

RESERVE STUDY

Atascocita Community Improvement Association



Humble, Texas
June 26, 2019



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Atascocita Community Improvement Association
Humble, Texas

Dear Board of Directors of Atascocita Community Improvement Association:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Reserve Study* of Atascocita Community Improvement Association in Humble, Texas and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, June 26, 2019.

This *Reserve Study* exceeds the Association of Professional Reserve Analysts (APRA) standards fulfilling the requirements of a “Level II 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. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. We look forward to continuing to help Atascocita Community Improvement Association 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 July 31, 2019 by

Reserve Advisors, Inc.

Visual Inspection and Report by: Nicholas M. Johanning, RS¹
Review by: Alan M. Ebert, RS, PRA², Director of Quality Assurance



¹ 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.

² 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>.



Long-term thinking. Everyday commitment.

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1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Atascocita Community Improvement Association (Atascocita Community)

Location: Humble, Texas

Reference: 140499

Property Basics: Atascocita Community Improvement Association is a planned unit development which is responsible for the common elements shared by 2,500 single family homes. The common elements of the Association were built in 1970s.

Reserve Components Identified: 41 Reserve Components.

Inspection Date: June 26, 2019. We conducted the original inspection on June 15, 2014.

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 2042 due to replacement of the Shores pool structure and deck.

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
- 1.7% anticipated annual rate of return on invested reserves
- 2.2% 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:

- \$215,683 as of May 31, 2019
- The Association did not budget Reserve Contributions in 2019.

Project Prioritization: We note anticipated Reserve Expenditures for the next 30 years in the **Reserve Expenditures** tables and include a **Five-Year Outlook** table following the **Reserve Funding Plan** in Section 3. We recommend the Association prioritize the following projects in the next five years based on the conditions identified:

- Replacement of the dock asphalt pavement to maintain a safe driving surface and minimize future repairs
- Partial replacement of the concrete parking areas to maintain a safe walking and driving surface and minimize future repairs
- Replacement of the fishing dock and interim deck board replacements of the marina dock and walkway to maintain a safe walking structure

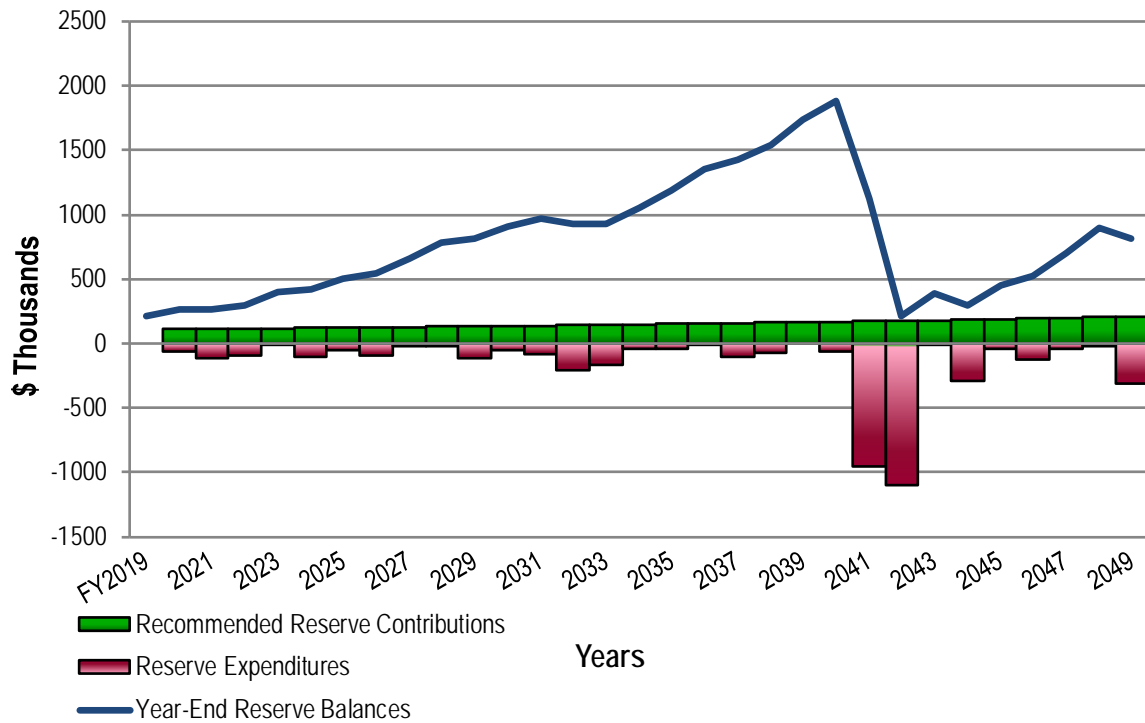
Recommended Reserve Funding: We recommend the following in order to achieve a stable and equitable Funding Plan:

- Increase to \$110,000 in 2020
- Inflationary increases through 2049, the limit of this study's Cash Flow Analysis
- Initial adjustment in Reserve Contributions of \$110,000 represents an average monthly increase of \$3.67 per homeowner and about an eight percent (7.5%) adjustment in the 2019 total Operating Budget of \$1,458,330.



Atascocita Community
Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2020	110,000	265,672	2030	136,700	903,789	2040	170,000	1,880,950
2021	112,400	268,050	2031	139,700	974,560	2041	173,700	1,121,507
2022	114,900	291,427	2032	142,800	926,903	2042	177,500	214,550
2023	117,400	399,354	2033	145,900	926,837	2043	181,400	392,077
2024	120,000	419,218	2034	149,100	1,053,823	2044	185,400	294,114
2025	122,600	502,224	2035	152,400	1,188,291	2045	189,500	451,934
2026	125,300	546,226	2036	155,800	1,352,477	2046	193,700	524,854
2027	128,100	660,732	2037	159,200	1,429,409	2047	198,000	696,419
2028	130,900	778,217	2038	162,700	1,545,206	2048	202,400	895,318
2029	133,800	809,312	2039	166,300	1,739,188	2049	206,900	810,711





2. RESERVE STUDY REPORT

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

Atascocita Community Improvement Association

Humble, Texas

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, June 26, 2019. We conducted the original inspection on June 15, 2014.

