

FULL RESERVE STUDY

Waterview Estates Owners Association, Inc.



Richmond, Texas
November 9, 2017



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Waterview Estates Owners Association, Inc.
Richmond, Texas

Dear Board of Directors of Waterview Estates Owners Association, Inc.:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of Waterview Estates Owners Association, Inc. in Richmond, Texas and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, November 9, 2017.

This *Full Reserve Study* exceeds the Association of Professional Reserve Analysts (APRA) standards fulfilling the requirements of a "Level I Full Reserve Study."

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. We recommend the Board budget for an Update to this Reserve Study in two years. We look forward to continuing to help Waterview Estates Owners Association, Inc. plan for a successful future.

As part of our long-term thinking and everyday commitment to our clients, we are available to answer any questions you may have regarding this study.

Respectfully submitted on November 29, 2017 by

Reserve Advisors, Inc.

Visual Inspection and Report by: Keary D. Wass, RS²
Review by: Alan M. Ebert, PRA¹, RS, Director of Quality Assurance



¹ PRA (Professional Reserve Analyst) is the professional designation of the Association of Professional Reserve Analysts. Learn more about APRA at <http://www.apra-usa.com>.

² RS (Reserve Specialist) is the reserve provider professional designation of the Community Associations Institute (CAI) representing America's more than 300,000 condominium, cooperative and homeowners associations.



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1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Waterview Estates Owners Association, Inc. (Waterview Estates)

Location: Richmond, Texas

Reference: 151249

Property Basics: Waterview Estates Owners Association, Inc. is a homeowners association which is responsible for the common elements shared by 1,171 single family homes. The single family homes were built from 2003 to 2017.

Reserve Components Identified: 41 Reserve Components.

Inspection Date: November 9, 2017. We conducted the original inspection on April 20, 2016.

Funding Goal: The Funding Goal of this Reserve Study is to maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures. Our recommended Funding Plan recognizes this threshold funding year in 2045 due to replacement of the pools plaster finish.

Cash Flow Method: We use the Cash Flow Method to compute the Reserve Funding Plan. This method offsets future variable Reserve Expenditures with existing and future stable levels of reserve funding. Our application of this method also considers:

- Current and future local costs of replacement
- 1.2% annual rate of return on invested reserves
- 2.4% future Inflation Rate for estimating Future Replacement Costs

Sources for Local Costs of Replacement: Our proprietary database, historical costs and published sources, i.e., R.S. Means, Incorporated.

Cash Status of Reserve Fund:

- \$107,000 projected by Management and the Board as of December 31, 2017
- 2018 budgeted Reserve Contributions of \$160,000

Project Prioritization: We recommend the Association prioritize the following projects in the next five years based on the conditions identified:

- Replacement of the north west pocket park fence and paint finishes to the remaining wood fences to address deterioration
- Partial renovations to the clubhouse building exterior and interior to address water infiltration and deterioration
- Canvas replacement at the shade structures
- Refinishing and repairs to the water features to address finish deterioration and provide safe play surfaces

Recommended Reserve Funding: We recommend the following in order to achieve a stable and equitable Funding Plan:

- Adopt a Reserve Budget of \$98,000 in 2019
- Inflationary increases through 2047, the limit of this study's Cash Flow Analysis
- 2019 Reserve Contribution of \$98,000 is equivalent to an average annual contribution of \$83.69 per homeowner.

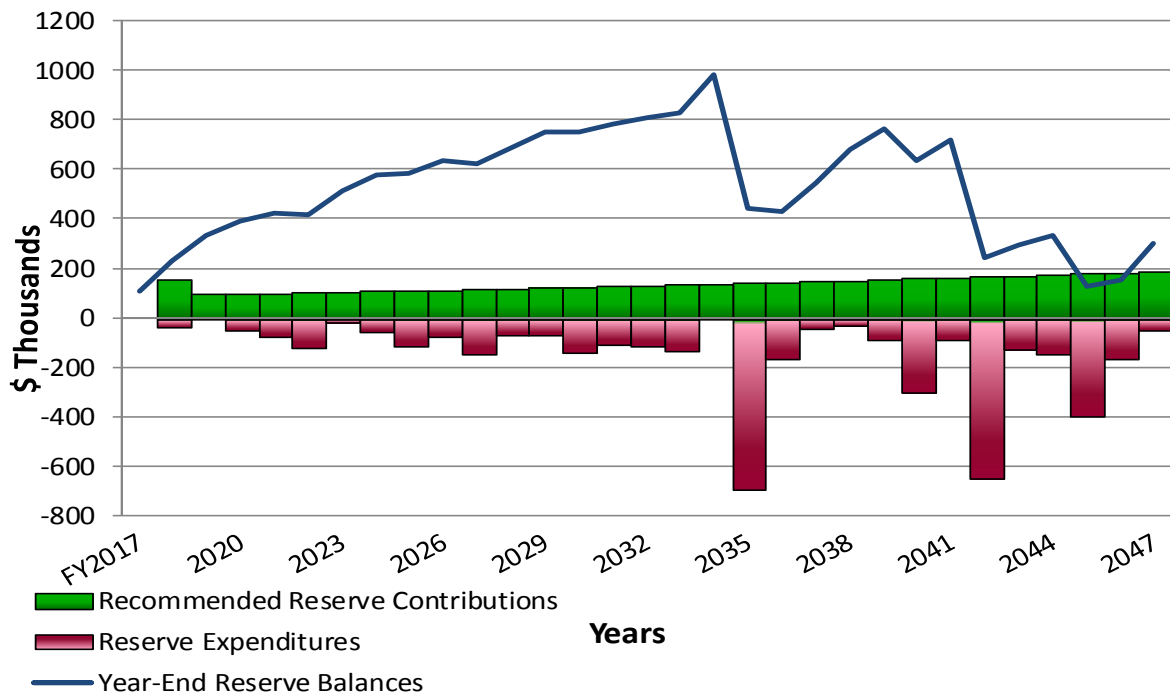


Our revised findings reflect both external market and internal property changes. The result is an overall increase in the recommended Reserve Funding Plan since our last Reserve Study on April 20, 2016. The overall increase relates primarily to higher than anticipated cost of replacement for the wood fences.

Waterview Estates

Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2018	160,000	231,850	2028	121,300	683,206	2038	153,800	679,822
2019	98,000	333,220	2029	124,200	748,018	2039	157,500	762,686
2020	100,400	390,315	2030	127,200	747,754	2040	161,300	631,108
2021	102,800	424,511	2031	130,300	781,525	2041	165,200	717,243
2022	105,300	415,049	2032	133,400	810,748	2042	169,200	244,728
2023	107,800	511,079	2033	136,600	828,660	2043	173,300	293,404
2024	110,400	574,984	2034	139,900	979,343	2044	177,500	332,828
2025	113,000	585,874	2035	143,300	440,894	2045	181,800	125,741
2026	115,700	635,697	2036	146,700	428,870	2046	186,200	152,868
2027	118,500	618,720	2037	150,200	546,681	2047	190,700	297,823



2.RESERVE STUDY REPORT

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of

Waterview Estates Owners Association, Inc.

Richmond, Texas

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, November 9, 2017. We conducted the original inspection on April 20, 2016.

We present our findings and recommendations in the following report sections and spreadsheets:

- **Identification of Property** - Segregates all property into several areas of responsibility for repair or replacement
- **Reserve Expenditures** - Identifies reserve components and related quantities, useful lives, remaining useful lives and future reserve expenditures during the next 30 years
- **Reserve Funding Plan** - Presents the recommended Reserve Contributions and year-end Reserve Balances for the next 30 years
- **Reserve Component Detail** - Describes the reserve components, includes photographic documentation of the condition of various property elements, describes our recommendations for repairs or replacement, and includes detailed solutions and procedures for replacements for the benefit of current and future board members
- **Methodology** - Lists the national standards, methods and procedures used to develop the Reserve Study
- **Definitions** - Contains definitions of terms used in the Reserve Study, consistent with national standards
- **Professional Service Conditions** - Describes Assumptions and Professional Service Conditions
- **Credentials and Resources**

IDENTIFICATION OF PROPERTY



Our investigation includes Reserve Components or property elements as set forth in your Declaration. The Expenditure tables in Section 3 list the elements contained in this study. Our analysis begins by segregating the property elements into several areas of responsibility for repair and replacement.

Our process of identification helps assure that future boards and the management team understand whether reserves, the operating budget or Homeowners fund certain replacements and assists in preparation of the annual budget. We derive these segregated classes of property from our review of the information provided by the Association and through conversations with Management and the Board. These classes of property include:

- Reserve Components
- Long-Lived Property Elements
- Operating Budget Funded Repairs and Replacements
- Property Maintained by Homeowners
- Property Maintained by Others

We advise the Board conduct an annual review of these classes of property to confirm its policy concerning the manner of funding, i.e., from reserves or the operating budget. The Reserve Study identifies Reserve Components as set forth in your

Declaration or which were identified as part of your request for proposed services. Reserve Components are defined by CAI as property elements with:

- Waterview Estates responsibility
- Limited useful life expectancies
- Predictable remaining useful life expectancies
- Replacement cost above a minimum threshold

Long-Lived Property Elements may not have predictable Remaining Useful Lives or their replacement may occur beyond the 30-year scope of the study. The operating budget should fund infrequent repairs. Funding untimely or unexpected replacements from reserves will necessitate increases to Reserve Contributions. Periodic updates of this Reserve Study will help determine the merits of adjusting the Reserve Funding Plan. We identify the following Long-Lived Property Elements as excluded from reserve funding at this time.

