

SHADOW OAKS CONDOMINIUM ASSOCIATION
C/O: Anchor Community Management
P.O. Box 3237, Camarillo, CA 93011-3237
(805) 388-3848

May 18, 2011

Dear Shadow Oaks Homeowner:

Enclosed please find information we hope you will find helpful with regard to the emergency special assessment that will be due on August 1, 2011.

At the Special Meeting held for homeowners on May 4, 2011, an emergency special assessment was approved by the Board. This special assessment is in the amount of \$27,375.00 per unit and will be used to pay for foundational repairs to four Shadow Oaks buildings, as described in the attached paperwork. Shadow Oaks owners have the option of paying the special assessment off in full, on or before August 1, 2011 to avoid any interest charges. Owners who cannot pay off the special assessment by that date may take advantage of a favorable loan obtained by the HOA to make the payments in monthly installments. Those monthly installments are in the amount of \$231.01 in addition to your regular monthly Shadow Oaks assessments. The loan being offered is described in detail in the accompanying paperwork.

If you have loss assessment insurance, you may submit any or all of the enclosed information to your insurance carrier in order to make your claim. Please do not direct anyone from your insurance company to call management as all the paperwork that can be provided to owners is being provided in this package and on the Shadow Oaks webpage (anchorcommunitymgt.com/ShadowOaks.htm).

Please be advised that during any escrow on any Shadow Oaks condominium and during the 15 year lifetime of the loan, this special assessment must be paid off in its entirety prior to the close of escrow. It will be up to the seller and the potential buyer to negotiate and agree upon each of the party's portion of that special assessment.

Sincerely,

SHADOW OAKS CONDOMINIUM ASSOCIATION

NOTICE
OF EMERGENCY
SPECIAL ASSESSMENT
SHADOW OAKS CONDOMINIUM ASSN.

At their duly noticed and regularly called May 4, 2011 meeting, the Board approved an emergency special assessment in the amount of \$2,190,000.00. This emergency special assessment is needed to fund common area repairs, and separate interest repairs to the extent caused by the common area deficiencies, to 4 buildings. Such repairs include, but are not necessarily limited to foundations, structural repairs, stucco, drywall and paint located at 5530, 5580, 5480 Spanish Oak Lane and 578 Water Oak Lane.

Each owner's portion of the special assessment equals \$27,375.00 which will be owed on August 1, 2011. Owners may choose to pay the assessment in full, and therefore not have to pay interest or they may choose to take advantage of the loan obtained by the HOA and make regular monthly payments, for the first ten (10) years in the amount of \$231.01 based upon 6% interest which will be readjusted at year 11. The rate for the last 5 years (60 months) of the term loan will be set at the end of year 10 based on the greater of 6.00% or 3.00% spread over the then 5 Year US Treasury constant Maturity. The rate will have a floor of 6.00% during the loan term.

Attached hereto is the Board resolution adopting the
Emergency Special Assessment.

SHADOW OAKS CONDOMINIUM ASSOCIATION

**BOARD RESOLUTION REGARDING ADOPTION OF
EMERGENCY SPECIAL ASSESSMENT**

The following resolution of the Board of Directors of Shadow Oaks Condominium Association pertains to discussion and adoption of an emergency special assessment pursuant to *Civil Code* Section 1366 (b)(3).

WHEREAS, on May 4, 2011 a regularly noticed meeting of the Board of Directors was conducted at 6:30pm at the main room of Mae Boyar Park, 130 Kanan Rd., Oak Park, CA. During the meeting owners were provided a detailed presentation of what the problems are in the buildings that necessitated the levying of a special assessment. It was discussed that the 5480, 5580, 5530 and 578 buildings are all experiencing movement. The meeting was attended by approximately thirty (30) members of the Association.

WHEREAS, the remaining lawsuits against the Association, involving 578 and 5480 by various members of the Association, setting forth multiple causes of action and claiming building movement and related damages were settled in February 2011;

WHEREAS, expert consultants retained on behalf of the Association have performed their own evaluations and developed what they and the Association believe to be appropriate and reasonable repairs to the buildings involved in the litigation as well as 5580 and 5530, for foundational stabilization;

WHEREAS, the Board of Directors of the Association were not in possession of the consultant's final recommendations until 2011,

WHEREAS, the Board of Directors has determined that it would be reasonable, appropriate, and necessary and in the best interests of the Association to perform foundational repairs to the four (4) buildings as developed by the Association's consultants and engineers, as well as repairs to the common area and certain separate interest items damaged as a result of the common area deficiencies.