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
- **Five-Year Outlook** - Identifies reserve components and anticipated reserve expenditures during the first five 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 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:

- Atascocita Community 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
- Foundations
- Pipes, Subsurface Utilities
- Structural Frames

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.)
- Asphalt Pavement, Crack Repair and Patch
- Basketball and Tennis Court Standards
- Boat Ramp, Concrete, Crack Repairs and Partial Replacements
- Catch Basins, Inspections and Capital Repairs
- Fences, Wood, Split Rail, Shores Parking Area
- Fences, Wood, Pool Mechanical Equipment
- Landscape
- Light Fixtures, Pool Houses
- Light Poles and Fixtures, Parking Areas
- Paint Finishes, Touch Up
- Pipes, Interior Building, Pool Houses
- Pool Houses, Masonry, Inspections and Repairs
- Valves, Small Diameter, Pool Houses
- 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:

- Homes and 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 (Electric Company)
- Street Systems (City of Humble)

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
- 2019 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

Five-Year Outlook

- Line item numbers
- Reserve component inventory of only the expenditures anticipated to occur within the first five years
- Schedule of estimated future costs for each reserve component anticipated to occur within the first five years

The purpose of a Reserve Study is to provide an opinion of reasonable annual Reserve Contributions. Prediction of exact timing and costs of minor Reserve Expenditures typically will not significantly affect the 30-year cash flow analysis. Adjustments to the times and/or costs of expenditures may not always result in an adjustment in the recommended Reserve Contributions.

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

Atascocita Community
Improvement Association
Humble, Texas

Explanatory Notes:

- 1) **2.2%** is the estimated Inflation Rate for estimating Future Replacement Costs.
- 2) **FY2019** is Fiscal Year beginning January 1, 2019 and ending December 31, 2019.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$				RUL = 0 FY2019	1 2020	2 2021	3 2022	4 2023	5 2024	6 2025	7 2026	8 2027	9 2028	10 2029	11 2030	12 2031	13 2032	14 2033	15 2034
						Useful	Remaining	Unit (2019)	Per Phase (2019)	Total (2019)	30-Year Total (Inflated)																
Property Site Elements																											
4.180	37,500	1,875	Square Feet	Concrete Parking Areas, Partial	2021	to 65	2 to 30+	11.50	21,563	431,250	249,234			22,522			24,570				26,805					29,242	
4.225	120	120	Square Feet	Dock, Fishing Pier, Wood, Shores Park	2021	15 to 25	2	50.00	6,000	6,000	17,065		6,267														
4.360	1	1	Each	Gazebo	2028	to 25	9	6,000.00	6,000	6,000	7,298									7,298							
4.420	4	1	Allowance	Irrigation System, Phased	2025	to 40+	6 to 21	20,000.00	20,000	80,000	108,115						22,790					25,409					
4.660	1	1	Allowance	Playground Equipment, Pinehurst	2026	15 to 20	7	35,000.00	35,000	35,000	103,745								40,759								
4.661	1	1	Allowance	Playground Equipment, Shores	2024	15 to 20	5	68,000.00	68,000	68,000	192,977					75,816											
4.800	1	1	Allowance	Signage, Renovation, Entrance Monuments	2034	15 to 20	15	10,000.00	10,000	10,000	13,860															13,860	
4.820	1	1	Allowance	Site Furniture, Playgrounds	2024	15 to 25	5	13,000.00	13,000	13,000	36,892					14,494											
4.830	11,970	11,970	Square Feet	Tennis Courts, Color Coat, Shores	2022	4 to 6	3	1.00	11,970	11,970	102,378				12,778				14,246						15,884		
4.840	880	880	Linear Feet	Tennis Courts, Fence, Pinehurst	2037	to 25	18	34.00	29,920	29,920	44,267																
4.841	880	880	Linear Feet	Tennis Courts, Fence, Shores	2042	to 25	23	34.00	29,920	29,920	49,355																
4.850	6	6	Each	Tennis Courts, Light Poles and Fixtures, Pinehurst	2026	to 35	7	1,700.00	10,200	10,200	11,878								11,878								
4.851	6	6	Each	Tennis Courts, Light Poles and Fixtures, Shores	2026	to 35	7	1,700.00	10,200	10,200	11,878								11,878								
4.860	11,970	11,970	Square Feet	Tennis Courts, Surface Replacement, Concrete, Shores	2049	to 35	30	11.00	131,670	131,670	252,938																
4.861	11,970	11,970	Square Feet	Tennis Courts, Surface Replacement, Tile Court System, Pinehurst	2029	10 to 15	10	6.00	71,820	71,820	213,022											89,280					
Pool Elements																											
6.200	3,590	3,590	Square Feet	Concrete Deck, Textured Coating, Partial Replacements and Repairs, Pinehurst	2022	8 to 12	3	4.50	16,155	16,155	65,331				17,245											21,437	
6.201	4,900	4,900	Square Feet	Concrete Deck, Textured Coating, Partial Replacements and Repairs, Shores	2021	8 to 12	2	4.50	22,050	22,050	87,251		23,031													28,630	
6.400	750	750	Linear Feet	Fences, Steel, Paint Finishes and Capital Repairs	2021	6 to 8	2	8.00	6,000	6,000	33,590		6,267							7,298							
6.401	750	750	Linear Feet	Fences, Steel, Replacement	2042	to 35	23	64.00	48,000	48,000	79,179																
6.500	3	1	Allowance	Furniture, Phased	2020	to 12	1 to 9	9,000.00	9,000	27,000	101,790		9,198			10,035				10,947						11,943	
6.600	3	1	Allowance	Mechanical Equipment, Phased	2022	to 15	3 to 13	8,000.00	8,000	24,000	68,423				8,540				9,521							10,616	
6.800	3,930	3,930	Square Feet	Pool Finishes, Plaster, Pinehurst	2021	8 to 12	2	11.00	43,230	43,230	101,283		45,153													56,130	
6.801	300	300	Linear Feet	Pool Finishes, Tile, Pinehurst	2021	15 to 25	2	36.00	10,800	10,800	11,280		11,280														
6.802	3,930	3,930	Square Feet	Pool Finishes, Plaster, Shores	2022	8 to 12	3	11.00	43,230	43,230	103,511				46,146											57,365	
6.803	300	300	Linear Feet	Pool Finishes, Tile, Shores	2022	15 to 25	3	36.00	10,800	10,800	11,529				11,529												
6.840	4	4	Each	Pool Houses, Rest Rooms, Renovations	2032	to 20	13	5,000.00	20,000	20,000	26,539															26,539	
6.860	35	35	Squares	Roofs, Asphalt Shingle, Pool Houses	2032	15 to 20	13	350.00	12,250	12,250	16,255															16,255	
6.870	600	600	Square Feet	Shade Structure, Canvas, Shores	2024	5 to 10	5	10.00	6,000	6,000	17,028					6,690											
6.871	600	600	Square Feet	Shade Structure, Canvas and Structure, Shores	2034	to 20	15	30.00	18,000	18,000	24,948															24,948	
6.900	3,930	3,930	Square Feet	Structures and Deck, Total Replacement, Pinehurst	2041	to 60	22	140.00	550,200	550,200	888,056																
6.901	3,930	3,930	Square Feet	Structures and Deck, Total Replacement, Shores	2042	to 60	23	140.00	550,200	550,200	907,593																
6.980	1	1	Each	Water Slide, Replacement, Pinehurst	2026	to 20	7	22,000.00	22,000	22,000	65,211								25,620								
6.981	1	1	Each	Water Slide, Replacement, Shores	2032	to 20	13	35,000.00	35,000	35,000	46,444															46,444	
Marina Elements																											
8.045	1,700	1,700	Square Yards	Asphalt Pavement, Total Replacement	2020	15 to 20	1	28.00	47,600	47,600	120,621		48,647														
8.100	205	205	Linear Feet	Bulkhead, Timber, Inspections and Capital Repairs	2023	10 to 15	4	26.00	5,330	5,330	14,801					5,815											