- Electrical Systems, Common
- Foundation, Clubhouse and Pool House
- Pipes, Interior Building, Domestic Water and Sanitary Waste, Clubhouse
- Pool Structures
- Pipes, Subsurface Utilities, Laterals
- Structural Frames, Clubhouse and Pool House
- Walls, Fiber Cement Siding, Clubhouse and Pool House
- Well Casings, Pond Wells

The operating budget provides money for the repair and replacement of certain Reserve Components. The Association may develop independent criteria for use of operating and reserve funds. For purposes of calculating appropriate Reserve Contributions, we identify the following list of Operating Budget Funded Repairs and Replacements:

- General Maintenance to the Common Elements
- Expenditures less than \$5,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Baseball Diamond (Excluding Fence and Backstop)
- Clubhouse, Interim Paint Finishes and Appliances and Furnishing Replacements
- Fences, Columns, Masonry
- Irrigation System, Interim Controllers and Partial Replacements
- Landscape
- Monuments, Neighborhoods
- Parking Areas, Joint Sealant
- Pool and Clubhouse, Access Systems (Replaced in 2015)
- Signage, Informational
- Site Furniture, Interim Replacements
- Soccer Field
- Tennis Courts, Wind Screens

- Paint Finishes, Touch Up
- Other Repairs normally funded through the Operating Budget

Certain items have been designated as the responsibility of the homeowners to repair or replace at their cost. Property Maintained by Homeowners, including items billed back to Homeowners, relates to unit:

- Fences at Lot Lines (Excluding Waterview Estates Trail)
- Homes and Lots
- Sidewalks on Lots

Certain items have been designated as the responsibility of others to repair or replace. Property Maintained by Others relates to:

- Light Poles and Fixtures, Streets (Center Point Energy)
- Mailbox Stations (United States Postal Services)
- Ponds, Erosion Control and Sediment Removal (Municipal Utility District)
- Pond Chlorination System (Leased)
- Sidewalk, Adjacent to West Bellfort Street (Fort Bend County)
- Street Systems (Fort Bend County)

3. RESERVE EXPENDITURES and FUNDING PLAN

The tables following this introduction present:

Reserve Expenditures

- Line item numbers
- Total quantities
- Quantities replaced per phase (in a single year)
- Reserve component inventory
- Estimated first year of event (i.e., replacement, application, etc.)
- Life analysis showing
 - useful life
 - remaining useful life
- 2017 local cost of replacement
 - Per unit
 - Per phase
 - Replacement of total quantity
- Total future costs of replacement anticipated during the next 30 years
- Schedule of estimated future costs for each reserve component including inflation

Reserve Funding Plan

- Reserves at the beginning of each year
- Total recommended reserve contributions
- Estimated interest earned from invested reserves
- Anticipated expenditures by year
- Anticipated reserves at year end

Financial statements prepared by your association, by you or others might rely in part on information contained in this section. For your convenience, we have provided an electronic data file containing the tables of ***Reserve Expenditures*** and ***Reserve Funding Plan***.

RESERVE EXPENDITURES

Waterview Estates
Owners Association, Inc.
Richmond, Texas

Explanatory Notes:

- 1) 2.4% is the estimated future Inflation Rate for estimating Future Replacement Costs.
2) FY2017 is Fiscal Year beginning January 1, 2017 and ending December 31, 2017.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$			RUL = 0 FY2017	1 2018	2 2019	3 2020	4 2021	5 2022	6 2023	7 2024	8 2025	9 2026	10 2027	11 2028	12 2029	13 2030	14 2031	15 2032	
						Useful	Remaining	Unit (2017)	Per Phase (2017)	Total (2017)																	30-Year Total (Inflated)
Property Site Elements																											
4.120	19,100	1,145 Square Feet	Concrete Parking Area, Partial		2026	to 65	9 to 30+	13.00	14,885	248,300	118,444									18,427					20,747		
4.140	58,000	1,935 Square Feet	Concrete Sidewalks, Partial		2021	to 65	4 to 30+	9.00	17,415	522,000	157,723				19,148					21,559					24,273		
4.220	700	700 Linear Feet	Fences, Chain Link, Baseball Diamond (Incl Backstop)		2026	to 25	9	29.00	20,300	20,300	25,130									25,130							
4.240	2,020	2,020 Linear Feet	Fences, Metal, Paint Finishes		2024	6 to 8	7	6.00	12,120	12,120	31,607							14,309							17,298		
4.245	880	880 Linear Feet	Fences, Metal, Belfort Street, Replacement		2040	to 35	23	70.00	61,600	61,600	106,287																
4.246	520	520 Linear Feet	Fence, Metal, Pool, Replacement		2029	to 25	12	55.00	28,600	28,600	38,016											38,016					
4.247	620	620 Linear Feet	Fence, Metal, Splash Pad, Replacement		2040	to 25	23	15.50	9,610	9,610	16,581																
4.280	6,550	6,550 Linear Feet	Fences, Wood, Paint Finishes		2020	4 to 6	3	5.00	32,750	32,750	333,116				35,165			38,664				42,512				46,742	
4.285	590	590 Linear Feet	Fence, Wood, Belfort Street, Replacement		2035	15 to 20	18	40.00	23,600	23,600	36,167																
4.286	140	140 Linear Feet	Fence, Wood, North West Pocket Park, Replacement		2020	15 to 20	3	40.00	5,600	5,600	15,675				6,013												
4.287	5,820	5,820 Linear Feet	Fences, Wood, Waterview Estates Trail, Replacement		2035	15 to 20	18	40.00	232,800	232,800	356,765																
4.410	1	1 Each	Irrigation System, Pump		2023	to 20	6	15,000.00	15,000	15,000	45,084							17,294									
4.420	175	35 Zones	Irrigation System, Phased		2042	to 40	25 to 29	1,200.00	42,000	210,000	398,623																
4.560	4	4 Each	Light Poles and Fixtures, Amenity Center		2033	to 30	16	2,900.00	11,600	11,600	16,953																
4.660	1	1 Allowance	Playground Equipment, Amenity Center, North Pocket Parks and Splash Pad		2022	15 to 20	5	86,600.00	86,600	86,600	254,184					97,503											
4.661	1	1 Allowance	Playground Equipment, Jay Thrush Drive		2031	15 to 20	14	37,000.00	37,000	37,000	51,570														51,570		
4.662	1	1 Allowance	Playground Equipment, Quail Rush Drive		2035	15 to 20	18	37,000.00	37,000	37,000	56,702																
4.700	1	1 Each	Ponds, Aerator		2018	10 to 15	1	5,300.00	5,300	5,300	13,173		5,427														
4.800	1	1 Allowance	Signage, Entrance Monument, Renovation		2045	to 30	28	20,000.00	20,000	20,000	38,853																
4.830	12,960	12,960 Square Feet	Tennis Court, Color Coat		2022	4 to 6	5	0.60	7,776	7,776	72,115					8,755					9,857					11,098	
4.840	480	480 Linear Feet	Tennis Court, Fence		2027	to 25	10	45.00	21,600	21,600	27,381										27,381						
4.850	9	9 Each	Tennis Court, Light Poles and Fixtures		2032	to 30	15	3,000.00	27,000	27,000	38,536															38,536	
4.860	12,960	12,960 Square Feet	Tennis Court, Surface Replacement		2042	to 40	25	13.00	168,480	168,480	304,823																
Clubhouse Elements																											
5.300	1	1 Allowance	Exterior Renovation, Clubhouse Water Infiltration Repairs and Paint Finishes		2018	N/A	1	14,000.00	14,000	14,000	14,336		14,336														
5.310	1	1 Allowance	Exterior Renovations, Paint Finishes and Repairs		2026	8 to 10	9	6,500.00	6,500	6,500	51,722								8,047						9,060		
5.450	1	1 Allowance	HVAC Equipment		2020	12 to 18	3	6,000.00	6,000	6,000	15,637				6,442												
5.500	1	1 Allowance	Interior Renovations, Complete		2030	to 25	13	65,000.00	65,000	65,000	200,626													88,473			
5.510	1	1 Allowance	Interior, Renovation, Partial		2018	10 to 15	1	17,000.00	17,000	17,000	67,449		17,408									22,067					
5.600	44	44 Squares	Roof Assemblies, Metal		2030	to 30	13	800.00	35,200	35,200	47,912													47,912			
5.700	2	1 Allowance	Security System, Phased		2025	to 10	8 to 10	16,000.00	16,000	32,000	153,532								19,343		20,282						
5.800	380	380 Square Feet	Windows and Doors		2036	to 40	19	55.00	20,900	20,900	32,798																
Pool Elements																											
6.200	7,750	7,750 Square Feet	Concrete Deck, Inspections, Partial Replacements and Repairs		2025	8 to 12	8	1.50	11,625	11,625	54,453								14,054								
6.500	1	1 Allowance	Furniture		2029	to 12	12	10,500.00	10,500	10,500	32,509												13,957				
6.600	2	1 Allowance	Mechanical Equipment, Phased		2022	to 15	5 to 12	12,000.00	12,000	24,000	70,525					13,511							15,951				
6.800	5,690	5,690 Square Feet	Pool Finish, Plaster		2025	8 to 12	8	8.50	48,365	48,365	226,546								58,470								
6.801	400	400 Linear Feet	Pool Finish, Tile		2025	15 to 25	8	35.50	14,200	14,200	44,753								17,167								