WHEREAS, in order to fund such a repair an emergency assessment would be required so as to repair or maintain the common interest development as to those areas for which the Association is responsible.

WHEREAS, based upon the recent submission of the final findings of the consultants, the extent, scope and cost of repairs could not have been reasonably foreseen by the Board in preparing and distributing the 2011 pro forma operating budget under Section 1365;

WHEREAS, the Board of Directors believes that the emergency assessment and the expenses identified therein are reasonably necessary and could not have been reasonably foreseen in the 2011 budgeting process.

RESOLUTION

It is hereby resolved by the Board of Directors for Shadow Oaks Condominium Association that an emergency assessment in the amount of \$2,190,000 was voted on and unanimously approved by the four (4) board members in attendance at the meeting. That the \$2,190,000 special assessment will apply equally to all members of the Association. That the amount of \$27,375.00 be assessed to each unit. That the Association did obtain a loan from Mutual of Omaha bank in the amount of \$2,190,000 with a 15 year term with a fixed rate of 6% for the first 10 years and owed in 180 monthly installments, with the first 120 months monthly amount being \$231.01. The rate for the last 5 years (60 months) of the term loan will be set at the end of year 10 based on the greater of 6.00% or 3.00% spread over the then 5 year US Treasury constant Maturity. The rate will have a floor of 6.00% during the loan term. Payments are due and payable to the Association beginning August 1, 2011.

Dated: May 19, 2011

By: 
President, Shadow Oaks Condominium Association

Dated: May 19, 2011

By: 
Secretary, Shadow Oaks Condominium Association



May 12, 2011

Board of Directors
Shadow Oaks Homeowners Association
c/o Colleen Scott
Anchor Community Management
PO Box 2310
Camarillo, CA 93011-2310

Building Confidence
Los Angeles
Santa Barbara
Ventura

RE: Summary Report on Building Repairs

Dear Board of Directors,

Further to your request, we have prepared this summary report to provide background on the need for repairs that culminated in the emergency special assessment implemented by the Board of Directors of Shadow Oaks Homeowners Association.

Background and Investigation

Shadow Oaks Homeowners Association is a condominium complex of 80 units, arranged in ten 8-unit buildings, plus streets, common areas, clubhouse and pool. Grading for the complex was performed in two phases starting in 1988, with construction of the buildings performed circa 1990. Buildings are 2-story, and other than orientation, all ten are virtually identical in structure and layout. Construction consists of a post-tensioned slab on grade and conventional wood framing with truss roof framing systems. The exterior of the buildings are stucco and roofing is concrete tile.

Homeowners in three of the buildings filed lawsuits against the Association. All were defended by the Association's insurance carriers and all have been settled. These lawsuits alleged damages due to building movement. Foundational repairs have been performed for the 528 Water Oak Lane building, completed in October of 2010. Interior repairs to units as well as minor repairs to attic framing are in process. Landscaping and drainage upgrades at the east or descending-slope-side of the building remain to be accomplished and are part of the next phase of the project. Foundational repairs consisted of installation of micro-piles drilled into bedrock to a depth of 45 to 60 feet. Repairs were permitted and inspected by the County of Ventura and the geotechnical engineer of record for the project.

Two other buildings were the subject of lawsuits, now settled, including units in the 5480 Spanish Oak Lane and 578 Water Oak Lane buildings. These buildings were investigated by an expert team consisting of Grover-Hollingsworth, geotechnical engineers and geologists, R. Shreenan & Associates, structural engineers, Ken Bondy, structural engineer & specialist in post-tensioned slabs, and the undersigned, as well as a number of other specialists.

During the investigation of the two above-noted buildings, two additional buildings were

reported to be experiencing similar problems, 5530 Spanish Oaks Lane and 5580 Spanish Oaks Lane. These buildings were included in the investigation and have been incorporated into the repair plan.

Repairs to the roof structure at Building 5480 have been completed and inspected by the County of Ventura. Minor repairs to roof structure will be performed to the other buildings at the time of the interior repairs, accessed through unit attics.

