Desert Horizons Owners Association
August 27, 2026

RE: Annual Budget Report, Annual Policy Statement & Other Disclosures for the Fiscal Year October 1, 2026 – September 30, 2027

Dear Desert Horizons Homeowner,

Attached you will find the Association's Annual Budget Report, Annual Policy Statement, and Other Disclosures for the upcoming 2026–2027 fiscal year (October 1, 2026, through September 30, 2027). This packet includes, but is not limited to, a summary of the Association's pro-forma operating budget, and an Assessment and Reserve Funding Disclosure Summary.

On August 26, 2026, the Board of Directors approved the 2026–2027 operating budget, which includes an increase in regular monthly assessments as outlined below.

Regular Homes	2026	2027	Increase	
Community Assessment	1,232	1,305	73	5.9%
Social Fees	500	530	30	6.0%
Replacement Fund	350	375	25	7.1%
Spectrum TV and Internet	66	68	2	3.0%
Total Assessment Increase	2,148	2,278	130	**6.1%**
Custom Homes				
Community Assessment	880	932	52	5.9%
Social Fees	500	530	30	6.0%
Replacement Fund	350	375	25	7.1%
Spectrum TV and Internet	66	68	2	3.0%
Total Assessment Increase	1,796	1,905	109	**6.1%**

	2026	2027	Increase	
Full Golf Community Member	1,636	1,735	99	6.1%
Replacement Fund	75	125	50	66.7%
	1,711	1,860	149	**8.7%**

Budget Overview:

Management, the Finance Committee and Board of Directors, have worked diligently to create a budget that reflects the financial realities of our market while continuing to support the standards, amenities, and service our residents expect.

Key Budget Highlights:

- Continued focus on maintaining service quality while controlling costs and improving food consistency.
- Reflects a 3% wage increase for employees and a 5% increase for management to remain competitive.
- Health benefits costs (calendar year) are expected to rise by 10% starting January 2027.
- Includes a $184,800 contingency (1% of budget).
- Legal fees assume a $42,000 decrease.
- General policy insurance premiums are expected to increase by 22% due to insuring 100% of property values (85% for FY 2025/2026).
- Pool contract proposal from new vendor, increase of 22%.
- Management recommends new hire for the HOA Maintenance department to manage more projects in house to reduce third party costs.
- Increase in advertising of $41,000 based on the 2026/2027 Membership Sales & Marketing Plan to improve content and other membership advertising with intent of attracting potential new golf members.
- Golf memberships will include 4 new Invitational memberships, 6 new Full Golf memberships, 4 new Full Residential Premier memberships (12-month deferred initiation fees).
- Loss of 9 full golf memberships.
- Full Golf dues will see an 8.7% increase ($149 per month).
- **Golf Initiation Fee: $70,000**
    - Option 1. Standard Full price Initiation fee. Join within 60 days of closing on a new Desert Horizons home and we will apply a $25,000 "new homeowner" credit resulting in a "due upon acceptance" initiation fee of $45,000. Same pricing for current non-Golf Desert Horizons homeowners who formally apply to be a new Full Golf Member.
    - Option 2. For new homeowners, join within a year of closing on new Desert Horizons home and pay Full golf dues for 12 consecutive months with no initiation fee due until the completion of the 12 months period. At that time, we will apply a $15,000 "homeowner" credit, resulting in a "due upon acceptance" initiation fee of $55,000. For current non-Golf Desert Horizons homeowners who opt in to this new membership offering, begin paying dues immediately with payment of the $55,000 initiation fee deferred for 12 months.
- Golf Course Maintenance, expecting a 29% increase for fertilizer due to more usage to maintain the condition of the course throughout the season and rising costs.
- In Food and Beverage, assumes a 10% increase in prices and closing Tuesdays for lunch in main Dining Room.
- Increase in contract entertainment and decorations of 23% to continue to enhance member experience for Club Events.
- Management recommends new seasonal hire for the Grille to increase service and deliveries to the Courts Pavilion.
- Subsidy for Food and Beverage operations will be $1.32 million.
- For fitness dues and subscriptions are reducing as unnecessary software features that weren't utilized and increased focus on maintaining the fitness equipment to prevent unforeseen major repairs.
- For Courts, mmanagement recommends new seasonal hire, to continue to elevate the courts' program and to assist courts professional.

Social Initiation Fee:
The $25,000 Social Initiation Fee for new homebuyers remains unchanged. These funds are specifically designated for reserves to ensure long-term community sustainability.

Replacement Fund Budget

The Board approved the Replacement Fund budget, with all replacement expenditures requiring final Board approval once actual costs are confirmed. The budgeted revenues and expenditures are listed below:

Budgeted Replacement Fund Revenues		
Replacement Fund Assessments	$	2,295,000
Social Initiation Fees	$	750,000
Golf Initiation Fees	$	180,000
Golf Replacement Fund Assessments	$	237,250
Interest	$	225,000
Total	**$**	**3,687,250**

Budgeted Replacement Fund Expenditures		
HOA/G&A	$	1,791,000
Golf Course Maintenance	$	419,000
Golf Operations	$	24,700
Clubhouse/Fitness & Wellness	$	115,500
Total	**$**	**2,350,200**
Estimated Surplus/(Deficiency)	**$**	**1,337,050**

Management is currently forecasting an estimated surplus of $140,000 on September 30, 2026. If achieved, this will be the first fiscal year in several years to not have a year-end operating assessment. For comparison, at September 30, 2025, there was a deficiency of operating revenues over expenses of $28,324 as shown on the 2024-2025 Audited Financial Statements.

We thank you for your continued support and trust. Our shared goal remains to keep Desert Horizons the community of choice in Indian Wells.

Sincerely,
John Sotomonte
General Manager & Chief Operating Officer

Desert Horizons Owners Association

Desert Horizons Owners Association
Annual Budget Report, Annual Policy Statement & Other Disclosures

For The Fiscal Year October 1, 2026 through September 30, 2027

ANNUAL BUDGET REPORT

I. SUMMARY OF PRO FORMA OPERATING BUDGET & SUMMARY OF RESERVES

A. The 2026-2027 Operating Budget, Scheduled Reserve Replacement Expenditures Budget, and the resulting monthly dues were approved by the Board of Directors on August 26, 2026. Based upon the approved Budgets, (summaries thereof are in **Exhibits "A" and "B"** within this package), effective October 1, 2026, monthly dues will be as follows:

	2025/2026	Change	2026/2027
Regular Homeowners Assessments			
Community	$1,232.00	$73.00	$1,305.00
Reserve Contribution	$350.00	$25.00	$375.00
Spectrum TV and Internet	$66.00	$2.00	$68.00
Social Dues	$500.00	$30.00	$530.00*
plus Food & Beverage Minimum			
Total Regular Homeowners Assessments	**$2,148.00**	**$130.00**	**$2,278.00***

*As part of the Social Membership Dues established through the annual budgeting process pursuant to Section 2.6(B) of the Fourth Restated Declaration of Covenants, Conditions & Restrictions ("CC&Rs") for Desert Horizons Owners Association ("DHOA"), there is an Annual Food & Beverage minimum of $1,200. Any unused Food & Beverage Minimum not used by September 30, 2027 shall be due and payable on September 30, 2027.

Custom Home Homeowners Assessments			
Community	$880.00	$52.00	$932.00
Reserve Contribution	$350.00	$25.00	$375.00
Spectrum TV and Internet	$66.00	$2.00	$68.00
Social Dues	$500.00	$30.00	$530.00*
plus Food & Beverage Minimum			
Total Custom Home Homeowners Assessments	**$1,796.00**	**$109.00**	**$1,905.00***

*As part of the Social Membership Dues established through the annual budgeting process pursuant to Section 2.6(B) of the CC&Rs for DHOA, there is an Annual Food & Beverage minimum of $1,200. Any unused Food & Beverage Minimum not used by September 30, 2027 shall be due and payable on September 30, 2027.