RESERVE EXPENDITURES

Waterview Estates
Owners Association, Inc.
Richmond, Texas

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$				16 2033	17 2034	18 2035	19 2036	20 2037	21 2038	22 2039	23 2040	24 2041	25 2042	26 2043	27 2044	28 2045	29 2046	30 2047	
						Useful	Remaining	Unit (2017)	Per Phase (2017)	Total (2017)	30-Year Total (Inflated)																
Property Site Elements																											
4.120	19,100	1,145	Square Feet	Concrete Parking Area, Partial	2026	to 65	9 to 30+	13.00	14,885	248,300	118,444				23,359					26,300						29,611	
4.140	58,000	1,935	Square Feet	Concrete Sidewalks, Partial	2021	to 65	4 to 30+	9.00	17,415	522,000	157,723				27,329					30,770						34,644	
4.220	700	700	Linear Feet	Fences, Chain Link, Baseball Diamond (Incl Backstop)	2026	to 25	9	29.00	20,300	20,300	25,130																
4.240	2,020	2,020	Linear Feet	Fences, Metal, Paint Finishes	2024	6 to 8	7	6.00	12,120	12,120	31,607																
4.245	880	880	Linear Feet	Fences, Metal, Belfort Street, Replacement	2040	to 35	23	70.00	61,600	61,600	106,287								106,287								
4.246	520	520	Linear Feet	Fence, Metal, Pool, Replacement	2029	to 25	12	55.00	28,600	28,600	38,016																
4.247	620	620	Linear Feet	Fence, Metal, Splash Pad, Replacement	2040	to 25	23	15.50	9,610	9,610	16,581									16,581							
4.280	6,550	6,550	Linear Feet	Fences, Wood, Paint Finishes	2020	4 to 6	3	5.00	32,750	32,750	333,116				51,394				56,508				62,131				
4.285	590	590	Linear Feet	Fence, Wood, Belfort Street, Replacement	2035	15 to 20	18	40.00	23,600	23,600	36,167				36,167												
4.286	140	140	Linear Feet	Fence, Wood, North West Pocket Park, Replacement	2020	15 to 20	3	40.00	5,600	5,600	15,675								9,662								
4.287	5,820	5,820	Linear Feet	Fences, Wood, Waterview Estates Trail, Replacement	2035	15 to 20	18	40.00	232,800	232,800	356,765				356,765												
4.410	1	1	Each	Irrigation System, Pump	2023	to 20	6	15,000.00	15,000	15,000	45,084										27,790						
4.420	175	35	Zones	Irrigation System, Phased	2042	to 40	25 to 29	1,200.00	42,000	210,000	398,623								75,989	77,812	79,680	81,592	83,550				
4.560	4	4	Each	Light Poles and Fixtures, Amenity Center	2033	to 30	16	2,900.00	11,600	11,600	16,953	16,953															
4.660	1	1	Allowance	Playground Equipment, Amenity Center, North Pocket Parks and Splash Pad	2022	15 to 20	5	86,600.00	86,600	86,600	254,184								156,681								
4.661	1	1	Allowance	Playground Equipment, Jay Thrush Drive	2031	15 to 20	14	37,000.00	37,000	37,000	51,570																
4.662	1	1	Allowance	Playground Equipment, Quail Rush Drive	2035	15 to 20	18	37,000.00	37,000	37,000	56,702				56,702												
4.700	1	1	Each	Ponds, Aerator	2018	10 to 15	1	5,300.00	5,300	5,300	13,173	7,746															
4.800	1	1	Allowance	Signage, Entrance Monument, Renovation	2045	to 30	28	20,000.00	20,000	20,000	38,853												38,853				
4.830	12,960	12,960	Square Feet	Tennis Court, Color Coat	2022	4 to 6	5	0.60	7,776	7,776	72,115				12,496					14,069						15,840	
4.840	480	480	Linear Feet	Tennis Court, Fence	2027	to 25	10	45.00	21,600	21,600	27,381																
4.850	9	9	Each	Tennis Court, Light Poles and Fixtures	2032	to 30	15	3,000.00	27,000	27,000	38,536																
4.860	12,960	12,960	Square Feet	Tennis Court, Surface Replacement	2042	to 40	25	13.00	168,480	168,480	304,823									304,823							
Clubhouse Elements																											
5.300	1	1	Allowance	Exterior Renovation, Clubhouse Water Infiltration Repairs and Paint Finishes	2018	N/A	1	14,000.00	14,000	14,000	14,336																
5.310	1	1	Allowance	Exterior Renovations, Paint Finishes and Repairs	2026	8 to 10	9	6,500.00	6,500	6,500	51,722				10,200					11,485					12,930		
5.450	1	1	Allowance	HVAC Equipment	2020	12 to 18	3	6,000.00	6,000	6,000	15,637				9,195												
5.500	1	1	Allowance	Interior Renovations, Complete	2030	to 25	13	65,000.00	65,000	65,000	200,626								112,153								
5.510	1	1	Allowance	Interior, Renovation, Partial	2018	10 to 15	1	17,000.00	17,000	17,000	67,449							27,974									
5.600	44	44	Squares	Roof Assemblies, Metal	2030	to 30	13	800.00	35,200	35,200	47,912																
5.700	2	1	Allowance	Security System, Phased	2025	to 10	8 to 10	16,000.00	16,000	32,000	153,532				24,520	25,711							31,083		32,593		
5.800	380	380	Square Feet	Windows and Doors	2036	to 40	19	55.00	20,900	20,900	32,798				32,798												
Pool Elements																											
6.200	7,750	7,750	Square Feet	Concrete Deck, Inspections, Partial Replacements and Repairs	2025	8 to 12	8	1.50	11,625	11,625	54,453				17,815									22,584			
6.500	1	1	Allowance	Furniture	2029	to 12	12	10,500.00	10,500	10,500	32,509								18,552								
6.600	2	1	Allowance	Mechanical Equipment, Phased	2022	to 15	5 to 12	12,000.00	12,000	24,000	70,525				18,831							22,232					
6.800	5,690	5,690	Square Feet	Pool Finish, Plaster	2025	8 to 12	8	8.50	48,365	48,365	226,546				74,119									93,957			
6.801	400	400	Linear Feet	Pool Finish, Tile	2025	15 to 25	8	35.50	14,200	14,200	44,753													27,586			

RESERVE EXPENDITURES

Waterview Estates
Owners Association, Inc.
Richmond, Texas

Explanatory Notes:

- 1) 2.4% is the estimated future Inflation Rate for estimating Future Replacement Costs.
2) FY2017 is Fiscal Year beginning January 1, 2017 and ending December 31, 2017.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$				RUL = 0 FY2017	1 2018	2 2019	3 2020	4 2021	5 2022	6 2023	7 2024	8 2025	9 2026	10 2027	11 2028	12 2029	13 2030	14 2031	15 2032
						Useful	Remaining	Unit (2017)	Per Phase (2017)	Total (2017)	30-Year Total (Inflated)																
6.870	2,400	2,400	Square Feet	Shade Structures, Canvas Replacement (Incl. Playground)	2021	6 to 8	4	6.00	14,400	14,400	86,325				15,833						18,254						
6.871	2,400	2,400	Square Feet	Shade Structures. Total Replacement (Incl. Playground)	2033	15 to 20	16	15.00	36,000	36,000	52,614																
6.970	1	1	Allowance	Water Features and Slide, Refinishing and Repairs (Incl. Splash Pad)	2021	6 to 8	4	35,000.00	35,000	35,000	216,604				38,483												
6.980	1	1	Allowance	Water Features, Replacement	2027	15 to 20	10	53,000.00	53,000	53,000	163,075										67,185						
6.990	1	1	Allowance	Water Slide, Fiberglass, Replacement	2035	15 to 20	18	75,000.00	75,000	75,000	114,937																
Anticipated Expenditures, By Year											\$4,199,861	0	37,171	0	47,620	73,464	119,769	17,294	52,973	109,034	73,163	142,959	64,579	67,924	136,385	105,650	113,674

RESERVE EXPENDITURES

Waterview Estates
Owners Association, Inc.
Richmond, Texas

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$				16 2033	17 2034	18 2035	19 2036	20 2037	21 2038	22 2039	23 2040	24 2041	25 2042	26 2043	27 2044	28 2045	29 2046	30 2047	
						Useful	Remaining	Unit (2017)	Per Phase (2017)	Total (2017)	30-Year Total (Inflated)																
6.870	2,400	2,400	Square Feet	Shade Structures, Canvas Replacement (Incl. Playground)	2021	6 to 8	4	6.00	14,400	14,400	86,325						24,264							27,974			
6.871	2,400	2,400	Square Feet	Shade Structures. Total Replacement (Incl. Playground)	2033	15 to 20	16	15.00	36,000	36,000	52,614	52,614															
6.970	1	1	Allowance	Water Features and Slide, Refinishing and Repairs (Incl. Splash Pad)	2021	6 to 8	4	35,000.00	35,000	35,000	216,604	51,153					58,975							67,993			
6.980	1	1	Allowance	Water Features, Replacement	2027	15 to 20	10	53,000.00	53,000	53,000	163,075									95,890							
6.990	1	1	Allowance	Water Slide, Fiberglass, Replacement	2035	15 to 20	18	75,000.00	75,000	75,000	114,937			114,937													
Anticipated Expenditures, By Year												\$4,199,861	128,466	0	690,220	163,911	38,207	27,974	83,239	301,191	87,107	647,452	127,834	141,811	391,622	160,735	48,433

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS
Waterview Estates
Owners Association, Inc.

