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**Memorandum**

**To:** All Homeowners  
**From:** Board of Directors  
**Date:** November 25, 2009  
**Subject:** *Sorrento at Portr Ranch Community Association  
2010 Operating Budget*

Enclosed please find the Operating Budget for the calendar year ending *December 31, 2010* for your review. *We are pleased to inform you that there will be no dues increase.*

In addition, please find the following items enclosed, for your review:

- Lien and Collection Policy for Delinquent Assessments.
- Notice regarding Assessments and Foreclosure.
- Summary of Internal Dispute Resolution Process (California Civil Code Section 1363.810 et seq) and Alternative Dispute Resolution (California Civil Code Section 1369.510 et seq).
- Assessment and Reserve Funding Disclosure Summary.
- Insurance Disclosure.
- Physical Changes to Property Disclosure.
- Notice To Owners Regarding Opt Out
- Notice To Owners Regarding Secondary Addresses

Please note that California Civil Code Section 1363.05 (e) provides every homeowner with the right to have copies of the minutes, minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes of any open meetings of the Board of Directors within 30 days of the meeting. These minutes shall be made available upon request and upon reimbursement of the Association's cost for making that distribution.

Please feel free to contact the Board of Directors or the Management Company if you have any questions.

**SORRENTO @ PORTER RANCH COMMUNITY ASSOCIATION**

Fiscal Year End - December 31

**2010 Operating Budget**

G/L #	DESCRIPTION	2010 MONTHLY	2010 ANNUAL
<b>Income</b>			
41010	ASSOCIATION DUES	119,510.00	1,434,120.00
43020	ARCHITECTURAL INCOME	333.33	4,000.00
43050	FINE INCOME	250.00	3,000.00
43090	KEY / GATE CARD / REMOTE	83.33	1,000.00
43100	LATE CHARGES	760.00	9,120.00
43130	COLLECTION COSTS RECOVERED	1,000.00	12,000.00
43140	NEWSLETTER INCOME	500.00	6,000.00
	<b>Total Income</b>	<u>122,436.67</u>	<u>1,469,240.00</u>
<b>General &amp; Administrative</b>			
61010	ACCOUNTING & AUDIT	166.67	2,000.00
61030	ARCHITECT FEES	333.33	4,000.00
61045	BAD DEBT EXPENSE	7,145.00	85,740.00
61063	COLLECTION COSTS	1,000.00	12,000.00
61070	FEDERAL INCOME TAX	166.67	2,000.00
61080	FRANCHISE TAX	125.00	1,500.00
61085	HOSPITALITY COMMITTEE	250.00	3,000.00
61130	INSURANCE - GENERAL	1,048.75	12,585.00
61150	LEGAL FEES	833.33	10,000.00
61170	LICENSES & TAXES	29.17	350.00
61180	MANAGEMENT FEES	6,300.00	75,600.00
61190	NEWSLETTER EXPENSE	500.00	6,000.00
61200	OFFICE EXPENSE - ROSS MORGAN	600.00	7,200.00
61210	OFFICE EXPENSE - OTHER	550.00	6,600.00
61250	POSTAGE	526.39	6,316.68
61270	RESERVE STUDY	83.33	1,000.00
61315	SECURITY PATROL	2,109.83	25,318.00
61320	SECURITY SERVICE - MAIN GATE	12,726.25	152,715.00
61325	SECURITY SERVICE - MEADOWS	12,726.25	152,715.00
61340	TELEPHONE / INTERCOM	450.00	5,400.00
61345	WEBSITE	250.00	3,000.00
	<b>Total Gen. &amp; Admin.</b>	<u>47,919.97</u>	<u>575,039.68</u>
<b>Repairs &amp; Maintenance</b>			
	CONTINGENCY	5,583.33	67,000.00
62190	GARDENING	16,250.00	195,000.00
62200	GARDENING EXTRAS	3,225.00	38,700.00
62210	GENERAL REPAIRS	1,350.50	16,206.00
62270	JANITORIAL SERVICE (Sorrento GH)	1,083.33	13,000.00
62280	JANITORIAL SUPPLIES	166.67	2,000.00
62290	LIGHTING MAINTENANCE	416.67	5,000.00
62310	MISCELLANEOUS EXPENSE	41.67	500.00
62320	MISCELLANEOUS SUPPLIES	208.33	2,500.00
62340	PEST CONTROL	1,000.00	12,000.00
62350	PLUMBING REPAIRS	500.00	6,000.00
62360	POOL / SPA EXTRAS	291.67	3,500.00
62365	POOL / SPA EXTRAS (Meadows)	291.67	3,500.00
62370	POOL / SPA FURNITURE	100.00	1,200.00
62380	POOL / SPA SERVICE FEE	875.00	10,500.00
62400	SECURITY GATE REPAIRS / LOCKS	1,250.00	15,000.00
62405	SECURITY MAINTENANCE	1,000.00	12,000.00
62420	STORAGE	6.25	75.00
62430	STREET CLEANING	208.33	2,500.00
	<b>Total Rep. &amp; Maint.</b>	<u>33,848.42</u>	<u>406,181.00</u>
<b>Utilities</b>			
63010	ELECTRICITY	2,916.67	35,000.00
63020	GAS	500.00	6,000.00
63040	WATER & SEWER	15,416.67	185,000.00
	<b>Total Utilities</b>	<u>18,833.33</u>	<u>226,000.00</u>
	<b>TOTAL EXPENSES</b>	<u>100,601.72</u>	<u>1,207,220.68</u>
	<b>NET OPERATING INCOME</b>	21,834.94	262,019.32
90010	RESERVE ALLOCATION	21,834.94	262,019.32
	<b>NET INCOME</b>	<u>0.00</u>	<u>0.00</u>