RESERVE EXPENDITURES

Atascocita Community Improvement Association Humble, Texas

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$				16 2035	17 2036	18 2037	19 2038	20 2039	21 2040	22 2041	23 2042	24 2043	25 2044	26 2045	27 2046	28 2047	29 2048	30 2049	
						Useful	Remaining	Unit (2019)	Per Phase (2019)	Total (2019)	30-Year Total (Inflated)																
Property Site Elements																											
4.180	37,500	1,875	Square Feet	Concrete Parking Areas, Partial	2021	to 65	2 to 30+	11.50	21,563	431,250	249,234			31,902			34,803				37,968					41,422	
4.225	120	120	Square Feet	Dock, Fishing Pier, Wood, Shores Park	2021	15 to 25	2	50.00	6,000	6,000	17,065											10,798					
4.360	1	1	Each	Gazebo	2028	to 25	9	6,000.00	6,000	6,000	7,298																
4.420	4	1	Allowance	Irrigation System, Phased	2025	to 40+	6 to 21	20,000.00	20,000	80,000	108,115	28,330				31,586											
4.660	1	1	Allowance	Playground Equipment, Pinehurst	2026	15 to 20	7	35,000.00	35,000	35,000	103,745											62,986					
4.661	1	1	Allowance	Playground Equipment, Shores	2024	15 to 20	5	68,000.00	68,000	68,000	192,977										117,161						
4.800	1	1	Allowance	Signage, Renovation, Entrance Monuments	2034	15 to 20	15	10,000.00	10,000	10,000	13,860																
4.820	1	1	Allowance	Site Furniture, Playgrounds	2024	15 to 25	5	13,000.00	13,000	13,000	36,892										22,398						
4.830	11,970	11,970	Square Feet	Tennis Courts, Color Coat, Shores	2022	4 to 6	3	1.00	11,970	11,970	102,378			17,710					19,745						22,015		
4.840	880	880	Linear Feet	Tennis Courts, Fence, Pinehurst	2037	to 25	18	34.00	29,920	29,920	44,267			44,267													
4.841	880	880	Linear Feet	Tennis Courts, Fence, Shores	2042	to 25	23	34.00	29,920	29,920	49,355								49,355								
4.850	6	6	Each	Tennis Courts, Light Poles and Fixtures, Pinehurst	2026	to 35	7	1,700.00	10,200	10,200	11,878																
4.851	6	6	Each	Tennis Courts, Light Poles and Fixtures, Shores	2026	to 35	7	1,700.00	10,200	10,200	11,878																
4.860	11,970	11,970	Square Feet	Tennis Courts, Surface Replacement, Concrete, Shores	2049	to 35	30	11.00	131,670	131,670	252,938															252,938	
4.861	11,970	11,970	Square Feet	Tennis Courts, Surface Replacement, Tile Court System, Pinehurst	2029	10 to 15	10	6.00	71,820	71,820	213,022										123,742						
Pool Elements																											
6.200	3,590	3,590	Square Feet	Concrete Deck, Textured Coating, Partial Replacements and Repairs, Pinehurst	2022	8 to 12	3	4.50	16,155	16,155	65,331									26,649							
6.201	4,900	4,900	Square Feet	Concrete Deck, Textured Coating, Partial Replacements and Repairs, Shores	2021	8 to 12	2	4.50	22,050	22,050	87,251								35,590								
6.400	750	750	Linear Feet	Fences, Steel, Paint Finishes and Capital Repairs	2021	6 to 8	2	8.00	6,000	6,000	33,590	8,499														11,526	
6.401	750	750	Linear Feet	Fences, Steel, Replacement	2042	to 35	23	64.00	48,000	48,000	79,179									79,179							
6.500	3	1	Allowance	Furniture, Phased	2020	to 12	1 to 9	9,000.00	9,000	27,000	101,790		13,029			14,214					15,507					16,917	
6.600	3	1	Allowance	Mechanical Equipment, Phased	2022	to 15	3 to 13	8,000.00	8,000	24,000	68,423			11,836						13,197						14,713	
6.800	3,930	3,930	Square Feet	Pool Finishes, Plaster, Pinehurst	2021	8 to 12	2	11.00	43,230	43,230	101,283																
6.801	300	300	Linear Feet	Pool Finishes, Tile, Pinehurst	2021	15 to 25	2	36.00	10,800	10,800	11,280																
6.802	3,930	3,930	Square Feet	Pool Finishes, Plaster, Shores	2022	8 to 12	3	11.00	43,230	43,230	103,511																
6.803	300	300	Linear Feet	Pool Finishes, Tile, Shores	2022	15 to 25	3	36.00	10,800	10,800	11,529																
6.840	4	4	Each	Pool Houses, Rest Rooms, Renovations	2032	to 20	13	5,000.00	20,000	20,000	26,539																
6.860	35	35	Squares	Roofs, Asphalt Shingle, Pool Houses	2032	15 to 20	13	350.00	12,250	12,250	16,255																
6.870	600	600	Square Feet	Shade Structure, Canvas, Shores	2024	5 to 10	5	10.00	6,000	6,000	17,028										10,338						
6.871	600	600	Square Feet	Shade Structure, Canvas and Structure, Shores	2034	to 20	15	30.00	18,000	18,000	24,948																
6.900	3,930	3,930	Square Feet	Structures and Deck, Total Replacement, Pinehurst	2041	to 60	22	140.00	550,200	550,200	888,056							888,056									
6.901	3,930	3,930	Square Feet	Structures and Deck, Total Replacement, Shores	2042	to 60	23	140.00	550,200	550,200	907,593									907,593							
6.980	1	1	Each	Water Slide, Replacement, Pinehurst	2026	to 20	7	22,000.00	22,000	22,000	65,211														39,591		
6.981	1	1	Each	Water Slide, Replacement, Shores	2032	to 20	13	35,000.00	35,000	35,000	46,444																
Marina Elements																											
8.045	1,700	1,700	Square Yards	Asphalt Pavement, Total Replacement	2020	15 to 20	1	28.00	47,600	47,600	120,621				71,974												
8.100	205	205	Linear Feet	Bulkhead, Timber, Inspections and Capital Repairs	2023	10 to 15	4	26.00	5,330	5,330	14,801									8,986							