Owners Association, Inc.		Individual Reserve Budgets & Cash Flows for the Next 30 Years															
Richmond, Texas		FY2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Reserves at Beginning of Year (Note 1)	N/A	107,000	231,850	333,220	390,315	424,511	415,049	511,079	574,984	585,874	635,697	618,720	683,206	748,018	747,754	781,525
	Total Recommended Reserve Contributions (Note 2)	N/A	160,000	98,000	100,400	102,800	105,300	107,800	110,400	113,000	115,700	118,500	121,300	124,200	127,200	130,300	133,400
Plus	Estimated Interest Earned, During Year (Note 3)	N/A	2,021	3,370	4,315	4,860	5,007	5,524	6,478	6,924	7,286	7,482	7,765	8,536	8,921	9,121	9,497
Less	Anticipated Expenditures, By Year	N/A	(37,171)	0	(47,620)	(73,464)	(119,769)	(17,294)	(52,973)	(109,034)	(73,163)	(142,959)	(64,579)	(67,924)	(136,385)	(105,650)	(113,674)
	Anticipated Reserves at Year End	<u>\$107,000</u>	<u>\$231,850</u>	<u>\$333,220</u>	<u>\$390,315</u>	<u>\$424,511</u>	<u>\$415,049</u>	<u>\$511,079</u>	<u>\$574,984</u>	<u>\$585,874</u>	<u>\$635,697</u>	<u>\$618,720</u>	<u>\$683,206</u>	<u>\$748,018</u>	<u>\$747,754</u>	<u>\$781,525</u>	<u>\$810,748</u>

(continued)

		Individual Reserve Budgets & Cash Flows for the Next 30 Years, Continued														
		2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
	Reserves at Beginning of Year	810,748	828,660	979,343	440,894	428,870	546,681	679,822	762,686	631,108	717,243	244,728	293,404	332,828	125,741	152,868
	Total Recommended Reserve Contributions	136,600	139,900	143,300	146,700	150,200	153,800	157,500	161,300	165,200	169,200	173,300	177,500	181,800	186,200	190,700
Plus	Estimated Interest Earned, During Year	9,778	10,783	8,471	5,187	5,818	7,315	8,603	8,313	8,042	5,737	3,210	3,735	2,735	1,662	2,688
Less	Anticipated Expenditures, By Year	(128,466)	0	(690,220)	(163,911)	(38,207)	(27,974)	(83,239)	(301,191)	(87,107)	(647,452)	(127,834)	(141,811)	(391,622)	(160,735)	(48,433)
	Anticipated Reserves at Year End	<u>\$828,660</u>	<u>\$979,343</u>	<u>\$440,894</u>	<u>\$428,870</u>	<u>\$546,681</u>	<u>\$679,822</u>	<u>\$762,686</u>	<u>\$631,108</u>	<u>\$717,243</u>	<u>\$244,728</u>	<u>\$293,404</u>	<u>\$332,828</u>	<u>\$125,741</u> (NOTE 5)	<u>\$152,868</u>	<u>\$297,823</u> (NOTE 4)

Explanatory Notes:

- 1) Year 2017 ending reserves are projected by Management and the Board as of December 31, 2017; FY2017 starts January 1, 2017 and ends December 31, 2017.
- 2) 2019 is the first year of recommended contributions.
- 3) 1.2% is the estimated annual rate of return on invested reserves
- 4) Accumulated year 2047 ending reserves consider the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Year (reserve balance at critical point).

4.RESERVE COMPONENT DETAIL

The Reserve Component Detail of this *Full Reserve Study* includes *Enhanced Solutions and Procedures* for select significant components. This section describes the Reserve Components, documents specific problems and condition assessments, and may include detailed solutions and procedures for necessary capital repairs and replacements for the benefit of current and future board members. We advise the Board use this information to help define the scope and procedures for repair or replacement when soliciting bids or proposals from contractors. *However, the Report in whole or part is not and should not be used as a design specification or design engineering service.*

Property Site Elements

Concrete Parking Area

Line Item: 4.120

Quantity: 19,100 square feet of concrete at the amenity center parking lot

Condition: Good overall with curb cracks and thermal cracks evident



Parking lot overview



Curb crack



Minor thermal cracks

Useful Life: Up to 65 years although interim deterioration of areas is common

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We estimate that up to 5,725 square feet of concrete driveways, or thirty percent (30%) of the total, will require replacement during the next 30 years.

Concrete Sidewalks

Line Item: 4.140

Quantity: 58,000 square feet of common area sidewalks with the majority located to Waterview Estates Trail

Condition: Good overall with isolated cracks and settlement



Sidewalk overview



Sidewalk crack



Sidewalk crack and settlement

Useful Life: Up to 65 years although interim deterioration of areas is common

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We estimate that up to 11,610 square feet of concrete sidewalks, or twenty percent (20%) of the total, will require replacement during the next 30 years.

Fences, Chain Link, Baseball Diamond

Line Item: 4.220

Quantity: 700 linear feet of chain link fence at the baseball field including the backstop

History: 11 years of age

Condition: Good to fair overall with webbing deflection and webbing damage evident



Fence overview



Webbing deflection



Webbing damage

Useful Life: Up to 25 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Fences, Steel

Line Items: 4.240 through 4.247

Quantities and Histories:

- Belfort Street: 880 linear feet of decorative metal fence at 11 years of age and painted in 2016.
- Pool Area: 520 linear feet of aluminum fence at 11 years of age
- Splash Pad: 620 linear feet of metal fence at one year of age

Condition: The fences are in good overall condition.



Belfort Street fencing



Pool area fence with faded finish



Splash pad fence

Useful Life: Six- to eight-years for paint finishes and up to 35 for the replacement of the decorative metal fences and up to 25 years for the replacement of the pool and splash pad fences

Component Detail Notes: Steel components at grade and key structural connections are especially prone to failure if not thoroughly maintained. Secure and rust free fasteners and connections will prevent premature deterioration. Preparation of the steel before application of the paint finish is critical to maximize the useful life of the finish.

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We base our estimate of cost for splash pad fence replacement on historical information provided by Management and the Board.

Fences, Wood

Line Items: 4.280 through 4.287

Quantities and Histories:

- Belfort Street: 590 linear feet of wood fence replaced in 2015
- North west pocket park: 140 linear feet of wood fence at 11 years of age (Management and the Board inform us the Association will likely remove the north east pocket parks remaining fencing through the operating budget)
- Waterview Estates Trail: 5,820 linear feet of wood fence replaced in 2016

Condition: The fences are in primarily good overall condition with deterioration at the north west pocket park fence. The fences at Belfort Street and Waterview Estates Trail have isolated missing components. The fence at the north east pocket park is in disrepair.



North east pocket park fence overview



Belfort Street fence overview

Note: Management and the Board inform us the Association will likely remove the north east pocket parks remaining fencing through the operating budget.



Partial top rail missing



North west pocket park fence overview



Waterview Estates Trail fence overview



Isolated missing fence board

Useful Life: 15- to 20-years with paint finishes every four- to six-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The Association should anticipate periodic partial replacements due to the non-uniform nature of wood deterioration. We base our estimate of cost on historical information provided by Management and the Board.

Irrigation System

Line Items: 4.410 and 4.420

Quantity: An irrigation system comprising of 175 zones and a single 5-HP pump water the common lawn and landscaped areas throughout the community

History: 11 years of age

Condition: Good overall and Management and the Board do not report any deficiencies



Irrigation system controller and rain sensor

Useful Life: Up to 40 years

Component Detail Notes: Irrigation systems typically include the following components:

- Electronic controls (timer)
- Impact rotors
- Network of supply pipes
- Pop-up heads
- Pump
- Valves

Waterview Estates should anticipate interim and partial replacements of the system network supply pipes and other components as normal maintenance to maximize the useful life of the irrigation system. The Association should fund these ongoing seasonal repairs through the operating budget.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Light Poles and Fixtures

Line Item: 4.560

Quantity: Four each at the amenity center

History: The light poles and fixtures are 11 years of age. The Association replaced the ballasts in 2016.

Condition: Good overall



Light pole and fixture overview

Useful Life: Up to 30 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Playground Equipment

Line Items: 4.660 through 4.662

Histories and Conditions:

- Amenity center, north pocket parks and splash pad: Built in 2007 and are in fair overall condition with corrosion, tread deterioration and border damage evident
- Jay Thrush Drive: Built in 2011 and in good overall condition (Management and the Board inform us the canopy was installed in 2014)
- Quail Rush Drive: Built in 2015 and in good overall condition.