Golf Dues			
Golf Reserves Contribution	$75.00	$50.00	$125.00
Full Golf	$1,636.00	$99.00	$1,735.00
Full Golf (46-56)	$1,227.00	$74.00	$1,301.00
Associate	$818.00	$50.00	$868.00
Surviving Spouse	$864.00	$52.00	$916.00
International	$9,250.00	$750.00	$10,000.00
Legacy	$1,598.00	$96.00	$1,694.00
Invitational	$27,000.00	$2,500.00	$29,500.00

The complete 2026-2027 Operating Budget is available at the Association's administration office. If any homeowner requests a copy, it will be provided by first class United States mail at the Association's expense. Delivery shall be within five days of receipt of request. Anyone requesting a copy of the Operating Budget will also be provided with a copy of the Reserve Schedule and Assessment and Reserve Funding Disclosure Summary.

B. Summary of Reserves. The **estimated** cash reserve level as of September 30, 2026, will be approximately $9,100,000. This balance is represented in the financial statements in the reserve section. For items of the Association's assets which require refurbishing or replacement, an ideal level of present reserve is computed based on the formula of current cost to replace, less reserves accumulated to date, divided by the number of years of remaining economic life. The maximum reserve amount needed for 2026-2027 fiscal year, based upon the above formula, is $2,295,000 compared to projected reserve funds of approximately $3,687,250.

In addition, attached hereto as **Exhibit "C"** are the new Annual Assessment and Reserve Funding Disclosure Summary and Executive Summary of the Reserves.

C. Summary of Fiscal 2026-2027 Reserve Replacement Fund. This year a total of $3,687,250 will be allocated to reserves, approximately $930,000 from social and golf initiation assessments including interest and $2,295,000 from monthly reserve contributions. Scheduled reserve replacement expenditures are $2,350,200 including tax on interest income and net surplus from 2025-2026 fiscal year. At fiscal year-end, September 30, 2026, projected ending reserves will be approximately $9,100,000.

D. Mothballed Pools (Pools numbered #9, #10, #11, #14, #15, #17, #18 and #19)

On January 9, 2026, the membership voted to approve the removal of Pools #9, #10, #11, #14, #15, #17, #18, and #19. Accordingly, these pools are no longer included among the pools being considered for retention as common-area pools and the Board has determined to not undertake repairs or replacement of these pools.

E. 2025-2026 Audited Financial Statement. Within (120) days after the close of the fiscal year, a copy of the audited financial statement for Fiscal Year 2025-2026 will be sent to each homeowner by individual delivery.

F. Social Initiation Assessment. The Social Initiation Assessment for the 2026-2027 fiscal year shall be $25,000.

G. Repairs or Replacement. Except for the mothballed pools, the Board undertakes repairs or replacement of the major components with a remaining life of 30 years or less consistent with its reserve study and recommendations from its vendors/consultants.

H. Notice of Levy of Emergency Assessments.

At the August 26, 2026, Board meeting, the Board approved levying emergency assessments on all Association Lots as further described in this notice.

The emergency assessments are being imposed to comply with the August 13, 2026, court order issued in the case of *James A. Cox v. Desert Horizons Owners Association*, Case Number CVPS2503202, Riverside Superior Court, ordering that the Association reimburse all Lots for increases to the regular assessments for the 2023/2024, 2024/2025, and 2025/2026 fiscal years. Civil Code § 5610(a) allows the Board to impose emergency assessments for extraordinary expenses required by an order of a court.

The breakdown of the emergency assessments that have been levied on each Lot is as follows:

1. An emergency special assessment in the total amount of $3,637,132, which equates to $3,513,600 ($7,200 per lot) for the Regular Lots and $123,552 ($5,616 per lot) for the Custom Lots to reimburse the cumulative 2023/2024 increase to the present time.
2. An emergency special assessment in the total amount of $1,546,560, which equates to $1,487,424 ($3,048 per lot) for the Regular Lots and $59,136 ($2,688 per lot) for the Custom Lots to reimburse the cumulative 2024/2025 increase to the present time.
3. An emergency increase to the regular assessments for the 2025/2026 fiscal year to $2,148 per month for the Regular Lots and $1,796 per month for the Custom Homes totaling $1,311,312 to reimburse the 2025/2026 increase.
4. The emergency assessments will be due on September 30, 2026. However, each Lot will be issued a credit in the amounts above based on payment of the increased regular assessments since October 1, 2023. The credit will be issued on September 30, 2026. **As a result, the imposition of the emergency assessments set forth above will have no cash impact on any individual Lot owner and the Association.**

You will see the referenced charge and credit on your September 30, 2026 statement.

II. SUMMARY OF INSURANCE POLICIES

The Association maintains one or more policies of insurance, which include coverage for (1) general liability of the Association, and (2) individual liability of officers and directors of the Association for negligent acts or omissions of those persons acting in their capacity as directors and officers. Pursuant to California *Civil Code* §5300(b)(9) members are hereby notified that the Association carries the insurance policies:

A. General Liability

1. Name of Insurer: Philadelphia Indemnity Insurance
2. Policy Limits: $1,000,000 each occurrence and $3,000,000 aggregate limit
3. Amount of Deductible: N/A
4. Umbrella Coverage: Philadelphia Indemnity Insurance: Policy Limits: $2,000,000; Retention: $10,000
5. Policy Term: October 1, 2025, to October 1, 2026

B. Property

1. Name of Insurer: Philadelphia Indemnity Insurance
2. Policy Limits: $579,697,638
3. Amount of Deductible: $25,000 per occurrence
4. Policy Term: October 1, 2025, to October 1, 2026

C. Earthquake

1. Name of Insurer: N/A
2. Policy Limits: $ N/A
3. Amount of Deductible: N/A
4. Policy Term: N/A

D. Crime and Fidelity

1. Name of Insurer: Philadelphia Indemnity Insurance
2. Policy Limits: $3,000,000
3. Amount of Deductible: $25,000
4. Umbrella Coverage: Great American: Policy Limits: $7,000,000; Retention: Underlying
5. Policy Term: October 1, 2025, to September 30, 2026

E. Directors' & Officers / Employment Practices

1. Name of Insurer: Old Republic Insurance
2. Policy Limits: $1,000,000
3. Amount of Deductible: $100,000
4. Policy Term: October 1, 2025, to October 1, 2026

F. Flood

1. Name of Insurer: N/A
2. Policy Limits: $ N/A
3. Amount of Deductible: N/A
4. Policy Term: N/A

G. **Individual Liability Policies and Loss Assessment Coverage.** It is very important that you explore your own risks with a knowledgeable insurance agent and purchase HO-6 individual policy to cover your personal property, improvements, and betterments, wall and floor coverings, cabinets, fixtures and other property not covered by the Association's Master Policy, as well as protect you from any liability of an accident occurring in your own unit, the common area and/or any exclusive use common area, and to protect you from any insurance gaps in coverage between the Association's coverage and your own. We strongly recommend that you also inquire about Loss Assessment Coverage. The cost of an endorsement for loss assessment is very minimal and provides protection to individual unit owners for any extraordinary special assessments, such as excess liability over the Association's insurance proceeds or an extraordinary expense incurred by the Association and allocated to the owners, through a special assessment (such as a special assessment to pay for rebuilding costs which exceed insurance proceeds from an earthquake or fire loss).

Individual homeowners are encouraged to obtain Loss Assessment Coverage for earthquake damage, particularly in light of policies which are now available by participating insurance carriers which have joined the California Earthquake Authority.

Accordingly, the Association's aggregate insurance coverage meets or exceeds the level specified by *Civil Code* §5805 for a common interest development consisting of more than 100 separate interests. However, under certain limited circumstances, there may be claims covered by the general liability policy but excluded from umbrella general liability policy coverage.

H. Statutory Disclosure. This summary of the association's policies of insurance provides only certain information, as required by Section 5300 of the *Civil Code*, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property or, real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.

III. DOCUMENT DISCLOSURE SUMMARY FORM

A copy of the completed "Charges for Documents Provided" disclosure, identified in Civil Code Section 4528, is attached hereto as **Exhibit "D"**.

IV. NOTICES

A. **Member Right to Obtain Minutes of Board Meetings.** The minutes proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board of Directors, other than an Executive Session, shall be available to members within 30 days of the meeting. Upon written demand on the Association by any member for copies of the minutes, summary minutes, or proposed minutes for adoption that are marked to indicate draft status (if available) other than an Executive Session, may be obtained in the Association's administration office upon payment of the Association's costs for providing such copies.