# **LIEN AND COLLECTION POLICY**

## **FOR DELINQUENT ASSESSMENTS**

This policy is written to provide you with a statement in accordance with California Civil Code Section 1367.1. The policies and practices of the Association with regard to the collection of delinquent assessments are as follows:

1. Assessments are due on the *first day* of the month. All other assessments, including Special Assessments, are due and payable on the date specified by the Board at the time they are adopted.
2. In the event an assessment is not received within fifteen (15) days after it is due, the management company will send a statement to the unit owner reflecting a delinquent balance.
3. If payment has not been received within 45 days of the original due date, a notice will be sent to the owner by certified mail, demanding full and immediate payment. The fee for this service is \$160.00.
4. If payment has not been received within seventy-five (75) days after the original due date, a lien will be recorded against the unit. (If the CC&Rs require that a Notice of Default be recorded, such Notice of Default will be recorded approximately fifteen (15) days after the lien is recorded.) The Lien will be mailed (by certified mail) to the unit owner within ten (10) days after it is recorded. The fee for this service is \$295.00.
5. In the event full payment is not received within thirty (30) days after the lien is recorded, judicial or non-judicial foreclosure proceedings may be commenced at the discretion of the Board of Directors. The foreclosure will continue until the owner pays all delinquent maintenance assessments, special assessments, late charges and/or interest in the maximum amount permitted by law, lien fees, attorney's fees, attorney's costs, and any other charges and reasonable costs of collection against the property.

**IMPORTANT HOMEOWNER NOTICE**  
**SUMMARY OF**  
**INTERNAL DISPUTE RESOLUTION PROCESS**  
**AND**  
**ALTERNATIVE DISPUTE RESOLUTION PROCEDURES**

**I. ASSOCIATION'S INTERNAL DISPUTE RESOLUTION PROCESS.**

In accordance with Civil Code Section 1363.810 et seq., the Association has adopted the following internal dispute resolution process to be followed by the Association and owners in connection with disputes relating to the enforcement of the Association's governing documents, the Davis-Stirling Common Interest Development Act (Civil Code Section 1350 et seq.) and Section 7110 et seq. of the Nonprofit Mutual Benefit Corporation Code (collectively, the Disputes).

Either party to a Dispute may invoke the following procedure:

- (1) The party may request the other party to meet and confer in an effort to resolve the dispute. The request shall be in writing.
- (2) An owner 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.
- (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.
- (6) The agreement reached binds the parties and is judicially enforceable if both of the following conditions are satisfied: (a) The agreement is not in conflict with law or the governing documents of the common interest development or association; and (b) 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.