North east pocket park equipment



Component corrosion



Tread surface deterioration



North west pocket park equipment



Border damage



Splash pad park equipment



Amenity center equipment



Jay Thrush Drive park equipment overview



Equipment overview



Quail Rush Drive equipment overview

Useful Life: 15- to 20-years

Component Detail Notes: Safety is the major purpose for maintaining playground equipment. We recommend an annual inspection of the playground equipment to identify and repair as normal maintenance loose connections and fasteners or damaged elements. We suggest the Association learn more about the specific requirements of playground equipment at PlaygroundSafety.org. We recommend the use of a specialist for the design or replacement of the playground equipment environment.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We include an allowance in the unit cost for replacement of the safety surface.

Pond, Aerator

Line Item: 4.700

Quantity: One aerator

History: 11 years of age

Condition: Reported in good condition



Aerator overview

Useful Life: 10- to 15-years

Component Detail Notes: The use of small pumps, motors and aerators circulates pond water and increases the amount of entrained oxygen in the water, increasing water quality and reducing algae growths.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Signage

Line Item: 4.800

Quantity: One entrance monument

History: Two years of age

Condition: Good overall



Entrance monument

Useful Life: Up to 30 years

Component Detail Notes: Community signage contributes to the overall aesthetic appearance of the property to owners and potential buyers. Renovation or replacement of community signs is often predicated upon the desire to "update" the perceived identity of the community rather than for utilitarian concerns. Therefore, the specific times for replacement or renovation are discretionary. The signage includes the following elements:

- Landscaping
- Letters
- Masonry

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost for renovation includes repointing and repairs to the masonry and replacement of the remaining components listed above.

Tennis Courts, Color Coat

Line Item: 4.830

Quantity: 12,960 square yards comprising two tennis courts

History: The Association applied a color coat to the surface in 2017.

Condition: Good overall



Tennis court overview



Debris

Useful Life: Four- to six-years

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We base our estimate of cost on historical information provided by Management and the Board.

Tennis Courts, Fence

Line Item: 4.840

Quantity: 480 linear feet

History: 11 years of age (The Association replaced the windscreens in 2017)

Condition: Good to fair overall with webbing deflection and hardware finish deterioration evident



Fence and wind screens overview



Webbing deflection



Hardware finish deterioration

Useful Life: Up to 25 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Tennis Courts, Light Poles and Fixtures

Line Item: 4.850

Quantity: Nine each

History: 11 years of age

Condition: Good overall



Light pole and fixture overview

Useful Life: Up to 30 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Tennis Courts, Surface

Line Item: 4.860

Quantity: 12,960 square yards of asphalt comprising two tennis courts.

History: 11 years of age

Condition: Good overall

Useful Life: Up to 40 years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Clubhouse Elements



Clubhouse overview

Exterior Renovations

Line Items: 5.300 and 5.310

History: Original

Condition: The exterior of the clubhouse is in fair condition, with soiled finishes, organic growth, trim rot and sealant deterioration evident. Management and the Board inform us of a history of leaks at the windows due to improper installation of the siding at the windows.



Soiled finishes



Organic growth



Trim rot and sealant deterioration



Sealant repair

Useful Life: 8- to 10-years for paint finishes and repairs

Component Detail Notes:

- 490 square feet of brick
- 2,980 square feet of siding
- 380 square feet of windows and doors
- 44 squares of asphalt shingle roofs
- 270 linear feet of gutters and downspouts

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Paint finishes and repairs should include the following:

- Inspection of the brick veneer including partial repointing of up to three percent (3%)
- Application of paint finish including partial replacement of up to five percent (5%) of the fiber cement siding and trim
- Replacement of the window and door joint sealant as needed
- We provide additional funds in 2018 to address increased partial replacement of siding, replacement of window flashing and repairs to the standing seam metal roof.

HVAC Equipment

Line Item: 5.450

History: 11 years of age

Condition: Reported in satisfactory condition



Air handling unit

Useful Life: 12- to 18-years

Component Detail Notes:

- One remote condensing unit
- One gas-fired forced air furnace

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Interior Renovations

Line Items: 5.500 and 5.510

History: The interior finishes are original at 11 years of age.

Condition: Fair to poor overall condition with paint scuffs, cracks and stains of the concrete floor coating, and evidence of water infiltration near the windows



Kitchen overview



Rest room overview



Cracks and concrete coating stains



Paint scuffs



Evidence of water infiltration



Evidence of water infiltration

Useful Life: Complete interior renovation every 25 years and partial interior renovations every 10- to 15-years

Component Detail Notes: The clubhouse interior comprises approximately 0 square feet of finished area.

- Colored concrete floor stain
- Paint finishes on the walls and ceilings
- Plumbing fixtures
- Light fixtures including exit and emergency lights
- Kitchen cabinets and countertops
- Furnishings
- Various appliances including a refrigerator and microwave

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The complete renovation should include replacement of all the interior components listed above.

These partial renovations should include the following:

- Application of paint finish to all surfaces
- Application of a stain to the concrete floors
- Replacement of furnishings as necessary

Roof Assemblies, Metal

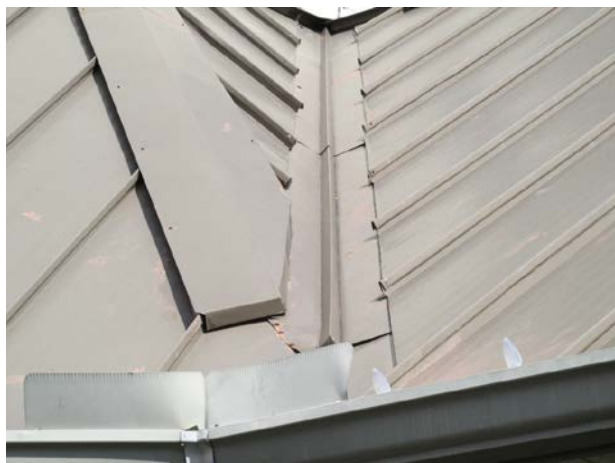
Line Item: 5.600

Quantity: 44 squares¹

History: 11 years of age

Condition: The roofs are in fair overall condition with loose flashing and finish deterioration evident. Management and the Board inform us of a history of leaks.

¹ We quantify the roof area in squares where one square is equal to 100 square feet of surface area.



Metal roof detail with finish deterioration



Finish deterioration at vent pipe



Loose flashing

Useful Life: years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We include partial repairs of the metal roofs on Line Item 5.300 of Reserve Expenditures. Refer to narrative "Exterior Renovations" for inclusion of this cost.

Security System

Line Item: 3.820

Quantity: Waterview Estates utilize six separate security systems comprising of the following components:

- Cameras

- Multiplexer
- Recorders

History: The Association installed four independent security systems at the community entrances in 2017. The remaining two systems are two years of age.

Condition: Reported in satisfactory condition



Entrance security system

Useful Life: Up to 10 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The Association should anticipate replacement of up to fifty percent (50%) of the security system components per event.

Windows and Doors

Line Item: 5.800

Quantity: 380 square feet of wood framed windows and doors

History: 11 years of age

Condition: Good to fair overall condition with leaks reported

Useful Life: Up to 40 years

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We anticipate a shorter useful life due to the water

infiltration problems at the windows. Based on the information provided we assume the current infiltration is at the outside of the window frames and full replacement of the windows is unnecessary at this time.

Pool Elements



Pool overview



Splash pad at amenity center



Splash pad at Marsh Willow Way

Concrete Deck

Line Item: 6.200

Quantity: 7,750 square feet

History: 11 years of age

Condition: Good condition with minor spalls and cracks



Concrete deck overview



Minor spall and cracking



Minor crack at stamped concrete

Useful Life: The useful life of a concrete pool deck is up to 60 years or more with timely repairs. We recommend the Association conduct inspections, partial replacements and repairs to the deck every 8- to 12-years

Component Detail Notes: We recommend the Association budget for the following:

- Selective cut out and replacements of up to ten percent (10%) of concrete
- Crack repairs as needed
- Mortar joint repairs
- Caulk replacement

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Furniture

Line Item: 6.500

Quantity:

- Chairs
- Lounges
- Tables
- Ladders and life safety equipment

History: The Association restrapped and powder coated the furniture in 2017.

Condition: Good overall



Furniture overview

Useful Life: Up to 12 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend interim re-strapping, refinishing, cushion replacements, reupholstering and other repairs to the furniture as normal maintenance to maximize its useful life.

Mechanical Equipment

Line Item: 6.600

Quantity:

- Controls
- Filters
- Interconnected pipe, fittings and valves

- Pumps

History: The Association replaced the pool pumps in 2015. The remaining equipment is approximately 11 years of age.

Condition: Reported satisfactory



Filters and pumps



Pumps



Chemical treatment equipment

Useful Life: Up to 15 years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Failure of the pool mechanical equipment as a single event is unlikely. Therefore, we include replacement of up to fifty percent (50%) of the equipment per event. We consider interim replacement of motors and minor repairs as normal maintenance.