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS
Atascocita Community
Improvement Association

Individual Reserve Budgets & Cash Flows for the Next 30 Years

Humble, Texas	FY2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Reserves at Beginning of Year (Note 1)	215,683	217,822	265,672	268,050	291,427	399,354	419,218	502,224	546,226	660,732	778,217	809,312	903,789	974,560	926,903	926,837
Total Recommended Reserve Contributions (Note 2)	0	110,000	112,400	114,900	117,400	120,000	122,600	125,300	128,100	130,900	133,800	136,700	139,700	142,800	145,900	149,100
Plus Estimated Interest Earned, During Year (Note 3)	2,139	4,075	4,498	4,715	5,822	6,899	7,766	8,837	10,173	12,128	13,380	14,439	15,831	16,026	15,624	16,694
Less Anticipated Expenditures, By Year	0	(66,225)	(114,520)	(96,238)	(15,295)	(107,035)	(47,360)	(90,135)	(23,767)	(25,543)	(116,085)	(56,662)	(84,760)	(206,483)	(161,590)	(38,808)
Anticipated Reserves at Year End	<u>\$217,822</u>	<u>\$265,672</u>	<u>\$268,050</u>	<u>\$291,427</u>	<u>\$399,354</u>	<u>\$419,218</u>	<u>\$502,224</u>	<u>\$546,226</u>	<u>\$660,732</u>	<u>\$778,217</u>	<u>\$809,312</u>	<u>\$903,789</u>	<u>\$974,560</u>	<u>\$926,903</u>	<u>\$926,837</u>	<u>\$1,053,823</u>

(continued)

Individual Reserve Budgets & Cash Flows for the Next 30 Years. Continued

	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
Reserves at Beginning of Year	1,053,823	1,188,291	1,352,477	1,429,409	1,545,206	1,739,188	1,880,950	1,121,507	214,550	392,077	294,114	451,934	524,854	696,419	895,318
Total Recommended Reserve Contributions	152,400	155,800	159,200	162,700	166,300	170,000	173,700	177,500	181,400	185,400	189,500	193,700	198,000	202,400	206,900
Plus Estimated Interest Earned, During Year	18,897	21,415	23,447	25,071	27,682	30,512	25,306	11,261	5,113	5,783	6,288	8,233	10,293	13,416	14,379
Less Anticipated Expenditures, By Year	(36,829)	(13,029)	(105,715)	(71,974)	0	(58,750)	(958,449)	(1,095,718)	(8,986)	(289,146)	(37,968)	(129,013)	(36,728)	(16,917)	(305,886)
Anticipated Reserves at Year End	<u>\$1,188,291</u>	<u>\$1,352,477</u>	<u>\$1,429,409</u>	<u>\$1,545,206</u>	<u>\$1,739,188</u>	<u>\$1,880,950</u>	<u>\$1,121,507</u>	<u>\$214,550</u>	<u>\$392,077</u>	<u>\$294,114</u>	<u>\$451,934</u>	<u>\$524,854</u>	<u>\$696,419</u>	<u>\$895,318</u>	<u>\$810,711</u>

(NOTE 5)

(NOTE 4)

Explanatory Notes:

- 1) Year 2019 starting reserves are as of May 31, 2019; FY2019 starts January 1, 2019 and ends December 31, 2019.
- 2) Reserve Contributions for 2019 are the remaining budgeted 7 months; 2020 is the first year of recommended contributions.
- 3) 1.7% is the estimated annual rate of return on invested reserves; 2019 is a partial year of interest earned.
- 4) Accumulated year 2049 ending reserves consider the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Year (reserve balance at critical point).