Please note that a member of the association may not be charged a fee to participate in the process.

**II. ALTERNATIVE DISPUTE RESOLUTION ("ADR")**

Please be advised that California Civil Code Section 1369.510 et seq. requires that the Association and owners endeavor to submit certain types of disputes to ADR prior to initiating a lawsuit. This notice merely provides a summary of the statute. If there is a dispute which may require ADR pursuant to Civil Code Section 1369.510 et seq., please review all of the provisions of the statute or seek your own independent legal counsel.

## PARTIES BOUND BY THE STATUTE

The parties required to comply with the new statute are the Association (through the Board of Directors) and any owners of record.

### DISPUTES SUBJECT TO THE STATUTE (QUALIFYING DISPUTES)

Section 1369.520 provides that the Association or owners may not file an enforcement action in the Superior Court unless the parties have endeavored to submit their dispute to ADR. An enforcement action is defined as a civil action or other proceeding for any of the following purposes:

- 1) Enforcement of the Davis-Stirling Common Interest Development Act (Civil Code Section 1350 et seq.);
- 2) Enforcement of the California Nonprofit Mutual Benefit Corporation law, commencing with Corporations Code Section 7110.
- 3) Enforcement of the Association's governing documents.

Where, however, an owner has a private dispute with another owner or a tenant, or the Board has a dispute with a third party such as a landscaper, such a dispute is not within the confines of the statute.

### DISPUTES SPECIFICALLY EXCLUDED FROM THE STATUTE

The ADR statute applies only to an enforcement action that is solely for declaratory, injunctive or writ relief, or for that relief in conjunction with a claim for monetary damages not in excess of \$5,000. The following types of disputes are specifically excluded from being required to resort to ADR:

- 1) A Small Claims action;
- 2) Assessment collection, except as provided for in Civil Code Section 1366.3;
- 3) Claims for money damages in excess of \$5,000.00 in conjunction with a claim for declaratory, injunctive or writ relief;
- 4) Actions for preliminary or temporary injunctive relief; and
- 5) The filing of a cross-complaint in response to a complaint already filed.

## COMPLIANCE PROCEDURES

A. INITIATING PARTY. The party pursuing the dispute, prior to filing any lawsuit, must serve on the other party a "Request for Resolution" including the following information and language:

- 1) A brief description of the dispute;
- 2) A request that the matter be submitted to ADR;
- 3) A notice that the party receiving the Request for Resolution (the "Responding Party") is required to respond thereto within thirty (30) days of receipt or it will be deemed rejected.
- 4) If the party on whom the Request is served is an owner, a copy of Civil Code Section 1369.510 et seq.

B. SERVICE. A Request for Resolution may be served by personal delivery, first-class mail, express mail, facsimile transmission or other means reasonably calculated to provide the Responding Party actual notice of the Request.

C. RESPONDING PARTY'S OBLIGATION. Up on receipt of a Request for Resolution the Responding Party, whether the Association or an owner, has thirty (30) days in which to either accept or reject the Request. In the event no such response is received, the Request is deemed "rejected."

D. TIME FOR COMPLETION OF ADR. Where the Request is accepted, the parties must complete the ADR within ninety (90) days of receipt of the acceptance. However, the parties can stipulate in writing to extend this period.

E. COST OF ADR. The cost of ADR shall be borne by the parties.

F. TOLLING OF STATUTE OF LIMITATIONS. If a Request for Resolution is served before the end of the applicable statute of limitations, the time limitation is tolled for certain periods specified in Civil Code Section 1369.550.

G. CERTIFICATE. In the event that a lawsuit is eventually commenced, the party filing must file with the initial pleading a certificate stating that one or more of the following conditions is satisfied: (1) Alternative dispute resolution has been completed in compliance with 1369.510 et seq.; (2) One of the parties to the dispute did not accept the terms offered for alternative dispute resolution; or, (3) preliminary or injunctive relief is necessary.