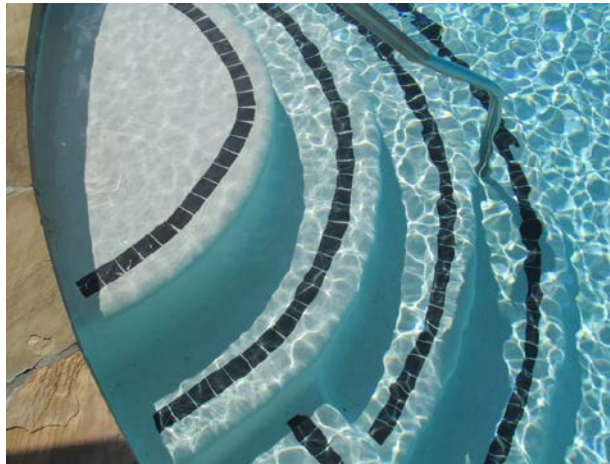
Pool Finishes, Plaster and Tile

Line Items: 6.800 and 6.801

Quantity: 5,690 square feet of plaster based on the horizontal surface area and approximately 400 linear feet of tile

History: The plaster finish is two years of age.

Condition: Good overall



Plaster finish overview

Useful Life: 8- to 12-years for the plaster and 15- to 25-years for the tile

Component Detail Notes: Removal and replacement provides the opportunity to inspect the pool structure and to allow for partial repairs of the underlying concrete surfaces as needed. To maintain the integrity of the pool structure, we recommend the Association budget for the following:

- Removal and replacement of the plaster finish
- Partial replacements of the scuppers and coping as needed
- Replacement of tiles as needed
- Replacement of joint sealants as needed
- Concrete structure repairs as needed

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association budget for full tile replacement every other plaster replacement event.

Shade Structures

Line Items: 6.870 and 6.871

Quantity: 2,400 square feet of shade structures including the shade structure at the Jay Thrush Drive playground equipment

History: Two years of age

Condition: Good overall



Shade structure



Shade structure

Useful Life: 6- to 8- years for the fabric and 15- to 20-years for the structures

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Water Features and Slide

Line Items: 6.970 through 6.990

History: The Association replaced the water slide in 2016 and the red ball in the main pool in 2015. The remaining equipment is 11 years of age.

Conditions: Fair condition with faded finishes and stains evident



Faded finish



Faded finish



Faded finish



Waster stains



Water slide overview



Standing water on pad

Useful Life: Six- to eight-years for refinishing and repairs, and 15- to 20-years for replacement

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Component Detail Notes: Safety is the major purpose for maintaining the water slide. We recommend an annual inspection of the water slide to identify and repair as normal maintenance loose connections and fasteners or damaged elements. We recommend the use of a specialist for the design or replacement of the water slide environment.

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Reserve Study Update

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. Many variables change after the study is conducted that may result in significant overfunding or underfunding the reserve account. Variables that may affect the Reserve Funding Plan include, but are not limited to:

- Deferred or accelerated capital projects based on Board discretion
- Changes in the interest rates on reserve investments
- Changes in the *local* construction inflation rate
- Additions and deletions to the Reserve Component Inventory
- The presence or absence of maintenance programs
- Unusually mild or extreme weather conditions
- Technological advancements

Periodic updates incorporate these variable changes since the last Reserve Study or Update. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. Budgeting for an Update demonstrates the Board's objective to continue fulfilling its fiduciary responsibility to maintain the commonly owned property and to fund reserves appropriately.

5.METHODOLOGY

Reserves for replacement are the amounts of money required for future expenditures to repair or replace Reserve Components that wear out before the entire facility or project wears out. Reserving funds for future repair or replacement of the Reserve Components is also one of the most reliable ways of protecting the value of the property's infrastructure and marketability.

Waterview Estates can fund capital repairs and replacements in any combination of the following:

1. Increases in the operating budget during years when the shortages occur
2. Loans using borrowed capital for major replacement projects
3. Level annual reserve assessments annually adjusted upward for inflation to increase reserves to fund the expected major future expenditures
4. Special assessments

We do not advocate special assessments or loans unless near term circumstances dictate otherwise. Although loans provide a gradual method of funding a replacement, the costs are higher than if the Association were to accumulate reserves ahead of the actual replacement. Interest earnings on reserves also accumulate in this process of saving or reserving for future replacements, thereby defraying the amount of gradual reserve collections. We advocate the third method of *Level Monthly Reserve Assessments* with relatively minor annual adjustments. The method ensures that Homeowners pay their "fair share" of the weathering and aging of the commonly owned property each year. Level reserve assessments preserve the property and enhance the resale value of the homes.

This Reserve Study is in compliance with and exceeds the National standards¹ set forth by the Community Associations Institute (CAI) and the Association of Professional Reserve Analysts (APRA) fulfilling the requirements of a "Full Reserve Study." These standards require a Reserve Component to have a "predictable remaining Useful Life." Estimating Remaining Useful Lives and Reserve Expenditures beyond 30 years is often indeterminate. Long-Lived Property Elements are necessarily excluded from this analysis. We considered the following factors in our analysis:

- The Cash Flow Method to compute, project and illustrate the 30-year Reserve Funding Plan
- Local² costs of material, equipment and labor
- Current and future costs of replacement for the Reserve Components
- Costs of demolition as part of the cost of replacement
- Local economic conditions and a historical perspective to arrive at our estimate of long term future inflation for construction costs in Richmond, Texas at an annual inflation rate. Isolated or regional markets of greater

¹ Identified in the APRA "Standards - Terms and Definitions" and the CAI "Terms and Definitions".

² See Credentials for addition information on our use of published sources of cost data.

construction (development) activity may experience slightly greater rates of inflation for both construction materials and labor.

- The past and current maintenance practices of Waterview Estates and their effects on remaining useful lives
- Financial information provided by the Association pertaining to the cash status of the reserve fund and budgeted reserve contribution
- The anticipated effects of appreciation of the reserves over time in accord with a return or yield on investment of your cash equivalent assets. (We did not consider the costs, if any, of Federal and State Taxes on income derived from interest and/or dividend income).
- The Funding Plan excludes necessary operating budget expenditures. It is our understanding that future operating budgets will provide for the ongoing normal maintenance of Reserve Components.

Updates to this Reserve Study will continue to monitor historical facts and trends concerning the external market conditions.

6. CREDENTIALS

HISTORY AND DEPTH OF SERVICE

Founded in 1991, Reserve Advisors, Inc. is the leading provider of reserve studies, insurance appraisals, developer turnover transition studies, expert witness services, and other engineering consulting services. Clients include community associations, resort properties, hotels, clubs, non-profit organizations, apartment building owners, religious and educational institutions, and office/commercial building owners in 48 states, Canada and throughout the world.

The **architectural engineering consulting firm** was formed to take a leadership role in helping fiduciaries, boards, and property managers manage their property like a business with a long range master plan known as a Reserve Study.

Reserve Advisors employs the **largest staff of Reserve Specialists** with bachelor's degrees in engineering dedicated to Reserve Study services. Our principals are founders of Community Associations Institute's (CAI) Reserve Committee that developed national standards for reserve study providers. One of our principals is a Past President of the Association of Professional Reserve Analysts (APRA). Our vast experience with a variety of building types and ages, on-site examination and historical analyses are keys to determining accurate remaining useful life estimates of building components.

No Conflict of Interest - As consulting specialists, our **independent opinion** eliminates any real or perceived conflict of interest because we do not conduct or manage capital projects.

TOTAL STAFF INVOLVEMENT

Several staff members participate in each assignment. The responsible advisor involves the staff through a Team Review, exclusive to Reserve Advisors, and by utilizing the experience of other staff members, each of whom has served hundreds of clients. We conduct Team Reviews, an internal quality assurance review of each assignment, including: the inspection; building component costing; lifing; and technical report phases of the assignment. Due to our extensive experience with building components, we do not have a need to utilize subcontractors.

OUR GOAL

To help our clients fulfill their fiduciary responsibilities to maintain property in good condition.

VAST EXPERIENCE WITH A VARIETY OF BUILDINGS

Reserve Advisors has conducted reserve studies for a multitude of different communities and building types. We've analyzed thousands of buildings, from as small as a 3,500-square foot day care center to the 2,600,000-square foot 98-story Trump International Hotel and Tower in Chicago. We also routinely inspect buildings with various types of mechanical systems such as simple electric heat, to complex systems with air handlers, chillers, boilers, elevators, and life safety and security systems.

We're familiar with all types of building exteriors as well. Our well versed staff regularly identifies optimal repair and replacement solutions for such building exterior surfaces such as adobe, brick, stone, concrete, stucco, EIFS, wood products, stained glass and aluminum siding, and window wall systems.

OLD TO NEW

Reserve Advisors experience includes ornate and vintage buildings as well as modern structures. Our specialists are no strangers to older buildings. We're accustomed to addressing the unique challenges posed by buildings that date to the 1800's. We recognize and consider the methods of construction employed into our analysis. We recommend appropriate replacement programs that apply cost effective technologies while maintaining a building's character and appeal.

