

ACTION TAKEN WITHOUT MEETING

Without meeting, the Board of Directors of The Glen Of Pacific Grove Homeowners' Association, Inc. authorizes Management Cost Controls to retain *Community Management Associates* for the purpose of conducting a visual inspection Reserve Study as required by Section 1365.5(e) of the Civil Code of California.


EXPLANATION OF ACTION TAKEN WITHOUT MEETING

The Association runs on a fiscal year of September 1st through August 31st. Before the end of each fiscal year, the Board of Directors sets a budget for the Association for the new fiscal year. The budget contains two parts, an Operations Account and a Reserve Account. The Operations Account funds the day to day expenses of running the Association such as the gardener, utilities, and the accounting, collection, and management functions performed by Management Cost Controls (Joseph Chaffers). The Reserve Account funds the future repair or replacement of those major components of the common area which the Association is obligated to maintain under the Declaration of Covenants, Conditions, and Restrictions such as the lake, Glen Lake Drive, exterior painting, the gates, and the street lights. Section 1365(a) of the Civil Code requires the Board to distribute a copy of the Operating Budget to the membership of the Association not less than 45 days nor more than 60 days prior to the beginning of the Association's fiscal year. Since our fiscal year begins September 1st, the Board must distribute the Operating Budget between July 3rd and July 18th.

Section 1365(c) of the Civil Code requires the Board to "exercise prudent fiscal management in maintaining the integrity of the reserve account." In order to fulfill this obligation, the Board needs to have a current study of the Reserve Account prior to setting the budget for the Association. In addition to these requirements, Section 1365.5(e) of the Civil Code requires that once every three years, the Board "cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components which the association is obligated to repair, replace, restore, or maintain as part of a study of the reserve account requirements of the common interest development." As the last visual inspection reserve account study was performed in 1994, another one must be performed before the end of our fiscal year.

Because the Board needs to have a current study of the Reserve Account prior to setting the budget for the Association and since the Board must distribute the Operating Budget between July 3rd and July 18th, the Board has opted to exercise its authority under Section 6 of Article V of the Bylaws (page 11) to authorize, without meeting, Management Cost Controls to retain *Community Management Associates* for the purpose of conducting a visual inspection Reserve Study.

Mark Risley, President



Diane Hardcastle, Secretary

Louis Changaris, Vice-President

Glen Grossman, Treasurer

Adorjan DeGalffy

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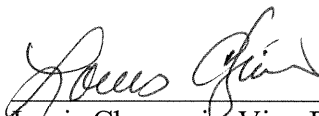
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