B. **Delivery of Notice(s) to Association.** Any document required to be delivered to the Association pursuant to *the Davis-Stirling Common Interest Development Act* and/or any other official document shall be addressed to: General Manager / Chief Executive Officer, Desert Horizons Owners Association, 44-900 Desert Horizons Drive, Indian Wells, CA 92210.

C. **Member Addresses for Delivery of Notices.** A member may submit a request to have notices sent to up to two (2) different specified addresses, pursuant to the *Davis-Stirling Common Interest Development Act* of the California Civil Code.

D. **General Notices to Members.** The Association will post general notices to the entire membership of the Association (including, but not limited to, *Notices of Proposed Operating Rule Changes*) at the following Common Area location: bulletin board located at the Association office at 75-486 Augusta Drive, Indian Wells, CA 92210 or on the website at: https://deserthorizons.org.

E. **Right to Individual Delivery.** A member has the option to receive General Notices by individual delivery upon written request to the Association in accordance with the *Davis-Stirling Common Interest Development Act* of the California Civil Code.

F. **Notice of Right to Receive Collection Notices at Secondary Address.** Upon receipt of a written request by an Owner identifying a secondary address for purposes of collection notices, the Association shall send additional copies of any notices to the secondary address provided. The Owner's request shall be in writing and shall be mailed to the Association in a manner that shall indicate the Association has received it. The Owner may identify or change a secondary address at any time, provided that, if a secondary address is identified or changed during the collection process, the Association shall only be required to send notices to the indicated secondary address from the point the Association receives the request.

G. **Overnight payments.** Overnight payment of assessments may be sent/delivered to the following address: Desert Horizons Owners Association, 75-486 Augusta Drive, Indian Wells, CA 92210.

H. **Uncontested Director Elections** — -- Initial Notice of Board Election and Procedure for Nominating Candidates [Civil Code Section 5103]

(1) The number of Board positions to be filled at the 2027 Board of Director's election is three (3).
(2) The deadline for submitting self-nominations shall be December 18, 2026.
(3) Nominations may be submitted in accordance with Paragraphs 6-7 of the Election Operating Rules, Rev. 12/23/19.
(4) If, at the close of the time period for making nominations, there are the same number or fewer qualified candidates as there are board positions to be filled, then the board of directors may, after voting to do so, seat the qualified candidates by acclamation without balloting.

V. MONETARY PENALTIES/FINE POLICY STATEMENT

The Association's *Enforcement and Fine Policy adopted May 27, 2026 is* attached hereto as **Exhibit "E"**.

VI. ARCHITECTURAL REVIEW PROCESS

In accordance with Civil Code §4765, the Association hereby provides members with notice of the requirements of Association approval of physical changes to property, as set forth in Article 7, Section 7.3 of the Association's Fourth Restated Declaration of Covenants, Conditions and Restrictions ("CC&Rs"), as follows:

7.3 ***Architectural Committee Approval of Improvements.***

(A) Notwithstanding anything contained in the Governing Documents expressly or impliedly to the contrary, no building, fence, wall or other structure or Improvement shall be constructed or maintained upon the Lots, nor shall any exterior addition, change or alteration be made in, on or to the Lots, or any part thereof, including without limitation painting, repainting and landscaping and all Improvements referred to herein, until the plans and specifications, locating plat and color scheme showing the nature, shape, dimensions, materials and location of the same shall have been submitted to and approved in writing by the Architectural Committee.

(B) Approval shall be based, among other things, on conformity and harmony of design and location in relation to surrounding Improvements, effect on location and use of Improvements and landscaping on neighboring property, aesthetic beauty, and conformity with Rules and Regulations and/or Architectural Guidelines and Rules. The Architectural Committee shall recommend to the Board whether or not the prevention or removal of any unauthorized and unapproved constructions of Improvements should be undertaken. The Board, on behalf of the Association, may then exercise all available legal and equitable remedies to prevent or remove any unauthorized and unapproved construction of Improvements on the Development property or any portion thereof. The Board shall have the right to establish a fee for the review of plans and specifications. Owners shall be responsible for the Association's costs incurred for review of their plans.

(C) For purposes of the Governing Documents, the term "Improvement" includes, without limitation, the construction, installation, alteration, or remodeling of any buildings, outbuildings, cages, storage sheds, mailboxes, walkways, sprinkler pipes, irrigation systems, garages, walls, patios, gates, garage doors, skylights, lighting and lighting fixtures, fences, swimming pools, spas, recreation facilities, roads, driveways, alleys, ditches, culverts, bridges, parking areas, screening walls, retaining walls, stairs, decks, landscaping, landscape structures, hedges, windbreaks, plantings, planted trees and shrubs, poles, ornamental lighting, drainage facilities, utility lines, air conditioners or air conditioning systems, or any structure of any kind. In no event shall the term "Improvement" be interpreted to include projects which are restricted to the interior of any Residence.

(D) The Architectural Committee shall, in writing, approve or disapprove plans (including landscaping plans) submitted to it within forty-five (45) days. The Architectural Committee can condition its approval of an Improvement subject to certain conditions being met, including, but not limited to, requiring the Owner to enter into a separate agreement for an easement, license, maintenance and/or indemnification. In the case of such "conditional" approval, the Improvement will not be considered approved unless or until all stated conditions have been met. If a plan is disapproved, the disapproval must include a description of why the plan was disapproved and a description of the procedure for reconsideration of the decision by the Board. In the event the Architectural Committee fails to approve the submitted plans within forty-five (45) days, the applicant may send written notice, via certified mail, to the Architectural Committee advising the Architectural Committee that the plans will be deemed approved if not disapproved forty-five (45) days from the receipt of said certified letter if said Improvements conform and are in harmony with the overall design and style of the Association.

(E) Once a work of Improvement has been duly approved by the Architectural Committee, no material modifications shall be made to the approved plans and specifications thereof and no subsequent alteration, relocation, addition or modification shall be made to the work of Improvement, as approved, without a separate submittal to, and review and approval by, the Architectural Committee. If the proposed modification will have, or is likely to have, a material affect on other aspects or components of the work, the Architectural Committee, in its discretion, may order the Owner, his or her contractors and agents to cease working not only on the modified component of the Improvement, but also on any other affected component.

(F) Prior to an Owner submitting plans, specifications, plats and/or schemes to the Architectural Committee pursuant to this Article, such Owner shall consult the City's staff to identify and determine all regulations, standards, guidelines and other criteria that will be applicable to such Owner and the approval which such Owner intends to request of the Architectural Committee. Prior to commencing any alteration or Improvements approved by the Architectural Committee, the Owner shall comply with all appropriate governmental laws and regulations. The Association shall not be

obligated to enforce the provisions of this Section. Approval by the Architectural Committee shall not be considered to satisfy the approvals that may be required by any governmental entity with appropriate jurisdiction, nor shall the approval of any governmental entity be considered to satisfy the requirement of Architectural Committee approval. An Owner's failure to obtain any required governmental approval may subject such Owner to certain penalties imposed by the governmental entity, notwithstanding the approval of the Architectural Committee, which penalties shall be the responsibility of such Owner.

(G) No approval by the Architectural Committee shall be deemed to excuse an Owner from compliance with any and all applicable laws, ordinances, rules, codes or regulations of all governmental agencies having jurisdiction. Approval by the Architectural Committee shall not constitute a representation by the Architectural Committee that the proposed Improvements comply with laws, ordinances, rules, codes or regulations and it shall be the responsibility of each Owner to determine such compliance and to take all steps and acquire all permits at the Owner's sole expense as may be required to properly and legally complete such Improvements.

Attached hereto as **Exhibit "F"**, please find *Article C – Approval Criteria* of the Association's *Architectural Guidelines, Rules and Application Procedure, Rev. April 28, 2017* which describes the procedure used to review and approve or disapprove a proposed Modification.

VII. RECORDS OF THE ASSOCIATION

The records of the Association, including name and address of the members, are maintained in the Association's Administration Office located at DESERT HORIZONS OWNERS ASSOCIATION, 75-486 Augusta Drive, Indian Wells, CA 92210.

