

**WEBB Community Management, Inc.,
Management Report for the
Capistrano Bay District
August 28, 2012 Board of Directors Meeting**

1. **2012 -2013 User Fee to Owners** – That information was mailed to all owners of record today. The estimated mailing date was delayed due to the following difficulties. Webb originally set up the owner database during the week of July 23, 2012, based upon information provided by Mr. Russell from the District's records. He explained the fee information he sent to us was for the 2011-2012 user fee and that the fee for this year had not changed from 2011-2012. However, when we double check this information for accuracy in preparation for printing and distribution of those statements, we discovered that the information that was originally provided to us was actually for 2010-2011 and not for 2011-2012. Because Mr. Russell was on vacation, we were not able to confirm the actual user fee for 2012-2013 until his return. At the time, we immediately called President Masto and explained the situation. He indicated that it would be prudent to wait until Mr. Russell's return rather than send out a statement that was inaccurate. We resolved the billing matter upon Mr. Russell's return and included the correct billing information to all owners in our statement today.
2. **Fire Pit Flier** – A comprehensive flier was prepared and the draft was approved by President Masto. That flier was sent in the mail with the statement today.
3. **July 2012 Financial Statements** – As a normal course of our business, financial statements are always ready and available to the Board with the monthly Board packet, assuming that the financial data needed to produce those statements is made available to Webb. The District's Month End July 30, 2012 Financial Statements are not complete as of yet because the financial data needed to complete those Statements was not made available to Webb as of the time of this Report. Webb cannot complete the Financial Statements until we receive a copy of the District's completed Month End June 30, 2012 Financial Statements from your former CPA, Linda Halley.

When Tom Webb was initially provided with a set of the June 30, 2012 Financial Statements during the July 2012 Board Meeting, upon further investigation, he found those statements to be incomplete. He contacted your prior CPA, Linda Halley, with a request to provide the necessary data to complete those Financial Statements. Missing items, included, but were not limited to, depreciation schedules and information concerning bonds listed on the Balance Sheet (both items were requested initially in early July 2012, requested subsequently and not received to date).

We have had several conversations with Ms. Halley, subsequently, wherein we requested this information. On July 12, 2012, we again communicated with her and confirmed that we needed this information and confirmed that we had previously forwarded her all

requested information related to this matter. We clarified to her that we had no further information she needed to complete the Financial Statements and we were under the understanding that her completed June 30, 2012 Financial Statements would be forwarded to us. After not receiving them, at one point we were told that, quite frankly, producing this information is not a priority for her, due to the fact that the District is no longer a client of hers.

We sincerely apologize for any inconvenience that this matter may cause the Board and we are, quite frankly, embarrassed that we have not been able to complete this action item for the Board. The completed July 30, 2012 Financial Statements will be forwarded to the Board as soon as we receive the data from Ms. Halley to complete those Statements.

4. **File Organization** – We have made some limited progress regarding file organization. Mr. Russell authorized us to pick up certain, identified files, including some historical files and the property address files during his vacation. We complied with his request and those files are at our office now. The property address files have been reviewed and are now being housed with our permanent in-house District files. The other historical files are being organized and cataloged. We are awaiting Mr. Russell's authorization to pick up additional files. Peggy Webb spoke to Mr. Russell during the week of August 20, 2012, upon his return from vacation. She reiterated that it was her understanding that the Board had designated October 31, 2012, as the final completion date for the in-office file organization. Furthermore, it was the Board's expectation that the office would be moved to the on-site location on or before that date. Mr. Russell indicated that he would cooperate with us and continue to provide direction to Webb related to this matter. To date we have not received any further direction from Mr. Russell however, we will follow up to ensure that this action item is complete within the Board's designated timeframe.

5. **Community Governance/Board Reference Book** – Information related to the Board Reference Books that we discussed and requested at the last Board Meeting in July 2012 was provided by Mr. Russell as of August 24, 2012. We will review the files and have a draft Reference Book ready for the Board on or before the September 2012 Board Meeting.