#### CONSEQUENCES FOR FAILURE TO COMPLY WITH THE ADR LAW

The failure to file the aforementioned certificate with the Court is grounds for a demurrer or motion to strike unless the Court finds that dismissal of the action for failure to comply would result in substantial prejudice to one of the parties. Additionally, in awarding attorneys' fees and costs, a court may consider whether a party's refusal to participate in ADR before commencement of the enforcement action was reasonable. As a result, it is important to seek independent counsel in the event that you, as an owner have further questions.

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 preceding summary has been provided in accordance with Civil Code Section 1369.590.

Sorrento at Porter Ranch Community Association  
 Assessment and Reserve Funding Disclosure Summary  
 (Civil Code § 1365.2.5)

(1) The current assessment per unit is \$190.00 per month.

(2) Additional 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: N/A

Date assessment is due	Amount per unit per month (if assessments are variable, see note immediately below)	Purpose of the assessment
N/A		
	Total:	

**Note:** If assessments vary by the size or type of unit, the assessment applicable to this unit may be found on page N/A of the attached report. Full Reserve Study available upon written request.

(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

(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?

Approximate date assessment will be due	Amount per unit per month
N/A	
	Total:

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

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5, the estimated amount required in the reserve fund at the end of the current fiscal year is \$1,292,578, based in whole or in part on the last reserve study or update prepared by Association Reserves as of November 2009. The projected reserve fund cash balance at the end of the current fiscal year is \$647,779

(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 **N/A**, and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is **N/A**, leaving the reserve at **N/A** percent funding. If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years will be **N/A** leaving the reserve at **N/A** percent funding.

**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.

(b) For the purposes of preparing a summary pursuant to this section:

(1) "Estimated remaining useful life" means the time reasonably calculated to remain before a major component will require replacement.

(2) "Major component" has the meaning used in Section 1365.5. Components with an estimated remaining useful life of more than 30 years may be included in a study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary.

(3) The form set out in subdivision (a) shall accompany each pro forma operating budget or summary thereof that is delivered pursuant to this article. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in subdivision (a) is provided.

(4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. This shall not be construed to require the board to fund reserves in accordance with this calculation.

# 3-Minute Executive Summary

**Association:** Sorrento at Porter Ranch **Assoc. #: 12193-5**  
**Location:** Porter Ranch, CA 91326  
**# of Units:** 613  
**Report Period:** January 1, 2010 through December 31, 2010

**Results**

Projected Starting Reserve Balance: .....	\$647,779
Fully Funded Reserve Balance: .....	\$1,292,578
Average Reserve Deficit Per Unit: .....	\$1,052
Percent Funded: .....	50.1%
Recommended 2010 monthly Reserve Contribution: .....	\$19,350
Recommended Special Assessment this year: .....	\$0
Most Recent Reserve Contribution Rate:.....	\$7,300

**Economic Assumptions:**

Net Annual "After Tax" Interest Earnings Accruing to Reserves.....2.50%  
 Annual Inflation Rate .....3.00%

- This is an "Update No-Site-Visit" Reserve Study, based on a prior Report prepared by Association Reserves, Inc. for your 2009 Fiscal Year. No site inspection was performed as part of this Reserve Study.
- This Reserve Study was prepared by a credentialed Reserve Specialist (RS).
- Because your Reserve Fund is between 30%-70% Funded, at 50.1% Funded, this represents a fair Reserve position.
- Based on this starting point, your anticipated future expenses, and your historical Reserve contribution rate, our recommendation is to increase your Reserve contributions. While this may seem like a significant increase it is actually slightly lower than our 2009 recommendation of \$19,400 per month.