In summary, the expert team's investigation of the four subject buildings involved the following tasks:

- Review of numerous documents and grading plans
- Visual surveys
- Manometer inspections on the first floors of all units
- Subdrain investigation
- Video inspection of below-grade plumbing lines and storm drains
- Pressure testing of water lines
- Inspection of post-tensioned slabs, including destructive testing
- Subsurface testing
- Inspections of attic framing
- Meetings with contractors and others to determine constructability and costs of repairs
- Other tasks

Recommendations for Repair

Based on the recommendations of all experts including our own observations, we have prepared a scope of work for repairs to the four subject buildings, summarized as follows:

Subject Buildings & Extent of Foundational Repairs:

1. 5480 Spanish Oak Lane - building perimeter
2. 5530 Spanish Oak Lane - south side of building (adjacent to units E - H)
3. 5580 Spanish Oak Lane - building perimeter
4. 578 Water Oak Lane - east side of building (adjacent to units E - H)
5. 528 Water Oak Lane (foundational repairs have been completed, but interior repairs, framing repairs, drainage and landscaping remain to be performed and are included in this project)
6. Note that garages and laundry rooms are not included in the foundational repairs. For buildings 5480 and 5580, interior courtyards will also receive foundational repairs.

Scope of Work:

- 1) Site Preparation (at areas receiving foundational repairs)
 - a) Remove landscaping
 - b) Test AC units in all units to determine condition and prepare report. Remove and disconnect compressors and store for reuse. Reinstall and test condensing units after completion of construction.

- c) Remove obstructions to equipment such as handrails and limited hardscape
- 2) Structural – foundation repairs
 - a) Locate slab reinforcement at courtyards
 - b) Install piles at spacing to be determined by engineers. Piles to be either micropiles or 24" concrete caissons.
 - c) Install pile caps, slab brackets and other structure to complete pile attachment to existing structure
 - d) Epoxy inject footings at perimeter to fill visible cracks
 - e) All foundation work to be observed by engineers for quality control
- 3) Structural – framing repairs
 - a) Perform repairs to trusses as per engineer's requirements
 - b) Re-nail shear walls in attics as per engineer's requirements
- 4) Site work and Exterior Building Repairs
 - a) Repair stucco cracks
 - b) Remove and replace hardscape damaged or removed for construction access
 - c) Replace irrigation and landscaping at repair areas
 - d) Upgrade site drainage
- 5) Interior repairs (work of a second phase, approximately 6 months after completion of foundational repairs)
 - a) Repairs will be performed that are directly related to damages from building movement only
 - b) Repair interior drywall cracks and painting
 - c) Perform other repairs related to damage
 - d) See the Association's policy for more information

No interior repairs will be made by the Association's contractors for 6 months after the completion of the foundational repairs and the engineers recommend that homeowners also not perform interior repairs during the same time period.

Project Budget

Stonemark and the rest of the project team have worked diligently to determine the most cost effective means for repair. Repairs will be performed in one large project and on an assembly-line basis in order to be efficient and save money. The Board of Directors has approved the following project budget, which comprises the amount of the emergency special assessment. Note that this budget includes all estimated costs for the project, including the balance to finish the 528 Building, financing costs, contingency, and costs expended to date to be reimbursed to the Association's Reserve Account.

Construction Costs

Site Preparation	53,100
Structural Repairs	1,141,742
Other Common Area & General	117,100
Interior Repairs	129,650
Soft Costs	
Engineering	179,960
Construction Mgmt	190,000
Testing, Permits	43,624
Financing	10,000
Contingency	186,776
Expended to Date	138,048
Grand Total	2,190,000

Project Status & What to Expect

Currently the expert and engineering team is completing drawings for building permits. The earliest anticipated construction start date is August or September. The foundational repair project is anticipated to take approximately 6 months, with the interior repairs occurring after an additional 6 month waiting period to allow the buildings to stabilize.

All work shall be performed in such a manner that no one is required to move out of their home. The Contractors will be required to provide safe access to homes at all times. In coordination with the Board and management, we will provide updates to all homeowners on the status and schedule of the project, with details to be provided closer to construction. We thank all homeowners in advance for their patience and look forward to project completion.