VIII. OUTSTANDING LOAN STATEMENT

A. The Association has two (2) outstanding loans.

1. This loan is for the Renewal Project and is with Sunwest Bank. The approximate amount outstanding will be $19,705,175 on September 30, 2026, at an interest rate of 4.12% amortized over a twenty (20) year period, with the unpaid portion of principal due and payable August 2043. The estimated annual principal and interest payments for the 2026/2027 fiscal year are approximately $1,625,042.

2. This loan is for the Renewal Project and is with Sunwest Bank. The approximate amount outstanding will be $1,844,339 on September 30, 2026, at an interest rate of 6.25% and will be fully amortized over a twenty (20) year period, with unpaid portion of principal due and payable August 2043. The estimated annual principal and interest payments for the 2026/2027 fiscal year are approximately $172,890.

IX. SUMMARY OF THE PROVISIONS OF THE ALTERNATIVE DISPUTE RESOLUTION LEGISLATION, ENUMERATED UNDER *CIVIL CODE §§5925*, ET SEQ. ("ADR Laws") AND THE INTERNAL DISPUTE RESOLUTION PROCEDURE UNDER *CIVIL CODE §§5900* ET SEQ. ("IDR Process")

Pursuant to the ADR Laws, this letter will notify you of a law which requires owners within the subdivision, as well as the Association, to participate in some form of Alternative Dispute Resolution ("ADR") prior to initiating litigation to enforce the Association's governing documents, the *Davis-Stirling Common Interest Development Act* or the Nonprofit Mutual Benefit Corporation Law (CID Dispute). Subject to exceptions specified within the ADR Laws, an Association and its owner members must offer to submit their dispute to a form of ADR, such as arbitration or mediation, before filing a civil action to enforce the governing documents.

If the form of ADR chosen is arbitration, it may be either binding or non-binding at the option of the parties. The ADR Laws also provide that the failure of either the Association or any owner to offer ADR prior to initiating litigation is a potential basis for having your lawsuit dismissed. Additionally, the ADR Laws further provide that the reasonableness of any party's refusal to participate in ADR (prior to the filing of a lawsuit) will be considered by the court in its determination of the amount of attorney's fees awarded to the prevailing party.

Finally, this statute specifically requires that the Association send a summary of this legislation, which specifically includes the following provision of *Civil Code* §5930:

Failure of a member of the association to comply with the alternative dispute resolution requirements of Section 5930 of the Civil Code may result in the loss of the member's right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law.

If you have a dispute with a member or with the Association regarding a CID Dispute, we strongly suggest that you review the ADR Laws contained herein and consult with an attorney to ascertain your rights and remedies.

The Association has not adopted an Internal Dispute Resolution Process and, as such, the process identified within Civil Code §5915 applies to any CID Dispute.

ADR LAWS

California *Civil Code* §§5925, et seq. - Alternative Dispute Resolution

§5925. Definitions.

As used in this article:

(a) "Alternative dispute resolution" means mediation, arbitration, conciliation, or other nonjudicial procedure that involves a neutral party in the decision-making process. The form of alternative dispute resolution chosen pursuant to this article may be binding or nonbinding, with the voluntary consent of the parties.

(b) "Enforcement action" means a civil action or proceeding, other than a cross-complaint, for any of the following purposes:

(1) Enforcement of this act.

(2) Enforcement of the Nonprofit Mutual Benefit Corporation Law (Part 3 (commencing with Section 7110) of Division 2 of Title 1 of the Corporations Code).

(3) Enforcement of the governing documents.

§5930. ADR Prerequisite to Enforcement Action

(a) An association or a member may not file an enforcement action in the superior court unless the parties have endeavored to submit their dispute to alternative dispute resolution pursuant to this article.

(b) This section applies only to an enforcement action that is solely for declaratory, injunctive, or writ relief, or for that relief in conjunction with a claim for monetary damages not in excess of the jurisdictional limits stated in Sections 116.220 and 116.221 of the Code of Civil Procedure.

(c) This section does not apply to a small claims action.

(d) Except as otherwise provided by law, this section does not apply to an assessment dispute.

§5935. Request for Resolution.

(a) Any party to a dispute may initiate the process required by §5930 by serving on all other parties to the dispute a Request for Resolution. The Request for Resolution shall include all of the following:

(1) A brief description of the dispute between the parties.

(2) A request for alternative dispute resolution.

(3) A notice that the party receiving the Request for Resolution is required to respond within 30 days of receipt or the request will be deemed rejected.

(4) If the party on whom the request is served is the owner of a separate interest, a copy of this article.

(b) Service of the Request for Resolution shall be by personal delivery, first-class mail, express mail, facsimile transmission, or other means reasonably calculated to provide the party on whom the request is served actual notice of the request.

(c) A party on whom a Request for Resolution is served has 30 days following service to accept or reject the request. If a party does not accept the request within that period, the request is deemed rejected by the party.

§5940. Time to Complete ADR Process.

(a) If the party on whom a Request for Resolution is served accepts the request, the parties shall complete the alternative dispute resolution within 90 days after the party initiating the request receives the acceptance, unless this period is extended by written stipulation signed by both parties.

(b) Chapter 2 (commencing with Section 1115) of Division 9 of the Evidence Code applies to any form of alternative dispute resolution initiated by a Request for Resolution under this article, other than arbitration.

(c) The costs of the alternative dispute resolution shall be borne by the parties.

§5945. Tolling of Statute of Limitations.

If a Request for Resolution is served before the end of the applicable time limitation for commencing an enforcement action, the time limitation is tolled during the following periods:

(a) The period provided in §5935 for response to a Request for Resolution.

(b) If the Request for Resolution is accepted, the period provided by §5940 for completion of alternative dispute resolution, including any extension of time stipulated to by the parties pursuant to §5940.

§5950. Certification of Efforts to Resolve Dispute.

(a) At the time of commencement of an enforcement action, the party commencing the action shall file with the initial pleading a certificate stating that one or more of the following conditions are satisfied:

(1) Alternative dispute resolution has been completed in compliance with this article.

(2) One of the other parties to the dispute did not accept the terms offered for alternative dispute resolution.

(3) Preliminary or temporary injunctive relief is necessary.

(b) Failure to file a certificate pursuant to subdivision (a) is grounds for a demurrer or a motion to strike unless the court finds that dismissal of the action for failure to comply with this article would result in substantial prejudice to one of the parties.

§5955. Stay of Litigation for Dispute Resolution.

(a) After an enforcement action is commenced, on written stipulation of the parties, the matter may be referred to alternative dispute resolution. The referred action is stayed. During the stay, the action is not subject to the rules implementing subdivision (c) of Section 68603 of the Government Code.

(b) The costs of the alternative dispute resolution shall be borne by the parties.

§5960. Attorney's Fees.

In an enforcement action in which attorney's fees and costs may be awarded, the court, in determining the amount of the award, may consider whether a party's refusal to participate in alternative dispute resolution before commencement of the action was reasonable.

§5965. Notice in Annual Policy Statement.

(a) An association shall annually provide its members a summary of the provisions of this article that specifically references this article. The summary shall include the following language:

"Failure of a member of the association to comply with the alternative dispute resolution requirements of §5930 of the *Civil Code* may result in the loss of the member's right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."

(b) The summary shall be included in the annual policy statement prepared pursuant to §5310.

IDR LAWS

California Civil Code §§5900, ET SEQ. – Internal Dispute Resolution

...

5915. Default Meet and Confer Procedure.

(a) This section applies to an association that does not otherwise provide a fair, reasonable, and expeditious dispute resolution procedure. The procedure provided in this section is fair, reasonable, and expeditious within the meaning of this article.

(b) Either party to a dispute within the scope of this article may invoke the following procedure:

(1) The party may request the other party to meet and confer in an effort to resolve the dispute. The request shall be in writing.

(2) A member of an association may refuse a request to meet and confer. The association shall not refuse a request to meet and confer.

(3) The board shall designate a director to meet and confer.

(4) The parties shall meet promptly at a mutually convenient time and place, explain their positions to each other, and confer in good faith in an effort to resolve the dispute. The parties may be assisted by an attorney or another person at their own cost when conferring.