Table 4: 30-Year Reserve Plan Summary

Fiscal Year Beginning: 01/01/10

Interest: 2.5%

Inflation: 3.0%

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Rating	Annual Reserve Contribs.	Loans or Special Assmts	Interest Income	Projected Reserve Expenses
2010	\$647,779	\$1,292,578	50.1%	Fair	\$232,200	\$0	\$13,902	\$428,300
2011	\$465,581	\$1,134,835	41.0%	Fair	\$241,488	\$0	\$13,666	\$91,825
2012	\$628,910	\$1,326,269	47.4%	Fair	\$251,148	\$0	\$18,848	\$18,301
2013	\$880,606	\$1,606,735	54.8%	Fair	\$261,193	\$0	\$25,289	\$22,346
2014	\$1,144,742	\$1,899,233	60.3%	Fair	\$271,641	\$0	\$30,951	\$113,282
2015	\$1,334,052	\$2,114,861	63.1%	Fair	\$282,507	\$0	\$31,200	\$483,070
2016	\$1,164,689	\$1,964,337	59.3%	Fair	\$293,807	\$0	\$32,021	\$90,748
2017	\$1,399,769	\$2,221,897	63.0%	Fair	\$305,559	\$0	\$38,465	\$62,970
2018	\$1,680,824	\$2,524,558	66.6%	Fair	\$317,782	\$0	\$44,710	\$143,462
2019	\$1,899,854	\$2,762,418	68.8%	Fair	\$330,493	\$0	\$51,010	\$95,966
2020	\$2,185,391	\$3,065,630	71.3%	Strong	\$343,713	\$0	\$53,094	\$515,392
2021	\$2,066,806	\$2,955,507	69.9%	Fair	\$357,461	\$0	\$54,250	\$200,575
2022	\$2,277,942	\$3,176,203	71.7%	Strong	\$371,760	\$0	\$60,759	\$122,402
2023	\$2,588,058	\$3,494,198	74.1%	Strong	\$386,630	\$0	\$70,027	\$24,451
2024	\$3,020,265	\$3,933,085	76.8%	Strong	\$402,095	\$0	\$81,203	\$20,458
2025	\$3,483,106	\$4,400,029	79.2%	Strong	\$418,179	\$0	\$82,743	\$840,465
2026	\$3,143,563	\$4,047,475	77.7%	Strong	\$434,906	\$0	\$82,437	\$202,313
2027	\$3,458,592	\$4,353,074	79.5%	Strong	\$452,302	\$0	\$92,530	\$51,528
2028	\$3,951,897	\$4,834,928	81.7%	Strong	\$470,395	\$0	\$104,799	\$85,930
2029	\$4,441,160	\$5,307,932	83.7%	Strong	\$489,210	\$0	\$77,335	\$3,255,274
2030	\$1,752,432	\$2,543,196	68.9%	Fair	\$508,779	\$0	\$31,901	\$1,490,674
2031	\$802,437	\$1,525,925	52.6%	Fair	\$529,130	\$0	\$22,905	\$322,482
2032	\$1,031,991	\$1,694,628	60.9%	Fair	\$550,295	\$0	\$31,307	\$138,295
2033	\$1,475,298	\$2,071,758	71.2%	Strong	\$572,307	\$0	\$43,739	\$63,698
2034	\$2,027,646	\$2,551,098	79.5%	Strong	\$595,199	\$0	\$55,320	\$275,342
2035	\$2,402,824	\$2,841,309	84.6%	Strong	\$619,007	\$0	\$53,674	\$1,179,687
2036	\$1,895,819	\$2,223,670	85.3%	Strong	\$643,767	\$0	\$55,855	\$17,954
2037	\$2,577,488	\$2,799,453	92.1%	Strong	\$669,518	\$0	\$72,706	\$74,358
2038	\$3,245,354	\$3,350,240	96.9%	Strong	\$696,299	\$0	\$87,759	\$246,410
2039	\$3,783,002	\$3,756,638	100.7%	Strong	\$724,151	\$0	\$104,380	\$34,995

