. The locks and hardware should also be routinely oiled with a rust inhibiting lubricant.

The general condition of each fire extinguisher housing should be checked on at least an annual basis. Each extinguisher should be placed on a block to help prevent damage to the canister due to moisture. The blocks should remain in place.

PAINT

At least a semi-annual check of all metal surfaces should be completed and any breakdowns in the paint should be scheduled for repairs. This includes sanding, priming, and painting with a good quality industrial enamel that is rated for outdoor use on metal. Paint should always be applied to the underside of the lower horizontal rail on each metal section of fencing. Paint should be scheduled prior to surface deterioration. Any depressions around the metal fencing and railing posts should be filled and crowned to help prevent water from standing at the base of the metal posts.

Damage to the painted wood surfaces may be prevented if a good painting program is established and maintained. Paint must be scheduled prior to signs of oxidation to help prevent damage to the underlying wood. A good quality paint must also be part of the planned painting schedule.

All painted wooden surfaces that are facing south or southwest will begin to oxidize and deteriorate sooner than those facing north or northeast. These areas should be checked regularly for adequate paint coverage. This will help prevent damage to the bare wood from exposure to the sun and other elements.

ROOF

The roof check must include a general inspection of all roofing material along with a thorough inspection of flashing and roof penetrations. Vent pipes and other roof penetrations should have a watertight seal. Missing or damaged roofing material must be replaced by a qualified roofing technician. Maintenance must be performed annually to help preserve materials under the roofing surface.

Gutter systems and vertical drains should have all obstructions removed. Damaged or missing gutter or drain components should be replaced. All connections to underground drain system components should have approved fittings. Routine maintenance on roofing surfaces may result in longer useful lives and lower long-term roofing expense.

All debris must be removed from the roofing systems. Leaves, tree limbs and other debris should not accumulate on any roofing system.

LANDSCAPE

The automatic clocks should be checked regularly to be sure they are operating properly and are programmed correctly.

The water distribution system should be inspected to be certain all connections are tight and that all valves and heads are operating freely. Each sprinkler or Rain Bird type fitting should be adjusted to prevent water from being directed toward buildings, fencing, foundations, walkways, and streets.

A routine evaluation of the water distribution system will also help to prevent the use of excess water for irrigation.

LANDSCAPE (Continued)

Drain caps and the drainage system should be checked to be certain each component is operating correctly. All connections should be tight and each fitting should be the correct item for the system. All drain grates should be in place. Damaged components should be replaced or repaired.

All valves and hose bibs in the water distribution system that are not electrically controlled should be operated manually at least once each year. This will help prevent the valves from becoming inoperative. It will also extend the life of the washers and assist in preventing water leaks.

A diverter should be placed under any down spout that is not directly connected to underground drainage. Water should not be allowed to stand at any foundation.

ELECTRICAL

All cover plates on the electrical junction boxes should be regularly inspected. Any damaged cover plates on the electrical junction boxes should be replaced. If water (from lawn area sprinklers or rain) runs into the conduit, then the deterioration of the wiring insulation may be accelerated considerably and it may create a hazardous condition.

The cover plates on the area lights should be periodically checked for tight connections and any breaks in the housings. This includes the post light fixtures, flood lights and surface mounted fixtures. A routine inspection should be scheduled with required repairs and replacements planned for completion.

MAINTENANCE SCHEDULE

NOTE: Maintenance or renovation for components that have no remaining life are *Italicized.*

JANUARY

Check the signage throughout the development for damage and stability.

Schedule a walk through of the complex and evaluate the general condition of the common area components.

Establish a schedule for servicing the backflow prevention devices.

Check all controllers/sensors to ensure times of operation are the most conservative for current conditions.

FEBRUARY

Schedule a walk through of the complex and evaluate the general condition of the common area components.

Check the irrigation system components (sprinkler heads) to be sure each one is directed away from buildings, footings, and fencing.

MARCH

Check all drains and the drainage system to ensure the adequate drainage of water.

Schedule a walk through of the complex and evaluate the general condition of the common area components.

Check all controllers/sensors to ensure times of operation are the most conservative for current conditions.

APRIL

Reset the landscaping time clocks to adjust to the time change.

Check the irrigation system components (sprinkler heads) to be sure each one is directed away from buildings, footings, and fencing.

Schedule a walk through of the complex and evaluate the general condition of the common area components.

Check all signage throughout the complex.

MAY

Check all controllers/sensors to ensure times of operation are the most conservative for current conditions.

Schedule a walk-through of the complex and check or evaluate the general condition of each reserve component.

JUNE

Check the irrigation system components (sprinkler heads) to be sure each one is directed away from buildings, footings, and fencing.

Manually operate all hose bibs and valves throughout the water distribution system that are not electrically controlled. This will help prevent the valves from becoming inoperative.

Schedule a walk through of the complex and evaluate the general condition of the common area components.

JULY

Check the signs throughout the complex for damage and stability.

Schedule a walk through of the complex and evaluate the general condition of the common area components.

Check all controllers/sensors to ensure times of operation are the most conservative for current conditions.

AUGUST

Check the irrigation system components (sprinkler heads) to be sure each one is directed away from buildings, footings, and fencing.

Schedule a walk through of the complex and evaluate the general condition of the common area components.

SEPTEMBER

Check all drains and the drainage system to be certain water is draining adequately.

Schedule a walk through of the complex and evaluate the general condition of the common area components.

Check all controllers/sensors to ensure times of operation are the most conservative for current conditions.

OCTOBER

Reset the landscaping time clocks to adjust for the time change.

Check all light fixtures throughout the complex. Missing components should be replaced and junction boxes should be watertight.

Check the irrigation system components (sprinkler heads) to be sure each one is directed away from buildings, footings, and fencing.

Schedule a walk through of the complex and evaluate the general condition of the common area components.

Schedule the roof check for all roofing surfaces. Gutter systems, vent pipes, and flashing should be checked.

NOVEMBER

Schedule a walk through of the complex and evaluate the general condition of the common area components.

Check all controllers/sensors to ensure times of operation are the most conservative for current conditions.

DECEMBER

Schedule a walk through of the complex and evaluate the general condition of the common area components.

Schedule a check of all metal railings. Any damage should be repaired and rusting sections should be sanded, primed and repainted. Touch-up painting will be required between full applications of paint.

Check all painted surfaces throughout the complex. Generally, south and west facing surfaces will tend to oxidize sooner than north and east facing exposures. Schedule paint touch up on surfaces where it is required.

Check the irrigation system components (sprinkler heads) to be sure each one is directed away from buildings, footings, and fencing.

Make any necessary changes to the Maintenance Schedule for the coming year.