QUALIFICATIONS

THEODORE J. SALGADO

Principal Owner

CURRENT CLIENT SERVICES

Theodore J. Salgado is a co-founder of Reserve Advisors, Inc., which is dedicated to serving community associations, city and country clubs, religious organizations, educational facilities, and public and private entities throughout the United States. He is responsible for the production, management, review, and quality assurance of all reserve studies, property inspection services and consulting services for a nationwide portfolio of more than 6,000 clients. Under his direction, the firm conducts reserve study services for community associations, apartment complexes, churches, hotels, resorts, office towers and vintage architecturally ornate buildings.



PRIOR RELEVANT EXPERIENCE

Before founding Reserve Advisors, Inc. with John P. Poehlmann in 1991, Mr. Salgado, a professional engineer registered in the State of Wisconsin, served clients for over 15 years through American Appraisal Associates, the world's largest full service valuation firm. Mr. Salgado conducted facilities analyses of hospitals, steel mills and various other large manufacturing and petrochemical facilities and casinos.

He has served clients throughout the United States and in foreign countries, and frequently acted as project manager on complex valuation, and federal and state tax planning assignments. His valuation studies led to negotiated settlements on property tax disputes between municipalities and property owners.

Mr. Salgado has authored articles on the topic of reserve studies and facilities maintenance. He also co-authored *Reserves*, an educational videotape produced by Reserve Advisors on the subject of Reserve Studies and maintaining appropriate reserves. Mr. Salgado has also written in-house computer applications manuals and taught techniques relating to valuation studies.

EXPERT WITNESS

Mr. Salgado has testified successfully before the Butler County Board of Tax Revisions in Ohio. His depositions in pretrial discovery proceedings relating to reserve studies of Crestview Estates Condominium Association in Wauconda, Illinois, Rivers Point Row Property Owners Association, Inc. in Charleston, South Carolina and the North Shore Club Associations in South Bend, Indiana have successfully assisted the parties in arriving at out of court settlements.

EDUCATION - Milwaukee School of Engineering - B.S. Architectural Engineering

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

American Association of Cost Engineers - Past President, Wisconsin Section

Association of Construction Inspectors - Certified Construction Inspector

Association of Professional Reserve Analysts - Past President & Professional Reserve Analyst (PRA)

Community Associations Institute - Member and Volunteer Leader of multiple chapters

Concordia Seminary, St. Louis - Member, National Steering Committee

Milwaukee School of Engineering - Member, Corporation Board

Professional Engineer, Wisconsin (1982) and North Carolina (2014)

Ted continually maintains his professional skills through American Society of Civil Engineers, ASHRAE, Association of Construction Inspectors, and continuing education to maintain his professional engineer licenses.

JOHN P. POEHLMANN, RS
Principal

John P. Poehlmann is a co-founder of Reserve Advisors, Inc. He is responsible for the finance, accounting, marketing, and overall administration of Reserve Advisors, Inc. He also regularly participates in internal Quality Control Team Reviews of Reserve Study reports.



Mr. Poehlmann directs corporate marketing, including business development, advertising, press releases, conference and trade show exhibiting, and electronic marketing campaigns. He frequently speaks throughout the country at seminars and workshops on the benefits of future planning and budgeting for capital repairs and replacements of building components and other assets.

PRIOR RELEVANT EXPERIENCE

Mr. Poehlmann served on the national Board of Trustees of Community Associations Institute. An international organization, Community Associations Institute (CAI) is a nonprofit 501(c)(3) trade association created in 1973 to provide education and resources to America's 335,000 residential condominium, cooperative and homeowner associations and related professionals and service providers.

He is a founding member of the Institute's Reserve Committee. The Reserve Committee developed national standards and the Reserve Specialist (RS) Designation Program for Reserve Study providers. Mr. Poehlmann has authored numerous articles on the topic of Reserve Studies, including Reserve Studies for the First Time Buyer, Minimizing Board Liability, Sound Association Planning Parallels Business Concepts, and Why Have a Professional Reserve Study. He is also a contributing author in Condo/HOA Primer, a book published for the purpose of sharing a wide background of industry knowledge to help boards in making informed decisions about their communities.

INDUSTRY SERVICE AWARDS

CAI Wisconsin Chapter Award
CAI National Rising Star Award
CAI Michigan Chapter Award

EDUCATION

University of Wisconsin-Milwaukee - Master of Science Management
University of Wisconsin - Bachelor of Business Administration

PROFESSIONAL AFFILIATIONS

Community Associations Institute (CAI) - Founding member of Reserve Committee;
former member of National Board of Trustees; Reserve Specialist (RS) designation;
Member of multiple chapters

Association of Condominium, Townhouse, & Homeowners Associations (ACTHA) –
member



KEARY D. WASS, E.I.T., RS
Responsible Advisor

CURRENT CLIENT SERVICES

Keary D. Wass, a Civil Engineer, is an Advisor for Reserve Advisors. Mr. Wass is responsible for the inspection and analysis of the condition of clients' property, and recommending engineering solutions to prolong the lives of the components. He also forecasts capital expenditures for the repair and/or replacement of the property components and prepares technical reports on assignments. He is responsible for conducting Life Cycle Cost Analysis and Capital Replacement Forecast services and the preparation of Reserve Study Reports for apartments, high rises, condominiums, townhomes and homeowners associations. Mr. Wass frequently serves as the Quality Assurance Review Coordinator for all types of developments.

The following is a partial list of clients served by Keary Wass demonstrating his breadth of experiential knowledge of community associations in construction and related buildings systems.

Frisco Stonewater Crossing Homeowners Association is a 243 unit homeowners association located in Frisco, Texas. This development boasts an impressive in-ground pool, pool house and large playground. It also has two ponds surrounded by decorative concrete retaining walls.

River North Commons Condominium Association Located in downtown Chicago the association includes 198 units in two seven-story mid-rise buildings. This secured community is comprised of high end finishes, ramp and underground parking, fitness area and a party room.

Cherry Hills Country Club Situated just outside of Denver in Englewood, Colorado, this private Country Club provides a scenic view of the Rockies.. The Country Club amenities include a recently expanded clubhouse with three kitchens, 18-hole golf course, driving range, and a pool and tennis building.

Camp For All Located in Texas between Houston and Austin, this campground specializes in programs designed for children and adults with special needs. The campground includes group and private lodging, a clubhouse, a pool, basketball area and baseball field, climbing walls and zip lines, a church, a large and small animal ranch, and an art center.

Southdown Village Community Association is a large planned unit development located in Houston, Texas. The Association consists of 954 single family homes and includes a pool and pool house, fencing, and two parks with large playgrounds.

Watermark Place Condominiums is a 12-story high-rise located in Columbia, Maryland. This high-rise includes a secured entrance, pool area and fitness center, and a multi-story parking structure.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Mr. Wass worked as a civil engineer for a construction engineering firm specializing in the repair and construction of underground structures. He was responsible for soil condition analysis, inspection of existing structures, repair and new construction design, and construction oversight of a variety of municipal and private engineering projects. Mr. Wass attended the University of Minnesota in Minneapolis, Minnesota where he attained his Bachelor of Science degree in Civil Engineering. At the University of Minnesota, Mr. Wass performed undergraduate research in the field of non-destructive testing of rigid pavements.

EDUCATION

University of Minnesota - B.S. Civil Engineering

PROFESSIONAL AFFILIATIONS

Engineer in Training (E.I.T.) MN - Minnesota Board of Architecture, Engineering, Land Surveying
Landscape Architecture, Geoscience and Interior Design (AELSLAGID)
Reserve Specialist (RS) - Community Associations Institute



ALAN M. EBERT, P.E., PRA, RS
Director of Quality Assurance

CURRENT CLIENT SERVICES

Alan M. Ebert, a Professional Engineer, is the Director of Quality Assurance for Reserve Advisors. Mr. Ebert is responsible for the management, review and quality assurance of reserve studies. In this role, he assumes the responsibility of stringent report review analysis to assure report accuracy and the best solution for Reserve Advisors' clients.

Mr. Ebert has been involved with thousands of Reserve Study assignments. The following is a partial list of clients served by Alan Ebert demonstrating his breadth of experiential knowledge of community associations in construction and related buildings systems.

Brownsville Winter Haven Located in Brownsville, Texas, this unique homeowners association contains 525 units. The Association maintains three pools and pool houses, a community and management office, landscape and maintenance equipment, and nine irrigation canals with associated infrastructure.

Rosemont Condominiums This unique condominium is located in Alexandria, Virginia and dates to the 1940's. The two mid-rise buildings utilize decorative stone and brick masonry. The development features common interior spaces, multi-level wood balconies and common asphalt parking areas.

Stillwater Homeowners Association Located in Naperville, Illinois, Stillwater Homeowners Association maintains four tennis courts, an Olympic sized pool and an upscale ballroom with commercial-grade kitchen. The community also maintains three storm water retention ponds and a detention basin.

Birchfield Community Services Association This extensive Association comprises seven separate parcels which include 505 townhome and single family homes. This Community Services Association is located in Mt. Laurel, New Jersey. Three lakes, a pool, a clubhouse and management office, wood carports, aluminum siding, and asphalt shingle roofs are a few of the elements maintained by the Association.

Oakridge Manor Condominium Association Located in Londonderry, New Hampshire, this Association includes 104 units at 13 buildings. In addition to extensive roads and parking areas, the Association maintains a large septic system and significant concrete retaining walls.

