

PACIFIC POINT HOMEOWNER'S ASSOCIATION
c/o The Manor Association
353 Main Street
Redwood City, CA 94063-1729

August 22, 2005

Dear Owner:

Enclosed in this packet you will find:

1. Reserve Study
2. Application to run for office on the Pacific Point Board of Directors
3. Proxy and return envelope to send, if you are unable to attend and vote at the meeting, which includes ballot for annual homeowners meeting on September 19, 2005 at 7:30 pm in the Clubhouse

Two important matters will be presented for your vote –

- Selection of new board members to serve as leadership of Pacific Point and represent your interests
- Approval or denial of recommendations in the Reserve Study to assess homeowners a special assessment in 2006.

Please read this letter carefully so you can make an informed decision when voting.

First, please consider serving your Association by volunteering for a two-year term on the Board. It is essential to have a full board to assure proper functioning of Pacific Point. Most people say they do not "have time," but consider making time to assure the investment in your home is well managed.

The rest of this letter is dedicated to discussion of the Reserve Study recommendations. You will find the following on page 2 of the study under "Findings."

"...it is recommended that the Association implement a special assessment in the amount of \$294,119 in fiscal year 2005 and an additional special assessment of \$392,000 in fiscal year 2006."

The Association implemented this assessment of \$294,119 in 2005 for additional work required. The question now before us is whether to follow the recommendations for an assessment in 2006. The amounts per unit of the proposed \$392,000 assessment are itemized below.

Unit Type 1	1.1052%	\$4,332.38
Unit Type 2	1.1051%	\$4,331.99
Unit Type 3	1.1187%	\$4,385.30
Unit Type 4	0.9413%	\$3,689.90

Here is where the soulful ruminations of Board members come in. As individual homeowners, we feel we have more than paid our "pound of flesh" in special assessments in the past year. It seems very easy to ignore this recommendation for 2006 and defer the issue. As homeowners, we have stretched and juggled our finances to come up with the last two assessments, and most of us are still paying off the loans to fund these. The thought of yet another assessment is painful and difficult to consider.

As your elected Board officers, however, we must put our personal feelings aside and consider this matter realistically with diligence to our fiduciary responsibilities of governing Pacific Point. From this perspective, the Board endorses assessing homeowners the full amount in the study in June 2006 (\$392,000). We unanimously recommend you vote "yes" for the following reasons.

1. **Following the recommendations of this professional reserve study begins to put us on solid foundation with respect to funding our reserves.** Past reserve studies of Pacific Point reported that we were under funded, but the recommendations were not fully followed or were ignored. We have paid a price over these past several years in terms of the necessity for special assessments. Furthermore, repairs may have been deferred, delayed, or done by a low-cost bidder, which may have ultimately cost more in the end. We are now attempting to resolve long-standing problems using a comprehensive approach by working with a contractor who guarantees work and will leave a documented trail of findings with well-specified contracts executed. This Board strongly endorses compliance with the expert recommendations of the reserve study so we are not on such thin ice with respect to our reserve contingency. In addition, by approving this assessment now, homeowners will have nine months to plan and it will not come as a "surprise" to anyone.
2. **The complex needs to be painted in 2006, which is included in the projected expenses in the study (page 2, items 2 and 4 totaling \$197,600). Our ordinary reserves are inadequate to meet this expense.** Without a special assessment, we will be unable to paint. The Board proposes making this assessment due on June 20, 2006, so competitive bids can be obtained and the complex painted in September 2006. We propose painting in September instead of May to give time to address any other water intrusion issues which may arise this winter.
3. **If you are considering selling your unit, it will be more marketable if Pacific Point is in compliance with the reserve study;** if the assessment is approved and can be clearly negotiated as part of the exchange; and if there are firm plans and finances to paint the complex. This reserve study is now public and available to any prospective buyer. Your unit will be more attractive to buyers if the Association is proactively addressing the concerns of the study, including the very visible need for new paint.

The Board does not see any downside to approving this essential special assessment in 2006, apart from the painful personal financial effects for all homeowners. Although we do not wish to minimize this financial challenge to all of us, the Board believes the ultimate costs if the reserves are under funded will be greater than the cost of an extra assessment in 2006.

Please carefully review the reserve study and the Board's recommendations and be sure to show up for our annual meeting to vote; or send your proxy with a neighbor, Board member, or by mailing to the Manor Association.

Sincerely,

Pacific Point Homeowner's Association Board of Directors

Enclosures: Reserve Study, Proxy with return envelope, and Application to Run for Office

**Proxy for Pacific Point Homeowners Association
Annual Meeting - September 19, 2005**

1. Vote for two Board members:

As of the date of this printing there are no candidates, so we await volunteers and nominations from the floor:

2. For levy of the Special Assessment of \$392,000 to be due on June 20, 2006, in the following amount per unit:

Unit Type 1	1.1052%	\$4,332.38
Unit Type 2	1.1051%	\$4,331.99
Unit Type 3	1.1187%	\$4,385.30
Unit Type 4	0.9413%	\$3,689.90

_____ Yes, I approve this assessment.

_____ No, I do not approve this assessment.

PROXY – Sign below and send to Annual Meeting with another homeowner, Board member, or mail to:

The Manor Association, 353 Main Street, Redwood City, CA 94063-1729

I authorize _____ to act as my representative in the annual meeting. I have voted for Item 2 as indicated and endorse my representative to vote on my behalf for nominations to the Board.

Name _____

Building and Unit # _____

Date _____