FIVE-YEAR OUTLOOK**Atascocita Community
Improvement Association**
Humble, Texas

Line Item	Reserve Component Inventory	RUL = 0 FY2019	1 2020	2 2021	3 2022	4 2023	5 2024
<u>Property Site Elements</u>							
4.180	Concrete Parking Areas, Partial			22,522			
4.225	Dock, Fishing Pier, Wood, Shores Park			6,267			
4.661	Playground Equipment, Shores						75,816
4.820	Site Furniture, Playgrounds						14,494
4.830	Tennis Courts, Color Coat, Shores				12,778		
<u>Pool Elements</u>							
6.200	Concrete Deck, Textured Coating, Partial Replacements and Repairs, Pinehurst				17,245		
6.201	Concrete Deck, Textured Coating, Partial Replacements and Repairs, Shores			23,031			
6.400	Fences, Steel, Paint Finishes and Capital Repairs			6,267			
6.500	Furniture, Phased		9,198				10,035
6.600	Mechanical Equipment, Phased				8,540		
6.800	Pool Finishes, Plaster, Pinehurst			45,153			
6.801	Pool Finishes, Tile, Pinehurst			11,280			
6.802	Pool Finishes, Plaster, Shores				46,146		
6.803	Pool Finishes, Tile, Shores				11,529		
6.870	Shade Structure, Canvas, Shores						6,690
<u>Marina Elements</u>							
8.045	Asphalt Pavement, Total Replacement		48,647				
8.100	Bulkhead, Timber, Inspections and Capital Repairs					5,815	
8.080	Canopies, Canvas		8,380				
8.550	Dock and Walkway, Wood, Interim Deck Board Replacements					9,480	
Anticipated Expenditures, By Year		0	66,225	114,520	96,238	15,295	107,035

4. RESERVE COMPONENT DETAIL

The Reserve Component Detail of this *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 Areas

Line Item: 4.180

Quantity: Approximately 37,500 square feet of parking areas located at the Pinehurst and Shores pools. This quantity includes the concrete sidewalks.

Condition: Good to fair overall with cracks evident



Parking area cracks at the Shores pool



Parking area cracks at the Shores pool



Parking area cracks at the Shores pool



Parking area cracks at the Pinehurst pool



Parking area cracks at the Pinehurst pool



Sidewalk cracks at the Pinehurst pool

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 15,000 square feet of concrete streets, or forty percent (40%) of the total, will require replacement during the next 30 years.

Dock, Fishing Pier, Wood

Line Item: 4.225

Quantity: Approximately 120 square feet

History: Replaced around 2012

Condition: Fair condition with deck board rot and missing and damaged rails evident



Wood dock overview



Deck board wood rot



Deck board wood rot



Missing and damaged rails

Useful Life: 15- to 25-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.

Gazebo

Line Item: 4.360

Quantity: One each located near the Shores tennis courts and playground equipment

History: Unknown

Condition: Good to fair overall with deck board finish deterioration evident



Gazebo overview



Deck board finish deterioration

Useful Life: Up to 25 years with periodic maintenance

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association budget for paint applications and repairs through the operating budget.

Irrigation System, Replacement

Line Item: 4.420

History: Original

Condition: Good overall and the Board reports a history of issues and deficiencies

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
- Valves

Atascocita Community 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.

Playground Equipment

Line Items: 4.660 and 4.661

Quantity: Two each

History: The playground equipment is at various ages

Condition: Good overall



Shores playground equipment overview



Pinehurst playground 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 and border.

Signage, Entrance Monuments

Line Item: 4.800

Quantity: Three entrance monuments located at the intersection of Humble Huffman Road and Atascocita Shores Drive

History: Installed in 2014

Condition: Good overall



Entrance monument signage overview

Useful Life: 15- to 20-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:

- Light fixtures
- Letters
- Masonry, stone
- Landscaping

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.

Site Furniture

Line Item: 4.820

Quantity: The Association maintains the following site furniture located near both playground areas:

- Benches
- Picnic tables
- Trash receptacles

History: Unknown

Condition: Good overall



Site furniture overview

Useful Life: 15- 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, Color Coat

Line Item: 4.830

Quantity: The Shores maintain two tennis courts comprising 11,970 square feet

History: Unknown

Condition: Good overall with minor color coat deterioration evident



Color coat deterioration

Useful Life: Four- to six-years

Component Detail Notes: Prior to the application of the color coat, the Association should require the contractor to rout and fill all cracks with hot emulsion. This deters water infiltration and further deterioration of the asphalt playing surface.