Memorial Lofts Homeowners Association This upscale high rise is located in Houston, Texas. The 20 luxury units include large balconies and decorative interior hallways. The 10-story building utilizes a painted stucco facade and TPO roof, while an on-grade garage serves residents and guests.

PRIOR RELEVANT EXPERIENCE

Mr. Ebert earned his Bachelor of Science degree in Geological Engineering from the University of Wisconsin-Madison. His relevant course work includes foundations, retaining walls, and slope stability. Before joining Reserve Advisors, Mr. Ebert was an oilfield engineer and tested and evaluated hundreds of oil and gas wells throughout North America.

EDUCATION

University of Wisconsin-Madison - B.S. Geological Engineering

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

Professional Engineering License – Wisconsin, North Carolina, Illinois

Reserve Specialist (RS) - Community Associations Institute

Professional Reserve Analyst (PRA) - Association of Professional Reserve Analysts

RESOURCES

Reserve Advisors, Inc. utilizes numerous resources of national and local data to conduct its Professional Services. A concise list of several of these resources follows:

Association of Construction Inspectors, (ACI) the largest professional organization for those involved in construction inspection and construction project management. ACI is also the leading association providing standards, guidelines, regulations, education, training, and professional recognition in a field that has quickly become important procedure for both residential and commercial construction, found on the web at www.iami.org. Several advisors and a Principal of Reserve Advisors, Inc. hold Senior Memberships with ACI.

American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc., (ASHRAE) the American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc., devoted to the arts and sciences of heating, ventilation, air conditioning and refrigeration; recognized as the foremost, authoritative, timely and responsive source of technical and educational information, standards and guidelines, found on the web at www.ashrae.org. Reserve Advisors, Inc. actively participates in its local chapter and holds individual memberships.

Community Associations Institute, (CAI) America's leading advocate for responsible communities noted as the only national organization dedicated to fostering vibrant, responsive, competent community associations. Their mission is to assist community associations in promoting harmony, community, and responsible leadership.

Marshall & Swift / Boeckh, (MS/B) the worldwide provider of building cost data, co-sourcing solutions, and estimating technology for the property and casualty insurance industry found on the web at www.marshallswift.com.

R.S. Means CostWorks, North America's leading supplier of construction cost information. As a member of the Construction Market Data Group, Means provides accurate and up-to-date cost information that helps owners, developers, architects, engineers, contractors and others to carefully and precisely project and control the cost of both new building construction and renovation projects found on the web at www.rsmeans.com.

Reserve Advisors, Inc., library of numerous periodicals relating to reserve studies, condition analyses, chapter community associations, and historical costs from thousands of capital repair and replacement projects, and product literature from manufacturers of building products and building systems.

7. DEFINITIONS

Definitions are derived from the standards set forth by the Community Associations Institute (CAI) representing America's 305,000 condominium and homeowners associations and cooperatives, and the Association of Professional Reserve Analysts, setting the standards of care for reserve study practitioners.

Cash Flow Method - A method of calculating Reserve Contributions 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.

Component Method - A method of developing a Reserve Funding Plan with the total contribution is based on the sum of the contributions for individual components.

Current Cost of Replacement - That amount required today derived from the quantity of a *Reserve Component* and its unit cost to replace or repair a Reserve Component using the most current technology and construction materials, duplicating the productive utility of the existing property at current *local* market prices for *materials*, *labor* and manufactured equipment, contractors' overhead, profit and fees, but without provisions for building permits, overtime, bonuses for labor or premiums for material and equipment. We include removal and disposal costs where applicable.

Fully Funded Balance - The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost similar to Total Accrued Depreciation.

Funding Goal (Threshold) - The stated purpose of this Reserve Study is to determine the adequate, not excessive, minimal threshold reserve balances.

Future Cost of Replacement - *Reserve Expenditure* derived from the inflated current cost of replacement or current cost of replacement as defined above, with consideration given to the effects of inflation on local market rates for materials, labor and equipment.

Long-Lived Property Component - Property component of Waterview Estates responsibility not likely to require capital repair or replacement during the next 30 years with an unpredictable remaining Useful Life beyond the next 30 years.

Percent Funded - The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.

Remaining Useful Life - The estimated remaining functional or useful time in years of a *Reserve Component* based on its age, condition and maintenance.

Reserve Component - Property elements with: 1) Waterview Estates responsibility; 2) limited Useful Life expectancies; 3) predictable Remaining Useful Life expectancies; and 4) a replacement cost above a minimum threshold.

Reserve Component Inventory - Line Items in *Reserve Expenditures* that identify a *Reserve Component*.

Reserve Contribution - An amount of money set aside or *Reserve Assessment* contributed to a *Reserve Fund* for future *Reserve Expenditures* to repair or replace *Reserve Components*.

Reserve Expenditure - Future Cost of Replacement of a Reserve Component.

Reserve Fund Status - The accumulated amount of reserves in dollars at a given point in time, i.e., at year end.

Reserve Funding Plan - The portion of the Reserve Study identifying the *Cash Flow Analysis* and containing the recommended Reserve Contributions and projected annual expenditures, interest earned and reserve balances.

Reserve Study - A budget planning tool that identifies the current status of the reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures.

Useful Life - The anticipated total time in years that a *Reserve Component* is expected to serve its intended function in its present application or installation.

8. PROFESSIONAL SERVICE CONDITIONS

Our Services - Reserve Advisors, Inc. (RA) performs its services as an independent contractor in accordance with our professional practice standards and its compensation is not contingent upon our conclusions. The purpose of our reserve study is to provide a budget planning tool that identifies the current status of the reserve fund, and an opinion recommending an annual funding plan to create reserves for anticipated future replacement expenditures of the property.

Our inspection and analysis of the subject property is limited to visual observations and is noninvasive. RA inspects sloped roofs from the ground and inspects flat roofs where safe access (stairs or ladder permanently attached to the structure) is available. The report is based upon a “snapshot in time” at the moment of inspection. RA may note visible physical defects in our report. The inspection is made by employees generally familiar with real estate and building construction but in the absence of invasive testing RA cannot opine on, nor is RA responsible for, the structural integrity of the property including its conformity to specific governmental code requirements for fire, building, earthquake, and occupancy, or any physical defects that were not readily apparent during the inspection.

RA is not responsible for conditions that have changed between the time of inspection and the issuance of the report. RA does not investigate, nor assume any responsibility for any existence or impact of any hazardous materials, such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, environmental mold or other potentially hazardous materials or structural defects that are latent or hidden defects which may or may not be present on or within the property. RA does not make any soil analysis or geological study as part of its services; nor does RA investigate water, oil, gas, coal, or other subsurface mineral and use rights or such hidden conditions. RA assumes no responsibility for any such conditions. The Report contains opinions of estimated costs and remaining useful lives which are neither a guarantee of the actual costs of replacement nor a guarantee of remaining useful lives of any property element.

RA assumes, without independent verification, the accuracy of all data provided to it. You agree to indemnify and hold RA harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement, because of any false, misleading or incomplete information which we have relied upon supplied by you or others under your direction, or which may result from any improper use or reliance on the Report by you or third parties under your control or direction. Your obligation for indemnification and reimbursement shall extend to any director, officer, employee, affiliate, or agent of RA. Liability of RA and its employees, affiliates, and agents for errors and omissions, if any, in this work is limited to the amount of its compensation for the work performed in this engagement.

Report - RA completes the services in accordance with the Proposal. The Report represents a valid opinion of RA's findings and recommendations and is deemed complete. RA, however, considers any additional information made available to us within 6 months of issuing the Report if a timely request for a revised Report is made. RA retains the right to withhold a revised Report if payment for services was not tendered in a timely manner. All information received by RA and all files, work papers or documents developed by RA during the course of the engagement shall remain the property of RA and may be used for whatever purpose it sees fit.

Your Obligations - You agree to provide us access to the subject property for an on-site visual inspection. You agree to provide RA all available, historical and budgetary information, the governing documents, and other information that we request and deem necessary to complete the Report. You agree to pay actual attorneys' fees and any other costs incurred to collect on any unpaid balance for RA's services.

Use of Our Report and Your Name - Use of this Report is limited to only the purpose stated herein. You hereby acknowledge that any use or reliance by you on the Report for any unauthorized purpose is at your own risk and you shall hold RA harmless from any consequences of such use. Use by any unauthorized third party is unlawful. The Report in whole or in part **is not and cannot be used as a design specification for design engineering purposes or as an appraisal**. You may show our Report in its entirety to the following third parties: members of your organization, your accountant, attorney, financial institution and property manager who need to review the information contained herein. Without the written consent of RA, you shall not disclose the Report to any other third party. The Report contains intellectual property developed by RA and **shall not be reproduced or distributed to any party that conducts reserve studies without the written consent of RA**.

RA will include your name in our client lists. RA reserves the right to use property information to obtain estimates of replacement costs, useful life of property elements or otherwise as RA, in its sole discretion, deems appropriate.

Payment Terms, Due Dates and Interest Charges - Retainer payment is due upon authorization and prior to inspection. The balance is due net 30 days from the report shipment date. Any balance remaining 30 days after delivery of the Report shall accrue an interest charge of 1.5% per month. Any litigation necessary to collect an unpaid balance shall be venued in Milwaukee County Circuit Court for the State of Wisconsin.