Very truly yours,



Bart Mendel
President

**SHADOW OAKS CONDOMINIUM ASSOCIATION
SPECIAL MEMBERSHIP MEETING**

MINUTES

MAY 4, 2011

MAE BOYAR PARK, 130 KANAN ROAD, OAK PARK, CA

6:30PM

I. CALL TO ORDER/ROLL CALL

The meeting was called to order at 6:30pm by President Nancy Fisher. Nancy introduced those present who included Dianne Walton, Kathren Pearce, and Howard Silver, as well as Colleen Scott from Anchor Community Management.

Bart Mendel, Stonemark Construction Management project manager, David Loewenthal, Shadow Oaks legal counsel and Lisa Rea, Mutual of Omaha Bank representative were also in attendance.

II. OVERVIEW OF THE PAST 5 MONTHS

David Loewenthal, Esq. presented an overview of the lawsuits settling, a basic recap of the building issues and a short discussion on where we go from here. David then introduced Bart Mendel.

III. SOILS MOVEMENT PROBLEM AT BUILDINGS

Bart Mendel presented a PowerPoint program which provided a description of the issues in each of the affected buildings. Bart then discussed the concept of repairing 4 buildings in one project and explained how doing so could save the HOA more than 25% in cost savings due to the economy of scale.

- IV.** The anticipated work to be completed will include underpinning of the 5480, 5530, 5580 and 578 buildings. The 5480 and the 5580 buildings will receive underpinning around their entire perimeter. The other two buildings will receive underpinning along the slope side of the building. Concurrently, the remainder of the work to the 528 building, i.e.; drainage and landscaping, will be completed in the near future. It is anticipated that residents will not have to vacate their units while the work is being completed. Interior repairs, arising from the common areas issues will be made (while residents are living in units) but not for at least 6 months after the underpinning is completed. Engineers advise waiting this period of time so the buildings will stabilize after underpinning. Bart advised that a repair policy/plan has been developed for these interior repairs. At this time, all the soils engineering has been completed and is being provided to the County for review and permit process. Structural engineering is anticipated to be completed within the next 30 days at which time it will also be sent to the County for review and permit process. Bart advised that this project could start as early as August or September, 2011. It is not known at this time which building will be the first to be repaired. The construction budget prepared by Stonemark identifies the total cost of the project, including reimbursing the reserves, to be estimated at \$2,190,000.

Colleen Scott from Anchor Community Management provided a brief synopsis of the funding sources her office has contacted trying to obtain a loan and how many actually approved a loan (2) for the HOA.

David then introduced Lisa Rea from Mutual of Omaha Bank.

V. FUNDING OPTIONS

Lisa described all aspects of the loan that her bank is offering. It is a 15 year loan, with the interest rate fixed at 6% for the first 10 years. The rate for the last 5 years (60 months) of the term loan will be set at the end of year 10 based on the greater of 6.00% or 3.00% spread over the then 5 Year US Treasury constant Maturity. The rate will have a floor of 6.00% during the loan term. Lisa advised that this loan has no prepayment penalty, that the security pledged for the loan is the future assessments of the HOA, the loan will be (re)amortized by the bank each year at no cost to the HOA, and that the payments for the special

assessment is not tax deductible. Lisa explained that the HOA will enforce its collection policy for delinquent assessments. Lisa advised that the loan was approved with the requirement that Shadow Oaks place its reserve accounts on deposit with Mutual of Omaha Bank.

Lisa then advised that the \$2,190,000. loan amount breaks down to a lump sum payment for each unit in the approximate amount of \$27,375.00. If the owner does not pay in a lump sum, they will be able to take advantage of monthly payment amounts of \$231.01 which is figured at the 6% interest rate. Lisa then answered several questions from the audience.

VII. QUESTIONS AND ANSWERS

David, Bart and Lisa answered questions at this point including questions regarding loss assessment claims. David advised that each insurance company can enforce their own parameters on what claims they will pay. David and Bart emphasized that the special assessment is primarily for the purpose of stabilizing the buildings and repairing the damage to the common area and separate interests arising therefrom.

VIII. BOARD BUSINESS

The Board then proceeded with the remainder of their meeting as many of the audience left.

M/S: Kathren Pearce/Howard Silver to pass an emergency special assessment in the amount of \$2,190,000. Approved unanimously.

M/S: Kathren Pearce/Dianne Walton for Board to move forward with finalizing a loan with Mutual of Omaha Bank in the amount of \$2,190,000. Approved unanimously.

IX. ADJOURNMENT

The meeting was adjourned at 7:55 pm.