Priority/Criticality: Not recommended to defer

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

Tennis Courts, Fence

Line Item: 4.840

Quantity: Each set of courts maintains 880 linear feet of fence

History: The age of the Pinehurst tennis courts fence is unknown. The Shores tennis courts fence was replaced around 2017

Condition: Good overall with no significant deterioration evident



Pinehurst tennis courts fence overview



Shores tennis courts fence overview

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 Court, Light Poles and Fixtures

Line Items: 4.850 and 4.851

Quantity: Each location utilizes six light poles and fixtures

History: Unknown

Condition: Good overall



Tennis courts light pole and fixture overview

Useful Life: Up to 35 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 Items: 4.860 and 4.861

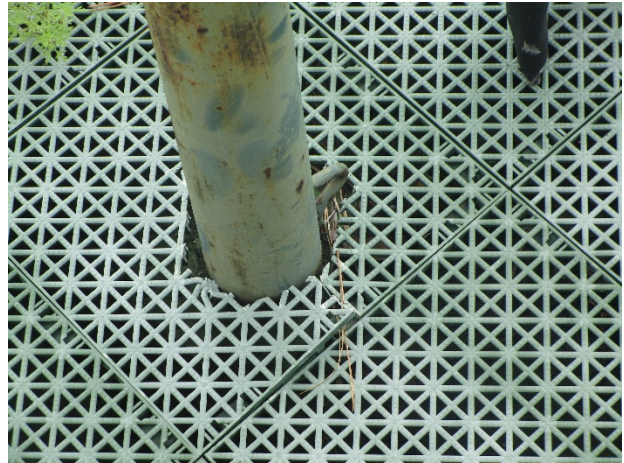
Quantity: The shores tennis courts comprise of 11,970 square feet of concrete comprising two tennis courts. The Pinehurst tennis courts comprise of 11,970 square feet of a rubber tile court system with a concrete base comprising two tennis courts.

History: The Association conducted repairs to the surface and installed a rubber tile court system surface at the Pinehurst tennis courts in 2014. The Association replaced the Shores tennis courts around 2017

Condition: Good overall



Pinehurst tennis court overview



Rubber tile Pinehurst tennis court overview



Shores tennis court overview

Useful Life: Every 10- to 15-years for the rubber tile court system and up to 35 years for the concrete court

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. Our estimate of cost for replacement of the Pinehurst tile court system includes and allowance for replacement of up to five percent (5%) of the concrete base.

Pool Elements



Shores pool overview



Pinehurst pool overview

Concrete Decks

Line Items: 6.200 and 6.201

Quantity: 3,590 square feet at the Pinehurst concrete pool deck and 4,900 square feet at the Shores concrete pool deck

History: Repairs to the Pinehurst pool deck conducted in 2014. It is unknown on the history of repairs at the Shores pool deck.

Condition: Good to fair condition with cracks and coating deterioration evident



Cracks at the Pinehurst pool deck



Cracks at the Pinehurst pool deck



Coating deterioration at the Pinehurst pool deck



Cracks at the Shores pool deck



Cracks at the Shores pool deck



Cracks at the Shores pool deck

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
- Coating 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.

Fences, Steel

Line Items: 6.400 and 6.401

Quantity: 750 linear feet at both pools

History: The fences were replaced in 2014

Condition: The fences are in good overall condition and the protective finishes are in fair overall condition with rust evident.



Metal pool fence overview



Rust at the Pinehurst pool fence



Rust at the Shores pool fence



Rust at the Shores pool fence

Useful Life: Six- to eight-years for paint finishes and up to 35 years for replacement

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.

Furniture

Line Item: 6.500

Quantity:

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

History: Unknown

Condition: Fair overall with deterioration and rust evident



Deterioration at the pool furniture



Rust at picnic table

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:

- Automatic chlorinator
- Controls
- Filter
- Interconnected pipe, fittings and valves
- Pumps

- Electrical panel
- Exhaust fan

History: Various ages

Condition: Reported satisfactory



Pinehurst mechanical equipment overview



Shores mechanical equipment overview

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 thirty-three percent (33%) 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 through 6.803

Quantity: Each pool comprises 3,930 square feet of plaster based on the horizontal surface area and approximately 300 linear feet of tile

History: Unknown

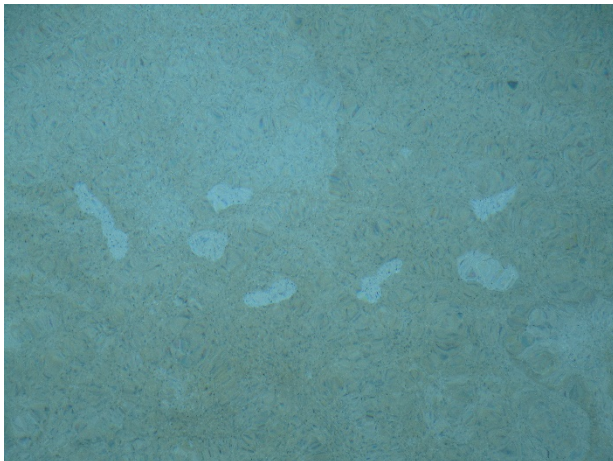
Condition: Fair overall condition with plaster deterioration evident



Plaster deterioration at the Pinehurst pool



Plaster deterioration at the Pinehurst pool



Plaster deterioration at the Shores pool



Plaster deterioration at the Shores pool

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 structures and to allow for partial repairs of the underlying concrete surfaces as needed. To maintain the integrity of the pool structures, we recommend the Association budget for the following:

- Removal and replacement of the plaster finishes
- 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.

Pool Houses, Rest Rooms

Line Item: 6.840

Quantity: Four common rest rooms

History: Components were renovated in 2014

Condition: Good overall



Rest room overview

Useful Life: Renovation up to every 20 years

Component Detail Notes: Components include:

- Paint finishes
- Light fixtures
- Plumbing fixtures

Priority/Criticality: Per Board discretion

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

Roof, Asphalt Shingles

Line Item: 6.860

Quantity: 35 squares¹

History: Replaced in 2014

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

Condition: Good to fair overall condition with minor sheathing deflection and shingle lift evident



Asphalt shingle roof overview



Sheathing deflection and minor shingle lift at the Pinehurst pool house roof



Shingle lift at the Shores pool house roof

Useful Life: 15- to 20-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.