(5) A resolution of the dispute agreed to by the parties shall be memorialized in writing and signed by the parties, including the board designee on behalf of the association.

(c) A written agreement reached under this section binds the parties and is judicially enforceable if it is signed by both parties and both of the following conditions are satisfied:

(1) The agreement is not in conflict with law or the governing documents of the common interest development or association.

(2) The agreement is either consistent with the authority granted by the board to its designee or the agreement is ratified by the board.

(d) A member shall not be charged a fee to participate in the process.

X. **AMENDED & RESTATED COLLECTION POLICY FOR DELINQUENT ASSESSMENTS, Rev. August 24, 2023 ("Collection Policy")**

Attached hereto as **Exhibit "G"**, please find the Collection Policy.

XI. **NOTICE REGARDING ASSESSMENT DISPUTE RIGHTS**

NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure, or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars ($1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars ($1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code, inclusive)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common area damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5675 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 5685 of the Civil Code)

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, the owner may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 5655 of the Civil Code)

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share interest may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exists. (Section 5665 of the Civil Code)

The board must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 5665 of the Civil Code)

EXHIBIT "A"
Operating and Reserve Budget & Allocation of Dues

DESERT HORIZONS OWNERS ASSOCIATION
STATEMENTS OF REVENUES AND EXPENSES

	Operating Fund	Replacement Fund	Budget 2027
OPERATING REVENUES			
Community Assessments	$ 9,985,966	$ 2,295,000	$ 12,280,966
Golf	5,003,413	235,375	5,238,788
Food and Beverage	2,486,293	-	2,486,293
LLMD	548,436	-	548,436
Security Home Watch Service	13,500	-	13,500
Sales Office Rent	90,000	-	90,000
Miscellaneous	147,588	-	147,588
Lockers, Courts and Fitness and Wellness	296,750	-	296,750
Interest Income	-	225,000	225,000
	18,571,946	2,755,375	21,327,321
OPERATING EXPENSES			
Golf	5,000,025	-	5,000,025
Food and Beverage	3,810,634	-	3,810,634
Community Expenses and Admin	7,766,556	-	7,766,556
Clubhouse	1,162,329	-	1,162,329
Lockers, Courts and Fitness and Wellness	830,683	-	830,683
Replacement fund expenditures	-	2,350,200	2,350,200
	18,570,226	2,350,200	20,920,426
Excess of Operating revenues over expenses	1,720	405,175	406,895
NON-OPERATING INCOME/(EXPENSES)			
Community Assessments	1,836,000	-	1,836,000
Social Initiation Assessment	-	750,000	750,000
Golf Initiation Assessment	-	180,000	180,000
Interest Expense on Notes Payable	(955,000)	-	(955,000)
	881,000	930,000	1,811,000
Excess of revenues over expenses	$ 882,720	$ 1,335,175	$ 2,217,895

DESERT HORIZONS OWNERS ASSOCIATION

DEPARTMENTAL REVENUE AND EXPENSES
GOLF OPERATIONS AND GOLF COURSE MAINTENANCE

	2027
REVENUES	
Memberships and dues	$ 3,955,998
Greens and driving range fees	282,000
Golf shop sales	527,900
Cart, club rental and other	237,515
Total Revenues	5,003,413
EXPENSES	
Cost of sales - Golf Shop	369,175
Salaries and wages	2,218,200
Payroll taxes	194,725
Employees benefits	190,808
Golf course care and maintenance	1,121,750
Operating	167,080
Utilities	377,300
Equipment lease and rental	64,625
Interest	57,100
Workers compensation insurance	184,012
Contracted services	55,250
Total Expenses	5,000,025
NET GOLF OPERATIONS/GOLF COURSE (DEFICIENCY) OVER REVENUES	$ 3,388

DESERT HORIZONS OWNERS ASSOCIATION

DEPARTMENTAL EXPENSES
COMMUNITY and G&A EXPENSES

	2027
Admin payroll and related	$ 1,931,443
Spectrum TV & internet	413,008
Marketing and communications	68,700
Postage and printing	4,800
General insurance	844,000
Workers compensation insurance	58,784
Legal and professional	134,100
Computer	19,200
Other general and administrative	269,470
Utilities	529,100
Landscape contract	1,473,400
LLMD	376,000
Tree trimming	86,000
Street sweeping	30,000
Common area repairs and maintenance	155,000
Equipment lease and rental	33,600
Pools, spas, and water features	152,400
Security	930,350
Bad debt	24,000
Franchise taxes	48,400
Contingency	184,800
Total	$ 7,766,556

DESERT HORIZONS OWNERS ASSOCIATION
MONTHLY OPERATIONAL INCOME STATEMENT
BUDGET - FISCAL YEAR 2026-2027

V2

	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	TOTAL
REVENUES													
Community Assessment	830.409	830.939	831.049	834.159	834.999	833.319	832.899	831.639	831.639	831.639	831.639	831.639	9.985.966
Golf Dues	392.692	334.386	322.856	351.591	337.856	321.121	319.386	317.651	315.916	314.181	314.181	314.181	3.955.998
HOA	67.428	67.828	67.328	66.328	66.328	66.328	66.328	66.328	66.328	66.328	66.328	66.328	799.536
Food	5.033	212.027	182.687	235.172	275.382	321.904	215.533	95.223	41.853	33.005	19.145	72.532	1.709.496
Beverage	756	118.829	133.864	107.777	101.628	119.821	99.396	40.324	20.405	19.681	9.730	4.586	776.797
Golf Operations	159.300	34.850	46.390	55.450	69.700	76.100	49.050	22.475	4.575	775	425	425	519.515
Golf Shop Sales	3.500	90.000	68.750	71.500	75.700	108.250	75.600	26.000	6.500	1.100	500	500	527.900
Locker, Fitness & Wellness, Courts	12.300	32.150	24.850	39.450	42.250	47.850	36.350	22.200	14.850	9.750	7.900	6.850	296.750
Total Revenues	**1,471,418**	**1,721,009**	**1,677,774**	**1,761,426**	**1,803,843**	**1,894,693**	**1,694,541**	**1,421,840**	**1,302,065**	**1,276,459**	**1,249,847**	**1,297,041**	**18,571,958**
COGS Food & Beverage	2.014	96.863	140.282	118.441	130.095	150.955	113.244	46.910	20.677	17.305	9.568	3.975	850.330
COGS Golf Shop	2.410	62.280	47.460	49.870	53.060	76.260	53.480	18.280	4.570	775	365	365	369.175
COGS Fitness & Wellness	560	1.120	880	960	1.600	1.280	1.280	960	480	400	320	280	10.120
Total COGS	**4,984**	**160,263**	**188,622**	**169,271**	**184,755**	**228,495**	**168,004**	**66,150**	**25,727**	**18,480**	**10,253**	**4,620**	**1,229,625**
PAYROLL & RELATED													
HOA Administration and Maintenance	49.303	50.031	53.956	53.255	49.445	51.931	51.890	50.191	49.655	51.314	49.655	51.314	611.940
Food Department	113.406	261.643	281.944	282.101	264.873	277.170	266.822	221.108	121.857	122.735	115.688	96.272	2.425.619
Bar Department	7.197	24.117	26.609	25.751	23.872	25.271	24.213	18.319	6.791	7.206	5.382	2.093	196.823
General and Administration	110.219	111.463	115.972	116.478	110.717	113.398	111.999	112.578	111.344	113.107	113.107	113.107	1.353.488
Golf Operation/Golf Shop	38.354	82.143	85.397	84.578	81.740	87.404	81.876	70.186	30.127	28.898	28.055	27.321	726.079
Locker, Fitness & Wellness, Courts	43.383	73.079	68.220	94.453	86.238	92.596	81.008	62.472	35.349	28.881	27.344	26.295	719.318
Golf Course Maintenance	182.403	177.036	169.608	171.265	162.602	182.259	161.989	169.707	167.788	177.539	159.682	173.486	2.055.365
Clubhouse/Housekeeping	21.013	26.322	28.996	28.084	26.680	27.853	26.427	26.373	19.603	19.603	14.134	11.623	276.711
Total Payroll & Related	**565,278**	**805,834**	**830,701**	**855,965**	**806,168**	**857,883**	**806,224**	**730,933**	**542,515**	**549,284**	**513,047**	**501,511**	**8,365,342**
OPERATIONAL EXPENSES													
HOA Administration and Maintenance	528.910	460.660	466.060	420.620	404.020	411.110	445.010	438.710	427.120	406.270	400.620	448.950	5.258.058
Contingency	15.400	15.400	15.400	15.400	15.400	15.400	15.400	15.400	15.400	15.400	15.400	15.400	184.800
Food Department	44.968	55.256	37.019	26.193	33.235	32.552	34.207	14.248	7.482	5.809	4.210	8.322	303.503
Bar Department	4.880	6.230	8.130	2.380	2.480	2.830	2.430	1.430	880	830	830	1.030	34.360
General and Administration	44.320	40.170	54.020	32.670	29.770	36.170	34.570	24.120	20.490	15.940	12.640	13.390	358.270
Golf Operations/Golf Shop	59.410	9.070	9.320	10.095	10.095	11.920	8.120	7.145	6.920	5.970	6.870	7.070	152.005
Locker, Fitness & Wellness, Courts	23.737	9.288	6.987	10.637	8.986	10.588	8.287	5.437	3.687	3.937	3.587	6.087	101.245
Golf Course Maintenance	380.475	98.925	95.550	85.450	87.750	139.650	118.750	187.050	160.050	133.700	122.600	87.450	1.697.400
Clubhouse/Housekeeping	79.855	75.310	61.392	68.069	75.012	65.823	67.447	67.414	82.764	91.114	78.534	72.890	885.618
Total Operational Expenses	**1,181,954**	**770,309**	**753,878**	**671,514**	**666,748**	**726,042**	**734,220**	**760,954**	**724,792**	**678,970**	**645,291**	**660,588**	**8,975,259**
TOTAL EXPENSES	**1,752,216**	**1,736,406**	**1,773,200**	**1,696,750**	**1,657,671**	**1,812,420**	**1,708,449**	**1,558,037**	**1,293,033**	**1,246,733**	**1,168,590**	**1,166,720**	**18,570,226**
Net Operating Profit (Loss)	**(280,797)**	**(15,397)**	**(95,426)**	**64,676**	**146,173**	**82,273**	**(13,908)**	**(136,197)**	**9,032**	**29,725**	**81,257**	**130,321**	**1,732**

