

April 5, 2007

Hoshi Terrace Property Owner
Street Address
City, State, Zip

RE: Hoshi Terrace Homeowners Owners Association (HOA) Annual Update

Dear Fellow Hoshi Terrace Association Member:

First, please mark you calendar for our Annual HOA Meeting April 21, 2007, 9:00 am at the Selective Properties office conference room. Selective Properties is located at the intersection of Hwy 50 and Elks Point Road in Zephyr Cove, across from the Safeway Center. We've moved the meeting to Saturday with the hope that more members will be able to attend.

Your HOA Board has a simple goal; properly and cost effectively maintain our building and preserve its value. It's the Board's desire to provide you with a detailed building and HOA update, we encourage you review it in its entirety. This will also serve as the agenda for our annual HOA meeting.

This letter will summarize the Board's activity for 2006 & '07 as well as the discussion of the HOA's future expenses. To assist our Association with projecting future maintenance cost, and to comply with Nevada State HOA law, a Reserve Study was commissioned to estimate building maintenance cost to 2012. The results of this study will be posted on our web site, www.hoshiterraceassociation.com.

For 2006 the Board's attention was focused to; resolving a serious water penetration problem to the buildings west elevation, maintain customary services such as consistent hot water delivery, provide safer entrance to the building by preventing excessive ice build up at our primary entrance, and minimize or eliminate our pipe freezing problem.

To address the building leakage problem, numerous contractors were consulted to address a defect when the building was originally constructed and amplified when the building was re-sided with vinyl. The buildings west elevation is subject to vertical rain and snow which creates subsequent water intrusion into units on the second and first floors. This leakage has damaged interior walls, floors and furnishings.

The Board was informed by the Contractors who inspected this damage that the building was not designed to be protected against this type of water intrusion. As sited in numerous Hoshi Terrace home inspection reports, the original Viking sliding glass doors which are now 25 years old, were never designed for these types of weather conditions. Additionally, the sliding glass doors were not flashed properly when originally installed. When the building was re-sided, it was not covered with a building body wrap to reduce leakage nor were the "J" channels (the product which drains water away from the siding) properly installed to prevent water from leaking to the floors below.

Construction bids were solicited to address the leakage repairs. The costs of these repairs were very expensive even with each owner bearing the sliding glass door replacement cost as required by the Associations CC&R's. To prevent an egregious assessment to all Association members, a stop gap solution was sought. This measure was to silicon seal all known points of water intrusion (except sliding glass surfaces).

While last winter was considerably less difficult than the prior year, we did have a few harsh storms. The repairs, while not perfect, did slow the water intrusion. Most of the leakage that did occur was caused by water sheeting from the sliding glass doors to the units below them. With no remaining weather stripping within the sliding glass doors and poor flashing, we continued to experience some leakage.

To address this problem, all originally installed sliding glass doors on the 12 westerly units will be replaced with a sliding glass door better designed for our weather environment. Unfortunately this replacement will be at the owner's expense. To make these repairs as cost effective as possible the Association will have all the windows replaced concurrently. If you own a unit that is not scheduled for replacement and would like to have your sliding glass door replaced, please let us know by the HOA meeting. The cost will be approximately \$3,000.

The second phase of these repairs will require the replacement of our existing vinyl siding, wrapping the building in a weatherproof building material, sealing the decks and re-siding the building with a durable fiber-cement material such as HardiePlank. This repair has been place on a five year timeline and the Reserve Study will best address how to plan for this cost. Please note that all sliding glass doors will have to be replaced prior these repairs being made.

Regarding the additional repairs made to the building in 2006. You may notice that the hot water to your units doesn't have the same hot-cold temperature variance it previously had. Repairs were made to the temperature control system to provide for more consistent water temperature. Unfortunately, our heater and boiler system is on the last five years of its serviceable life and will have to be replaced. This cost is being anticipated in the Reserve Study. Additionally, the buildings downspouts were re-positioned and heat tape added to provide better drainage for the roof gutters and limit the amount of ice build up at the primary entrance of the building.

We experienced a hard freeze this winter, this played havoc with our plumbing system which resulted in three breaks due to freezing. One of these breaks was caused specifically by heat being off in a unit. Thanks to attentive full time residences and the HOA emergency plan, damage to the building was minimized.

To protect the building from additional damage, the Board authorized Selective Properties to inspect each unit for frozen or broken pipes and to be sure that each unit had a working heat source. Unfortunately six units had their heat turned off. Selective's inspection set thermostats at no less than 50 degrees to prevent pipes from freezing within a unit. Selective Properties was requested to perform this service because they're bonded and insured. To insure that we don't have to repeat this again next year ***owners are now required to set their thermostats at no less than 50 degrees.***

If a break occurs in your unit and your heat's turned off, you'll be responsible for any damage to the building or surrounding units. As an additional precaution, insulation for our plumbing system is being increased to better protect the building in the future.

For 2007 two major repairs are being planned. The painting of all exposed wood and iron surfaces and the American with Disabilities Act (ADA) upgrade for deck railing.

If you noticed the exposed surfaces around the building, you'll see there's a lot of peeling paint and exposed wood. Bids are being solicited to scrape, seal, prime and paint these surfaces to prevent the replacement of decaying wood.

If you were not aware; the railings on your decks, while compliant to building code when constructed, are not ADA compliant today. The reason this is a concern is for building insurance purposes. We've been advised by neighboring HOA's that State Farm Insurance (our insurance company and one of the few writing HOA building insurance) is requiring all railing to be ADA compliant or face policy cancellation. While our interior railing is now compliant, the decking railing is not. Bids are being solicited for these repairs. Preliminary estimates range from \$500 to \$800.

The Association anticipates a \$500 assessment for the painting and railing repairs which will be billed with the June dues. The balance of the monies needed to pay for these repairs will be taken from Association reserves. Replacement of the interior carpet is also under consideration but will likely to be delayed to 2008 if funds are not available in the 2007 budget. While the carpet is less than attractive, it's still serviceable and does not currently represent a life-safety concern.

Regarding Association funds, in rough numbers, the Association had approximately \$45,000 of income and \$55,000 of expenses in 2006. The shortfall was covered by our reserve account. Currently Association Reserves are approximately \$30,000. In 2006 dues were increased \$10 per month with the entire increase credited to the Reserve Account. In 2007 we anticipate a \$5 per month increase, again with the entire amount being credited to the Reserve Account. It's the Board's goal to minimize and preferably eliminate the need for future Assessments. One of the reasons property values remain high for Hoshi Terrace is its ongoing building maintenance and the quality of our HOA.

We have a good building with considerate owners. Very few guest and tenant complaints have to be addressed this year. This being said, please remind your invitees or renters that; the building is not designed to accommodate large parties, to be considerate of others while in the interior common areas, the washer and dryer can be used from 8:00 am to 10:00 pm, and that charcoal or gas B-B-Q's are not allowed per our insurance requirements and the Tahoe Village HOA.

As always, you're welcome to call me on my cell phone (916) 804-2882 if you have any questions, comments or concerns. We hope to see you at the annual meeting.

Sincerely,
THE HOSHI TERRACE BOARD OF DIRECTORS

Chuck Shaw