Table 1: Executive Summary

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
<b>Sorrento Pointe</b>				
201 Asphalt - Remove & Replace	25	19	\$1,830,263	\$3,209,376
202 Asphalt - Seal/Repair	4	0	\$69,875	\$78,645
206 Decorative Concrete - Replace	30	22	\$54,600	\$104,619
303 HVAC Unit - Replace	15	13	\$3,900	\$5,727
305 DVR System - Replace	5	3	\$4,250	\$4,644
305 Security System - Upgrade	12	6	\$25,000	\$29,851
306 Security Cameras - Replace	7	1	\$9,450	\$9,734
320 Pole Lights - Replace	25	16	\$6,600	\$10,591
322 Bollard Lights - Replace	20	11	\$3,300	\$4,568
404 Pool Furniture - Replace	10	7	\$9,400	\$11,561
405 Play Structure - Replace	20	11	\$21,500	\$29,761
407 BBQ Stands - Replace	10	1	\$1,100	\$1,133
409 Picnic Tables - Replace	20	11	\$2,800	\$3,876
410 Trash Receptacles - Replace	30	21	\$2,750	\$5,116
411 Drinking Fountains - Replace	20	11	\$1,650	\$2,284
416 Play Surface - Replace	7	4	\$4,400	\$4,952
503 Ironwork - Repair (10%)	10	1	\$78,600	\$80,958
603 Showers - Retile	20	11	\$5,250	\$7,267
700 Pedestrian Gates - Replace	20	11	\$4,900	\$6,783
700 Vehicle Gates - Replace	30	21	\$28,000	\$52,088
704 Intercoms - Replace (Pools)	12	10	\$5,000	\$6,720
704 Swing-Arm Barriers - Replace (Mason)	12	7	\$10,875	\$13,375
704 Swing-Arm Barriers - Replace (Rinaldi)	12	9	\$14,500	\$18,919
705 Gate Operators - Replace (2000)	10	8	\$5,200	\$6,587
705 Gate Operators - Replace (2004)	10	4	\$10,400	\$11,705
705 Gate Operators - Replace (2006)	10	6	\$5,200	\$6,209
803 Water Heater/Tank - Replace	15	6	\$2,738	\$3,269
910 Guard House Interior - Remodel	15	6	\$4,938	\$5,896
910 Restrooms - Remodel	20	11	\$9,250	\$12,804
1001 Backflow Devices - Replace	20	15	\$47,250	\$73,614
1003 Irrigation Controllers - Replace	15	9	\$39,200	\$51,147
1005 Landscape/Irrigation - Upgrades	15	6	\$35,000	\$41,792
1107 Ironwork - Repaint	5	0	\$209,600	\$242,984
1115 Common Area Bldgs - Repaint	10	0	\$5,900	\$7,929
1116 Wood Trellis - Repaint	5	3	\$4,250	\$4,644
1200 Pool Deck - Recoat	5	0	\$10,925	\$12,665
1202 Pool - Replaster	10	7	\$16,375	\$20,139
1203 Spa - Replaster	6	3	\$4,500	\$4,917
1207 Pool Filter - Replace	12	9	\$1,225	\$1,598
1207 Pool Filter - Replace	12	3	\$1,225	\$1,339
1207 Spa Filter - Replace	12	3	\$1,225	\$1,339
1208 Pool Heaters - Replace	10	0	\$6,000	\$8,063
1208 Spa Heater - Replace	10	0	\$3,000	\$4,032
1210 Pool/Spa Pumps - Replace (partial)	2	0	\$900	\$955
1304 Tile Roof - Replace Underlayment	25	16	\$14,300	\$22,947
1402 Property Signage - Replace	20	11	\$6,000	\$8,305