EXHIBIT "B"
2026 – 2027 Reserve Expenditure Schedule

(See Attached)

Year 2027 Reserve Budget

(AICPA Approved)

Category	Beginning Balance Oct 01, 2026	Annual Reserve Allocation	Monthly Reserve Allocation	Additional Revenue	Annual Interest Allocation	Expenditure	Ending Balance Sep 30, 2027	100% Funded Sep 30, 2027	Percent Funded Sep 30, 2027
Access System	$28,438.09	$7,172.02	$597.67	$2,656.31	$210.40	$0.00	$38,476.82	$128,790.51	29.88%
Asphalt & Concrete	$445,487.20	$112,350.89	$9,362.57	$41,611.44	$3,295.90	$52,314.00	$550,431.42	$1,842,417.10	29.88%
Clubhouse	$247,424.24	$62,399.85	$5,199.99	$23,111.06	$1,830.55	$0.00	$334,765.68	$1,120,535.63	29.88%
Community & Sales Offices	$44,192.32	$11,145.21	$928.77	$4,127.85	$326.95	$0.00	$59,792.34	$200,138.33	29.88%
Community Carts & Utility Vehicles	$38,300.14	$9,659.21	$804.93	$3,577.49	$283.36	$0.00	$51,820.20	$173,453.80	29.88%
Community Maintenance Equipment	$5,482.28	$1,382.62	$115.22	$512.08	$40.56	$0.00	$7,417.54	$24,828.15	29.88%
Electrical & Lights	$196,916.08	$49,661.80	$4,138.48	$18,393.26	$1,456.87	$106,000.00	$160,428.01	$536,988.44	29.88%
Gatehouses	$20,273.81	$5,113.01	$426.08	$1,893.71	$149.99	$0.00	$27,430.53	$91,816.11	29.88%
Golf Course	$479,161.30	$120,843.43	$10,070.29	$44,756.82	$3,545.03	$24,495.00	$623,811.58	$2,088,036.90	29.88%
Golf Equip Carts & Utility Vehicles	$24,402.60	$6,154.28	$512.86	$2,279.36	$180.54	$0.00	$33,016.79	$110,514.59	29.88%
Golf Equip High Power	$104,395.53	$26,328.32	$2,194.03	$9,751.23	$772.36	$0.00	$141,247.44	$472,786.77	29.88%
Golf Equip Low Power	$12,352.33	$3,115.23	$259.60	$1,153.79	$91.39	$0.00	$16,712.73	$55,941.26	29.88%
Golf Equip Mechanic Shop	$8,985.22	$2,266.05	$188.84	$839.28	$66.48	$0.00	$12,157.02	$40,692.28	29.88%
Golf Equip Mowers & Turf Care	$77,327.76	$19,501.89	$1,625.16	$7,222.92	$572.10	$0.00	$104,624.68	$350,202.21	29.88%
Golf Equipment 2024	$10,944.54	$2,760.19	$230.02	$1,022.29	$80.97	$0.00	$14,807.99	$49,565.66	29.88%
Golf Maintenance Building	$132,731.81	$33,474.67	$2,789.56	$12,398.03	$982.00	$0.00	$179,586.52	$601,116.24	29.88%
Housekeeping	$3,747.53	$945.12	$78.76	$350.04	$27.73	$0.00	$5,070.42	$16,971.83	29.88%
Irrigation	$2,419,570.10	$610,210.26	$50,850.86	$226,003.80	$17,900.97	$1,631,350.00	$1,642,335.13	$5,497,263.04	29.88%
Lakes	$2,600,871.35	$655,934.04	$54,661.17	$242,938.53	$19,242.31	$2,130,011.00	$1,388,975.22	$4,649,210.77	29.88%
Landscape	$9,400.57	$2,370.80	$197.57	$878.08	$69.55	$0.00	$12,719.00	$42,573.33	29.88%
Mailboxes	$21,149.01	$5,333.73	$444.48	$1,975.46	$156.47	$0.00	$28,614.67	$95,779.70	29.88%
Paint	$134,656.03	$33,959.96	$2,830.00	$12,577.76	$996.24	$0.00	$182,189.99	$609,830.64	29.88%
Pools & Spas	$572,165.19	$144,298.80	$12,024.90	$53,444.00	$4,233.11	$466,960.00	$307,181.11	$1,028,203.88	29.88%
Roofs	$1,429,636.03	$360,551.07	$30,045.92	$133,537.43	$10,577.03	$137,540.00	$1,796,761.56	$6,014,162.85	29.88%
Signage	$17,017.91	$4,291.88	$357.66	$1,589.59	$125.91	$0.00	$23,025.28	$77,070.76	29.88%
Tennis & Pickleball	$14,971.02	$3,775.66	$314.64	$1,398.39	$110.76	$0.00	$20,255.84	$67,800.82	29.88%
Utilities (SB900)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	0.00%
Totals:	**$9,100,000.00**	**$2,295,000.00**	**$191,250.00**	**$850,000.00**	**$67,325.51**	**$4,548,670.00**	**$7,763,655.51**	**$25,986,691.59**	**29.88%**

EXHIBIT "C"

Assessment and Reserve Funding Disclosure Summary and Executive Reserve Summary of the Reserve Study

(See Attached)

Reserve Summary

(As required by California Civil Code Section 5565)

DESERT HORIZONS OWNERS ASSOCIATION

SCT Reserve Consultants, Inc. is pleased to provide this Level II Reserve Study (Site Visit Update Report). In order to comply with the California Civil Code, specifically the Davis-Stirling Common Interest Development Act, Section 5565, we are providing the following information to the Homeowners within DESERT HORIZONS OWNERS ASSOCIATION.

The following study has been prepared with several assumed factors taken into account: a 3.00% inflation rate; a 1.00% return on investment (interest earned); taxes on interest earned is paid for through the operating fund; an estimated remaining life of each reserve component; and an estimated current replacement cost of each reserve component.