Shade Structure

Line Items: 6.870 and 6.871

Quantity: 600 square feet

History: Installed in 2014

Condition: Good



Shores pool shade structure

Useful Life: Replacement of the canopy canvas every 5- to 10-years and replacement of the canopy structures up to every 20 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.

Structures and Decks

Line Items: 6.900 and 6.901

Quantity: Each pool comprises 3,390 square feet of horizontal surface area

History: Original

Conditions: Visually appear in good condition. The concrete floor and walls have a plaster finish. This finish makes it difficult to thoroughly inspect the concrete structure during a noninvasive visual inspection.

Useful Life: Up to 60 years

Component Detail Notes: The need to replace a pool structure depends on the condition of the concrete structure, the condition of the embedded or concealed water circulation piping, possible long term uneven settlement of the structure, and the increasing cost of repair and maintenance. Deterioration of any one of these component systems could result in complete replacement of the pool. For example, deferral of a deteriorated piping system could result in settlement and cracks in the pool structure. This mode of failure is more common as the system ages and deterioration of the piping system goes undetected. For reserve budgeting purposes, we recommend Atascocita Community plan to replace the following components:

- Concrete deck
- Pool structures
- Subsurface piping

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 Slides

Line Items: 6.980 and 6.981

Quantity: One water slide at each pool

History: The Shores pool water slide was replaced in 2014. The Pinehurst pool water slide is at an unknown age

Conditions: Good overall



Pinehurst water slide



Shores water slide

Useful Life: Replacement at up to 20 years

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.

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.

Marina Elements

Asphalt Pavement, Repaving

Line Item: 8.045

Quantity: Approximately 1,700 square yards located at the marina

History: Unknown

Condition: Fair to poor overall with significant cracks, deterioration and pot holes evident



Pavement cracks



Pavement deterioration



Pavement cracks and deterioration



Pavement deterioration



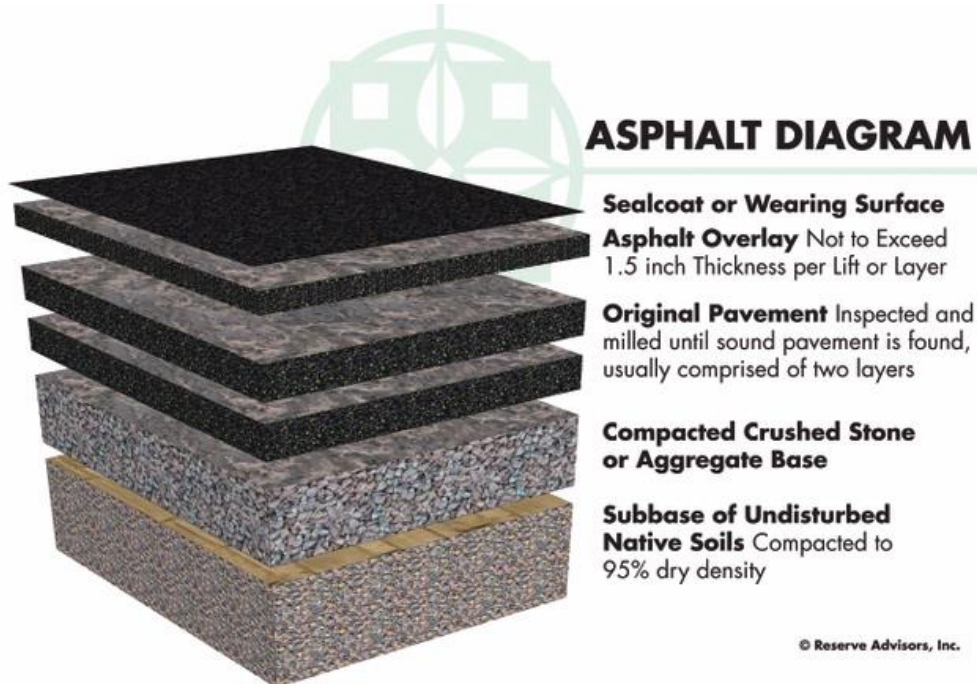
Pot hole



Pot hole and pavement deterioration

Useful Life: 15- to 20-years with the benefit of timely crack repairs and patching

Component Detail Notes: The initial installation of asphalt uses at least two lifts, or two separate applications of asphalt, over the base course. The first lift is the binder course. The second lift is the wearing course. The wearing course comprises a finer aggregate for a smoother more watertight finish. The following diagram depicts the typical components although it may not reflect the actual configuration at Atascocita Community:



The manner of repaving is either a mill and overlay or total replacement. A mill and overlay is a method of repaving where cracked, worn and failed pavement is mechanically removed or milled until sound pavement is found. A new layer of asphalt is overlaid atop the remaining base course of pavement. Total replacement includes

the removal of all existing asphalt down to the base course of aggregate and native soil followed by the application of two or more new lifts of asphalt. We recommend mill and overlayment on asphalt pavement that exhibits normal deterioration and wear. We recommend total replacement of asphalt pavement that exhibits severe deterioration, inadequate drainage, pavement that has been overlaid multiple times in the past or where the configuration makes overlayment not possible. Based on the apparent visual condition and configuration of the asphalt pavement, we recommend the total replacement method of repaving at Atascocita Community.

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.

Bulkheads

Line Items: 8.100 and 8.105

Quantity: Approximately 205 linear feet

History: Unknown

Conditions: Reported satisfactory



Timber bulkhead overview

Useful Life: Inspections and capital repairs up to every 10- to 15-years and replacement every 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. Our cost includes an allowance for an inspection and replacement of up to ten percent (10%) of the total.

Canopies

Line Items: 8.080 and 8.081

Quantity: Two each comprising 820 square feet

History: Replaced in 2011

Condition: The canopy structures are in good overall condition and the canopy canvas are in good to fair overall with tears in the canopy canvas evident



Canopy overview



Canopy overview



Canopy canvas tear

Useful Life: Replacement of the canopy canvas every 5- to 10-years and replacement of the canopy structures up to every 20 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.