Table 1: Executive Summary

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
<b>The Meadows</b>				
201 Asphalt - Remove & Replace	25	20	\$371,250	\$670,519
202 Asphalt - Seal/Repair	4	0	\$14,175	\$15,954
206 Concrete Pavers - Replace	30	25	\$98,600	\$206,447
303 HVAC Unit - Replace	15	10	\$2,750	\$3,696
305 DVR System - Replace	5	3	\$4,250	\$4,644
306 Security Cameras - Replace	7	2	\$9,450	\$10,026
320 Pole Lights - Replace	25	20	\$8,250	\$14,900
322 Bollard Lights - Replace	20	15	\$3,300	\$5,141
404 Pool Furniture - Replace	10	5	\$13,150	\$15,244
404 Pool Umbrellas - Replace	4	2	\$1,325	\$1,406
405 Play Structure - Replace	20	15	\$21,500	\$33,496
407 BBQ Stand - Replace	10	5	\$550	\$638
407 Gas BBQ - Replace	8	3	\$750	\$820
409 Picnic Tables - Replace	20	15	\$2,100	\$3,272
410 Trash Receptacles - Replace	30	25	\$2,200	\$4,606
411 Drinking Fountains - Replace	20	15	\$1,100	\$1,714
416 Play Surface - Replace	7	2	\$4,675	\$4,960
503 Ironwork - Partial Replace 10%	10	5	\$36,000	\$41,734
603 Shower Tiles - Replace	20	15	\$10,488	\$16,339
700 Pedestrian Gate - Replace	20	15	\$4,200	\$6,543
700 Vehicle Gates - Replace	30	25	\$14,000	\$29,313
704 Swing-Arm Barriers - Replace	12	7	\$10,875	\$13,375
705 Gate Operators - Replace	10	5	\$10,400	\$12,056
803 Water Heater/Tank - Replace	15	10	\$2,738	\$3,679
910 Guard House Interiors - Remodel	15	10	\$4,938	\$6,636
910 Restrooms - Remodel	20	15	\$10,300	\$16,047
1005 Landscape/Irrigation - Upgrades	15	10	\$22,500	\$30,238
1107 Ironwork - Repaint	5	0	\$96,000	\$111,290
1115 Common Area Bldgs - Repaint	10	5	\$6,450	\$7,477
1116 Wood Trellis - Repaint	5	0	\$4,250	\$4,927
1200 Pool Deck - Recoat	5	0	\$6,775	\$7,854
1202 Pool - Replaster	10	5	\$8,200	\$9,506
1203 Spa - Replaster	6	5	\$2,900	\$3,362
1204 Wading Pool - Replaster	6	5	\$2,500	\$2,898
1207 Pool/Spa Filters - Replace	12	7	\$3,675	\$4,520
1208 Pool/Spa Heaters - Replace	10	5	\$9,000	\$10,433
1210 Pool/Spa Pumps - Partial Replace	2	0	\$900	\$955
1304 Tile Roof - Replace Underlayment	25	20	\$17,550	\$31,697
1402 Property Signage - Replace	20	15	\$11,525	\$17,956
<b>85 Total Funded Components</b>				

Note 1: a Useful Life of "N/A" means a one-time expense, not expected to repeat.  
 Note 2: highlighted line items are expected to require attention in the initial year

**SORRENTO AT PORTER RANCH HOMEOWNERS ASSOCIATION  
Insurance Disclosure**

In accordance with California Civil Code Section 1365, we are providing you the following insurance information within thirty (30) days preceding the beginning of the Association's fiscal year.

**A. BUSINESS LIABILITY INSURANCE**

1. The Association's general liability insurance carrier is Greenwich Insurance
2. The Association has the following general liability insurance for the period 12/29/08 until 12/29/09
  - a. \$3,000,000 maximum limit per occurrence;
  - b. \$3,000,000 of aggregate coverage.
3. There is **no** deductible under this general liability policy.

**B. PROPERTY INSURANCE**

1. The Association's property insurance carrier is Greenwich Insurance
2. The Association has the following property insurance for the period 12/29/08 until 12/29/09
  - a. \$635,200 maximum limit per occurrence.
3. The deductible under this property insurance policy is \$1,000

**C. EARTHQUAKE INSURANCE**

The Association does not have earthquake insurance.

1. The Association's earthquake insurance carrier is \_\_\_\_\_
2. The Association has the following earthquake insurance for the period \_\_\_\_\_, 2009 until \_\_\_\_\_, 2010
  - a. \$ \_\_\_\_\_ maximum building coverage
3. The deductible under this earthquake insurance policy is \_\_\_\_\_%

**D. FLOOD INSURANCE**

The Association does not have flood insurance.

1. The Association's flood insurance carrier is \_\_\_\_\_
2. The Association has the following flood insurance for the period \_\_\_\_\_ 2009 until \_\_\_\_\_, 2010
  - a. \$ \_\_\_\_\_ maximum building coverage
3. The deductible under this flood insurance policy is \_\_\_\_\_%.