As of September 30, 2026, the estimated ending reserve fund balance is $9,100,000 and the estimated current replacement cost is $50,688,053 for the portfolio of reserve components. The projected future replacement cost of the portfolio is $88,400,448, calculated at an annually compounded inflation rate of 3.00%. The Association's level of funding which is based upon the estimated ending reserve fund balance divided by the reserve components' fully funded amount is 33.20%. This is referred to as Percent Funded. The Association would be 100.00% funded if there were $27,406,511.61 in the reserve fund.

The current deficiency (*or surplus if the number is in parenthesis*) in reserve funding expressed on a per unit basis is $35,895.12. This is calculated by subtracting the ending balance ($9,100,000) from the 100% funded figure ($27,406,511.61), then divided by the number of ownership interests (510). There is currently no requirement to be fully funded.

Our original analysis of the cash flow for this association indicated future inadequate funding if there were no annual increases to the Reserves. It is our understanding the Board of Directors will allocate a monthly amount of $191,250.00 starting in 2027 ($375.00 per unit per month for each of the 510 ownership interests) towards the reserve fund. To offset the over/under cash results of the report, we recommend and have included a change of 4.25% starting in 2028 for 29 years. This report includes additional revenue of $850,000 for Golf & Social Initiation Fees in 2027 for 30 years. The Board of Directors may change the amount; however, it will impact the level of funding on reserves. These numbers, by themselves, are not a clear indicator of financial strength and could indicate underfunding, overfunding, or adequate funding.

The following table represents additionally required information pursuant to the Davis-Stirling Common Interest Development Act, Section 5565.

Fiscal Year: October 1, 2026 through September 30, 2027

Category	*Range of Full Useful Life*	*Range of Remaining Useful Life*	*Current Replacement Cost*	*Fund Balance on Oct 01, 2026*	*Reserve Allocation*	*Additional Revenue*	*Interest*
Access System	5 to 20	1 to 9	$141,849	$28,438	$7,172	$2,656	$210
Asphalt & Concrete	3 to 30	0 to 28	$5,615,577	$445,487	$112,351	$41,611	$3,296
Clubhouse	3 to 30	2 to 27	$5,706,704	$247,424	$62,400	$23,111	$1,831
Community & Sales Offices	3 to 40	2 to 19	$304,121	$44,192	$11,145	$4,128	$327
Community Carts & Utility Vehicles	10 to 20	1 to 7	$190,640	$38,300	$9,659	$3,577	$283
Community Maintenance Equipment	5 to 10	1 to 2	$25,485	$5,482	$1,383	$512	$41
Electrical & Lights	20 to 25	0 to 8	$705,450	$196,916	$49,662	$18,393	$1,457
Gatehouses	12 to 32	1 to 13	$123,734	$20,274	$5,113	$1,894	$150
Golf Course	1 to 25	0 to 24	$3,490,858	$479,161	$120,843	$44,757	$3,545
Golf Equip Carts & Utility Vehicles	5 to 7	1 to 6	$126,010	$24,403	$6,154	$2,279	$181
Golf Equip High Power	5 to 20	1 to 14	$1,063,079	$104,396	$26,328	$9,751	$772
Golf Equip Low Power	3 to 15	1 to 7	$57,842	$12,352	$3,115	$1,154	$91
Golf Equip Mechanic Shop	10 to 30	1 to 27	$119,239	$8,985	$2,266	$839	$66
Golf Equip Mowers & Turf Care	5 to 7	1 to 6	$442,480	$77,328	$19,502	$7,223	$572
Golf Equipment 2024	10 to 20	7 to 17	$159,680	$10,945	$2,760	$1,022	$81
Golf Maintenance Building	30 to 60	6 to 29	$638,235	$132,732	$33,475	$12,398	$982
Housekeeping	6 to 8	2 to 2	$18,920	$3,748	$945	$350	$28
Irrigation	1 to 50	0 to 26	$8,403,715	$2,419,570	$610,210	$226,004	$17,901

Reserve Summary

(As required by California Civil Code Section 5565)

DESERT HORIZONS OWNERS ASSOCIATION

Lakes	6 to 40	0 to 29	$7,656,496	$2,600,871	$655,934	$242,939	$19,242
Landscape	3 to 3	2 to 2	$62,000	$9,401	$2,371	$878	$70
Mailboxes	20 to 25	4 to 6	$113,450	$21,149	$5,334	$1,975	$156
Paint	6 to 12	1 to 11	$1,704,178	$134,656	$33,960	$12,578	$996
Pools & Spas	0 to 40	0 to 30	$2,065,986	$572,165	$144,299	$53,444	$4,233
Roofs	1 to 50	0 to 49	$11,428,464	$1,429,636	$360,551	$133,537	$10,577
Signage	15 to 40	6 to 19	$157,767	$17,018	$4,292	$1,590	$126
Tennis & Pickleball	8 to 50	4 to 46	$166,095	$14,971	$3,776	$1,398	$111
Utilities (SB900)	50 to 65	4 to 19	$0	$0	$0	$0	$0
Totals:			**$50,688,053**	**$9,100,000**	**$2,295,000**	**$850,000**	**$67,326**

The complete reserve study is available by request from the Association.

Assessment and Reserve Funding Disclosure Summary
For the Fiscal Year Ending September 30, 2027

(As illustrated by California Civil Code Section 5570(a))

(1) **The regular assessment per ownership interest is $2,278.00 for regular homes and $1,905.00 for custom homes per month, of which $375.00 is allocated to reserves, monthly.**

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on the following page of the attached summary. ***NOT APPLICABLE***

(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members: ***SEE ANSWER BELOW TO QUESTION #4 WHICH SUGGESTS THERE WILL BE INCREASES IN REGULAR ASSESSMENTS FOR RESERVE FUNDING.***

Date assessment will be due:	Amount per ownership interest per month for one year:	Purpose of the assessment:

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on the following page of the attached summary. ***NOT APPLICABLE***

(3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Yes __X__ **No** ____

Yes, if the Association follows the recommended future reserve contribution increases as outlined in the reserve study and disclosed in the table of question (4) with consideration to the note below*.

No, if the Association does not follow the recommended future reserve contribution increases as outlined in the reserve study and disclosed in the table of question (4) with consideration to the note below*.

**Note:* The information contained within the reserve study includes estimates of replacement value and life expectancies of the components and includes assumptions regarding future events based on information provided by and supplied to the Association's Board of Directors and/or management. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the data of this disclosure summary. Therefore, the actual replacement cost and remaining life may vary from the reserve study and the variation may be significant. Additionally, inflation and other economic events may impact the reserve study, particularly over a thirty (30) year period of time which could impact the accuracy of the reserve study and the funds available to meet the association's obligation for repair and/or replacement of major components during the next thirty (30) years. Furthermore, the occurrence of vandalism, severe weather conditions, earthquakes, floods or other acts of God cannot be accounted for and are excluded when assessing life expectancy of the components. The reserve study only includes items that the Association has a clear and express responsibility to maintain, pursuant to the Association's CC&Rs.*

(4) If the answer to (3) is No, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the Board or the members?

Approximate date assessment(s) will be due (see **Funding Plan** column, next page):	Amount per ownership interest per month:
4.25% starting in 2028 for 29 years	**(Current amount) X (the increases)**

(5) All major components are included in the reserve study and are included in its calculations.

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5550, the estimated amount required in the reserve fund at the end of the current fiscal year is ***$25,986,691.59***, as of ***September 30, 2027,*** based in whole or in part on the last reserve study or update prepared by ***SCT RESERVE CONSULTANTS, INC.*** The projected reserve fund cash balance at the end of the current fiscal year is ***$7,763,655.51***, resulting in reserves being ***29.88%*** percent funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required amount is ***$4,548,670***. (See explanation below).

Explanation: *Cash Flow Methodology - a method of developing a reserve funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.*

Assessment and Reserve Funding Disclosure Summary
For the Fiscal Year Ending September 30, 2027
(continued)

7) **See below: 30-Year Reserve Funding Plan Table**...Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5550 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is $*(see "100% Funded" column below)*, and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is $*(see "Cash Flow" column below)*, leaving the reserve at *(see "Percent Funded" column below)* percent funding. If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years will be $*(see "Cash Flow" column below)*, leaving the reserve at *(see "Percent Funded" column below)* percent funding. Note: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was **1.00%** per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was **3.00%** per year.

