

Fellow Residents,

Since the Board of Director's inception, our annual long-term reserve funding level has been \$35,000. This funding level was established based on an initial reserve study, primarily put together by David McAlexander (a BOD Member and Treasurer since the BOD was turned over from Shea Homes to the Homeowners). The goal of proper long-term reserve funding is to repair and replace all assets when needed, without a special assessment or routine increases in annual dues.

Since it has been many years since the initial reserve study, in May of this year the Board of Directors commissioned a Full Reserve Study for Stephens Grove. Reserve Advisors, a highly respected and leading provider of reserve studies, conducted a very thorough inspection of all of our assets and provided a very detailed, 40 page, study.

As you can see in the Executive Summary, which is posted online, Reserve Advisors recommends annual contributions to be \$35,000 through 2015 followed by small increases each year thereafter. There are three key points about this recommended funding level. First, the prudent actions of the BOD over the last 10 years has set Stephens Grove on a path for **extreme financial health**. Second, this study gives us a very sound framework to move forward with, with no need for major dues increases or special assessments (which would have been needed if previous funding levels had been lower). Third, we would like to point out that the recommended funding level and our previously established funding level are an exact match, and would like to express our thanks to David McAlexander for his dedication and finical vision over the last 10 years.

We encourage you to review the Executive Summary and bring any questions you have to the next BOD meeting.

Sincerely,

Your Board of Directors