**E. DIRECTORS & OFFICERS INSURANCE**

1. The Association's Directors and Officers insurance carrier is **National Union Fire Insurance**
2. The Association has the following Directors & Officers insurance for the period **12/29/08** until **12/29/09**
  - a. **\$1,000,000** maximum limit per occurrence.
3. There is a **\$5,000** deductible under this directors & officers policy.

**F. FIDELITY BOND**

1. The Association's Fidelity Bond carrier is **Greenwich Insurance**
2. The Association has the following Fidelity Bond insurance for the period **12/29/08** until **12/29/09**
  - a. **\$300,000** maximum limit per occurrence.
3. The deductible under this fidelity bond policy is **\$1,000**

**This summary of the Association's policies of insurance provides only certain information, as required by subdivision (e) 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 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 coverage.**

**DISCLOSURE REGARDING APPROVAL NEEDED  
TO MAKE PHYSICAL CHANGES TO PROPERTY**

According to the Association's governing documents, all changes to the common area and/or to the exterior of any unit/lot by an owner require the prior written approval of the Association's Board of Directors (and in some cases a certain percentage of the owners must approve such a change).

Owners must submit a written application identifying the proposed change(s) to the Board. The Board in its sole discretion will approve or disapprove of the owner's application, in writing, within 30 days subject to appropriate conditions required by the Board, pursuant to the Association's governing documents.

The owner may seek reconsideration by the Board of Directors (in an open meeting held in accordance with Civil Code Section 1363.05) of the decision made by the Architectural Committee unless the Architectural Committee has the same membership as the Board of Directors. If applicable, the Board of Directors will respond to the request for reconsideration within 30 days after receipt of such request.

**NOTICE TO OWNERS REGARDING ABILITY TO OPT-OUT**  
**OF HAVING NAME ON MEMBERSHIP LIST**  
**Civil Code Section 1365.2(a)(1)(I)(iii)**

Effective July 1, 2006, an owner may request that the Association provide him or her with a copy of the membership list, including the names, property address and mailing address of each owner. The owners request must be in writing and must set forth the purpose for which the list is requested, which purpose must be reasonably related to the requesters interests as a member of the Association. The Association will be obligated to provide the owner with a copy of such membership list unless it reasonably believes that the owner will use the information for another purpose.

Pursuant to Civil Code Section 1365.2(a)(1)(I)(iii), a member can Aopt out@ of having his or her name and address(es) included on a membership list which must be distributed to owners upon request pursuant.

If you would like to opt out of having your name included on a membership list which may be distributed to another owner upon request, please complete the following form and return it to the Association. Please note that your Aopt-out@ will remain in effect until further notice from you.

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**Notice to Association**

To Whom It May Concern,

Please remove my name and address(es) from the membership list in accordance with Civil Code Section 1365.2(a)(1)(I)(iii) until further notice from me.

Date: \_\_\_\_\_

Print Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Unit Address: \_\_\_\_\_

**NOTICE REGARDING SECONDARY ADDRESSES**

**Civil Code Section 1367.1(k)**

Effective January 1, 2006, owners have the right to submit to the Association with a secondary address for purposes of sending collection notices. An owner's request must be in writing and mailed in a manner indicating that the association has received it (such as by certified mail, return receipt requested, overnight delivery, facsimile with receipt, etc.). Upon the Association's receipt of such notice, the Association will mail any collection notices to both the owner's primary and secondary addresses.

If you would like to provide the Association with a secondary address for purposes of sending collection notices, please complete the following form and return it to the Association via certified mail, return receipt requested, overnight delivery, facsimile with receipt or such other manner indicating that the association has received it:

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**Notice to Association**

To Whom It May Concern,

The purpose of this notice is to provide the Association with a secondary address for purposes of sending collection notices. In accordance with Civil Code 1367.1(k) please send an additional copy of all collection notices to me at the following secondary address:

\_\_\_\_\_  
Date: \_\_\_\_\_ Unit Address: \_\_\_\_\_

Print Name: \_\_\_\_\_ Signature: \_\_\_\_\_

**Secondary Address**

Street #: \_\_\_\_\_ Street Name: \_\_\_\_\_ Unit #: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_