30-Year Reserve Funding Plan Table

	End of Year			*Revenue*			*Expenditures*
Year	*100% Funded*	*Cash Flow*	*Percent Funded*	*Contribution, Interest*	*Contribution Unit/Month*	*Funding Plan*	*Components, Taxes, Deferred Exp*
2026	$27,406,512	$9,100,000	33.20%				
2027	$25,986,692	$7,763,656	29.88%	$3,212,326	$375.00	0.00%	$4,548,670
2028	$26,670,327	$8,543,668	32.03%	$3,316,297	$390.94	4.25%	$2,536,285
2029	$28,244,728	$10,212,752	36.16%	$3,433,753	$407.55	4.25%	$1,764,670
2030	$30,913,772	$12,955,612	41.91%	$3,566,118	$424.87	4.25%	$823,258
2031	$32,645,845	$14,761,662	45.22%	$3,694,484	$442.93	4.25%	$1,888,434
2032	$28,881,844	$11,182,489	38.72%	$3,775,793	$461.75	4.25%	$7,354,967
2033	$30,243,221	$12,739,456	42.12%	$3,908,700	$481.38	4.25%	$2,351,733
2034	$32,035,457	$14,734,417	45.99%	$4,053,003	$501.84	4.25%	$2,058,043
2035	$32,808,903	$15,740,903	47.98%	$4,193,362	$523.17	4.25%	$3,186,875
2036	$33,234,486	$16,439,522	49.47%	$4,335,895	$545.40	4.25%	$3,637,276
2037	$34,734,211	$18,234,369	52.50%	$4,494,509	$568.58	4.25%	$2,699,662
2038	$34,397,038	$18,254,660	53.07%	$4,642,662	$592.75	4.25%	$4,622,371
2039	$35,646,441	$19,895,760	55.81%	$4,811,785	$617.94	4.25%	$3,170,686
2040	$38,043,936	$22,701,087	59.67%	$4,999,205	$644.20	4.25%	$2,193,878
2041	$36,421,915	$21,586,981	59.27%	$5,156,543	$671.58	4.25%	$6,270,649
2042	$37,619,923	$23,340,509	62.04%	$5,346,676	$700.12	4.25%	$3,593,148
2043	$40,972,769	$27,259,721	66.53%	$5,566,041	$729.87	4.25%	$1,646,829
2044	$41,084,013	$28,017,734	68.20%	$5,763,873	$760.89	4.25%	$5,005,859
2045	$43,331,403	$30,954,137	71.44%	$5,989,188	$793.23	4.25%	$3,052,786
2046	$44,689,709	$33,067,497	73.99%	$6,215,937	$826.94	4.25%	$4,102,576
2047	$47,053,757	$36,238,183	77.01%	$6,461,152	$862.09	4.25%	$3,290,466
2048	$49,594,339	$39,639,841	79.93%	$6,718,108	$898.73	4.25%	$3,316,450
2049	$47,573,170	$38,630,729	81.20%	$6,942,596	$936.92	4.25%	$7,951,708
2050	$49,816,421	$41,958,236	84.23%	$7,216,480	$976.74	4.25%	$3,888,973
2051	$54,926,462	$48,176,822	87.71%	$7,530,043	$1,018.26	4.25%	$1,311,457
2052	$60,399,902	$54,783,954	90.70%	$7,859,262	$1,061.53	4.25%	$1,252,130
2053	$59,362,451	$55,041,473	92.72%	$8,139,313	$1,106.65	4.25%	$7,881,794
2054	$62,240,346	$59,304,327	95.28%	$8,466,585	$1,153.68	4.25%	$4,203,730
2055	$67,164,733	$65,673,379	97.78%	$8,827,782	$1,202.71	4.25%	$2,458,731
2056	$68,038,052	$68,140,691	100.15%	$9,165,354	$1,253.83	4.25%	$6,698,043
			30-Year Sum:	**$167,802,827**			**$108,762,137**

Summary

In accordance with our proposal, 2009-034, SCT Reserve Consultants, Inc. is pleased to provide this ***Level II Reserve Study Site Visit Update Report*** **for DESERT HORIZONS OWNERS ASSOCIATION**. Our study was performed in accordance with the Davis-Stirling Common Interest Development Act, specifically §5550, of the California Civil Code. This report included a site inspection on May 11, 2026 for the 2027 budget year. This *condominium (488) & sfh (22)* common interest development (CID) is located at 75-486 Augusta Drive, Indian Wells, CA 92210. We are using an inception date for the components of October 1, 1980. ***This study is for October 1, 2026 through September 30, 2027****, the Association's fiscal year.*

In general, reserve funds are funds set aside from collected association fees paid by owners of a common interest development. These funds earn interest and are disbursed when deemed necessary by the Board of Directors. The purpose of a reserve study is to determine how much money should exist in a reserve fund at a given point in time or to project required future contributions and expenditure amounts so that sufficient reserve funds are available when needed. Our reserve study is generated using proprietary SCT software and a combination of local industry standards and national average replacement costs.

The SCT software utilizes the weighted average life (WAL) of the reserve components. The future cost method for the WAL is calculated by using the current replacement cost of each component, as of the analysis date, and the number of years until each reserve component is scheduled to be replaced. This determines the monthly reserve contributions needed and calculates the future reserve balances.

A 30-year "Cash Flow and Percent Funded Projection" analysis and "Graph" are produced to verify and define the relationship of the Cash Flow (annual beginning balance) with respect to the 100% funded amount. Ideally, the Cash Flow line of the graph should run parallel to and below the "Percent Funded" line of the graph, see funding goals.

The following study has been prepared with several assumed factors taken into account: 3.00% inflation rate; a 1.00% return on investment (interest earned); taxes on interest earned is paid for through the operating fund; an estimated remaining life of each reserve component; and an estimated current replacement cost of each reserve component.

Typically, any component that has a life cycle (full life) of less than two years should be budgeted and paid for through normal operating or property maintenance funds and is not included as part of this study.

The current deficiency (*or surplus if the number is in parenthesis*) in reserve funding expressed on a per unit basis is $35,895.12. This is calculated by subtracting the ending balance ($9,100,000) from the 100% funded figure ($27,406,511.61), then divided by the number of ownership interests (510). There is currently no requirement to be fully funded.

Summary
(continued)

As of October 1, 2026, the estimated reserve fund balance is $9,100,000 and the estimated current replacement cost is $50,688,053 of the portfolio of reserve components. The projected future replacement cost of the portfolio is $88,400,448, calculated at an annually compounded inflation rate of 3.00%. The Davis-Stirling Common Interest Development Act requires the disclosure of the *current reserve fund balance divided by the current replacement cost (*this is not *Percent Funded)*. Currently, *this factor for DESERT HORIZONS OWNERS ASSOCIATION is 17.95%.*

The Association's level of funding for the fiscal year (October 1, 2026 through September 30, 2027) which is based upon the final estimated reserve fund balance divided by the reserve components' fully funded amount is ***29.88%, and is referred to as Percent Funded.*** The Association would be 100.00% funded if there were $25,986,691.59 in the reserve fund.

Our original analysis of the cash flow for this association indicated future inadequate funding (see the graph, the "square box and/or pink line"). This line represents the cash flow if there were no annual increases to the Reserves. ***It is our understanding the Board of Directors will allocate a monthly amount of $191,250.00 starting in 2027 ($375.00 per unit per month for each of the 510 ownership interests) towards the reserve fund. To offset the over/under cash results of the report, we recommend and have included a change of 4.25% starting in 2028 for 29 years. This report includes additional revenue of $850,000 for Golf & Social Initiation Fees in 2027 for 30 years.*** The Board of Directors may raise or lower this amount, however, it will impact the level of funding on reserves. These numbers, by themselves, are not a clear indicator of financial strength and could indicate underfunding, overfunding, or adequate funding.

Sincerely,

Michael C. Graves, R.S. #00039
SCT Reserve Consultants, Inc.