Dock and Pilings, Wood

Line Item: 8.400

Quantity: Approximately 170 square feet

History: Replaced in 2011

Condition: Good overall condition. Refer to “**Dock and Walkway, Wood**” for our condition assessment and recommendations on interim replacements of the wood dock deck boards.



Wood dock overview

Useful Life: Up to 25 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. Our estimate of cost includes an allowance for removal and disposal of the existing dock and replacement of up to fifty percent (50%) of the pilings.

Dock and Walkway, Wood

Line Item: 8.550

Quantity: The Association maintains a 170 square foot wood dock and 620 square foot wood walkway

History: The dock was replaced in 2011 and the walkway is at an unknown age

Condition: Fair overall with split wood deck boards at the dock and deck board wood rot and cracks at the walkway evident



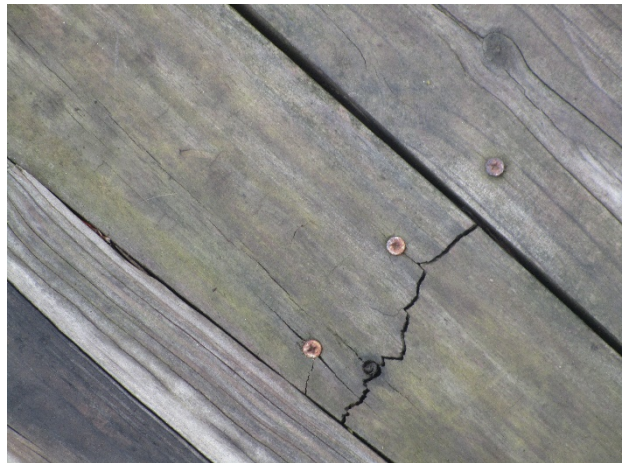
Split wood deck board at the dock



Deck board wood rot at the walkway



Deck board wood rot at the walkway



Deck board crack at the walkway

Useful Life: Interim replacement of the deck boards every 12- to 18-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.

Walkway, Wood

Line Item: 8.750

Quantity: Approximately 620 square feet of wood walkway

History: Unknown

Condition: Good to fair overall. Refer to “**Dock and Walkway, Wood**” for our condition assessment and recommendations on interim replacements of the wood walkway deck boards.



Wood walkway overview

Useful Life: Up to 25 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. Our estimate of cost includes an allowance for removal and disposal of the existing dock and replacement of up to twenty percent (20%) of the pilings. We recommend the Association coordinate replacement of the wood walkway with replacement of the timber bulkhead.

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.

Atascocita Community 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 monthly 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 "Level II Reserve Study Update." 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 Humble,

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

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

Texas at an annual inflation rate³. Isolated or regional markets of greater construction (development) activity may experience slightly greater rates of inflation for both construction materials and labor.

- The past and current maintenance practices of Atascocita Community 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.

³ Derived from Marshall & Swift, historical costs and the Bureau of Labor Statistics.



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 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



NICHOLAS M. JOHANNING, E.I.T., RS
Responsible Advisor

CURRENT CLIENT SERVICES

Nicholas M. Johannning, a Civil Engineer, is an Advisor for Reserve Advisors. Mr. Johannning is responsible for the inspection and analysis of the condition of clients' properties, 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 on townhomes, homeowners associations, planned unit developments and recreational associations.

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

Pronghorn Meadows Homeowners Association Situated in Colorado Springs, Colorado, this 223 single family home homeowners Association features perimeter walls, entrance signage, concrete flatwork and an irrigation system.

Hampden Terrace Homeowners Association Built in 2002, this community of 50 units in seven buildings is located in Aurora, CO. These uniquely shaped buildings feature masonry veneer walls, balconies, patios and asphalt shingle roofs. The property includes concrete access streets and sidewalks, masonry retaining walls and an inviting entrance monument.

Lorian at Prospect Creek Owners Association, Inc. Located in picturesque Mountain Village, Colorado, this condominium style development of 20 units features an outdoor pool, concrete plaza deck and two common underground garages.

Oakdale Stone Ridge Court Homes Association, Inc. This townhome style development of 110 units in 16 buildings and is located in Oakdale, Minnesota. Exterior features of the buildings include vinyl siding and asphalt shingle roofs. The site contains asphalt pavement streets and driveways, concrete flatwork and an irrigation system.

Cornerstone Lake Condominium Association, Inc. This townhome style development of 122 units in 16 buildings is located in Farmington, Minnesota. Exterior features of the buildings include vinyl siding, brick masonry and asphalt shingle roofs. The site consists of a pond, asphalt pavement, concrete flatwork, vinyl fences and an irrigation system.

Blue Water Keyes Horizontal Property Regime Built in 2006, this 14-story mid-rise in Myrtle Beach, South Carolina includes stucco exterior finishes, a modified bitumen roof, indoor and outdoor poles, and concrete breezeways and balconies. The building also utilizes two elevators, a trash compactor and various pool mechanical equipment, including a dehumidifier.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Mr. Johannning attended the University of Toledo in Toledo, Ohio where he attained his Bachelor of Science degree in Civil Engineering. During his time at the University of Toledo, Mr. Johannning helped his senior design group develop a water reduction plan for the buildings on the University of Toledo's campus. This project included designs for improving fixture efficiencies within selected buildings and estimations of water reduction and financial savings. Mr. Johannning also interned for The Douglas Company and R.A. Plumbing and Heating as an estimating engineer.

EDUCATION

University of Toledo - B.S. Civil Engineering

PROFESSIONAL AFFILIATIONS / DESIGNATIONS

Engineer In Training (E.I.T.) Registration

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, Colorado

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 Atascocita Community 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) Atascocita Community 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, is noninvasive and is not meant to nor does it include investigation into statutory, regulatory or code compliance. 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.