

FULL RESERVE STUDY

Wilshire Farms Homes Association, Inc.



Overland Park, Kansas
September 14, 2018



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Wilshire Farms Homes Association, Inc.
Overland Park, Kansas

Dear Board of Directors of Wilshire Farms Homes Association, Inc.:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of Wilshire Farms Homes Association, Inc. in Overland Park, Kansas and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, September 14, 2018.

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 Wilshire Farms Homes 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 October 24, 2018 by

Reserve Advisors, Inc.

Visual Inspection and Report by: Timothy J. Matthiesen, RS
Review by: Alan M. Ebert, PRA¹, RS², 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: Wilshire Farms Homes Association, Inc. (Wilshire Farms)

Location: Overland Park, Kansas

Reference: 130387

Property Basics: Wilshire Farms Homes Association, Inc. is a planned unit development responsible for the common elements shared by 367 single family homes. The development was built from 2005 to 2012 and contains an amenity center with playground equipment, sport courts, a clubhouse and a pool facility.

Reserve Components Identified: 35 Reserve Components.

Inspection Date: September 14, 2018.

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 these threshold funding years in 2030 due to plaster finish replacement and water slide replacement and again in 2035 due to pond sediment removal.

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
- 2.0% 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:

- \$175,702 as of August 31, 2018
- 2018 budgeted Reserve Contributions of \$51,877
- A potential deficit in reserves might occur by 2029 based upon continuation of the most recent annual reserve contribution of \$51,877 and the identified Reserve Expenditures.

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

- Sport court color coat applications (We note cracks throughout the courts requiring repair. Deferral of this expense may result in the necessity to replace the surface at a sooner date than projected in this Reserve Study.)
- Pool finish replacement (We note cracks and deterioration of the plaster. Deferral of this expense will likely result in increased overall costs related to pool maintenance during the lift of the pool structure.)

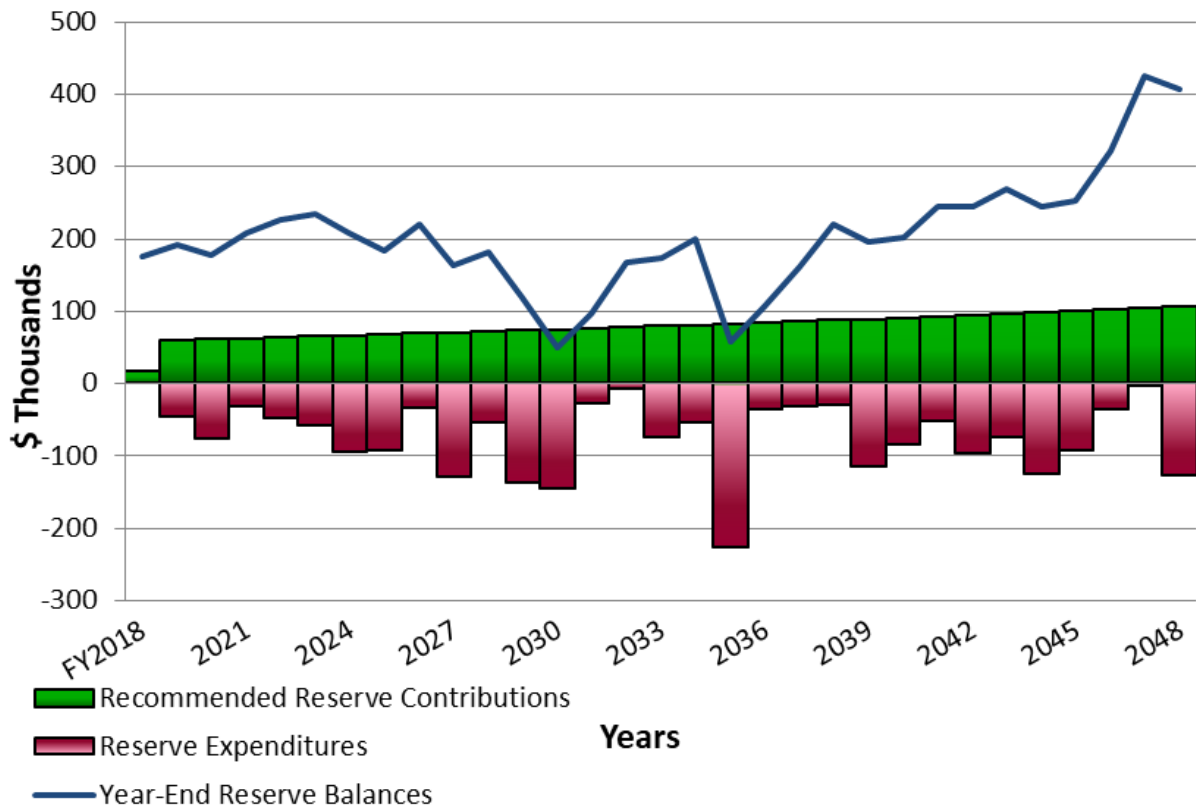
Recommended Reserve Funding: We recommend the following in order to achieve a stable and equitable Funding Plan:

- Increase to \$59,500 in 2019
- Inflationary increases through 2048, the limit of this study's Cash Flow Analysis
- Initial adjustment in Reserve Contributions of \$7,623 represents an average annual increase of \$20.77 per homeowner and about a two percent (1.9%) adjustment in the 2018 total Operating Budget of \$391,702.

Wilshire Farms

Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2019	59,500	192,023	2029	72,500	119,749	2039	88,400	195,450
2020	60,700	177,433	2030	74,000	49,169	2040	90,200	203,037
2021	61,900	208,525	2031	75,500	96,757	2041	92,000	244,882
2022	63,100	225,505	2032	77,000	168,451	2042	93,800	245,098
2023	64,400	234,563	2033	78,500	174,029	2043	95,700	268,806
2024	65,700	207,575	2034	80,100	200,871	2044	97,600	244,876
2025	67,000	183,473	2035	81,700	57,821	2045	99,600	253,673
2026	68,300	220,496	2036	83,300	106,783	2046	101,600	322,145
2027	69,700	163,717	2037	85,000	161,625	2047	103,600	425,855
2028	71,100	182,355	2038	86,700	220,887	2048	105,700	407,976



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

Wilshire Farms Homes Association, Inc.

Overland Park, Kansas

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, September 14, 2018.

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. 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:

- Wilshire Farms 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 System, Common
- Foundations, Amenity Center Buildings
- Pipes, Interior Building, Domestic Water, Sanitary Waste and Vent, Amenity Center Buildings
- Pipes, Subsurface Utilities, Amenity Center Grounds
- Pool Structure
- Structural Frames, Amenity Center Buildings

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 \$3,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Basketball Court, Goals
- Clubhouse, Interim Furnishing and Appliance Replacement
- Doors, Pool Mechanical Equipment and Rest Room Buildings
- Drainage Remediation, Amenity Center Grounds
- Irrigation System
- Landscape, General Maintenance
- Paint Finishes, Touch Up
- Playground Equipment, Surface Replacement, Interim
- Pond, Chemical Treatments and Bathymetric Surveys
- Railings, Steel, Water Slide Pathway, Paint Finishes (We recommend the Association paint these components every five years to prevent rust and ensure a long overall useful life.)
- Retaining Walls, Pool Area
- Signage, Informational
- Site Furniture
- Tennis Courts, Wind Screens and Standards
- Trellises, Paint Finishes, Interim

- Volleyball Court
- Walls, Masonry, Amenity Center Buildings
- Water Slide, Gel-coating or Refinishing
- 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:

- Fences at Lot Lines (if present)
- 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 (City of Overland Park)
- Mailbox Stations (United States Postal Service)
- Sidewalks, Parallel to Streets (City of Overland Park)
- Street Systems (City of Overland Park)

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
- 2018 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
- Predicted reserves based on current funding level

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

Wilshire Farms
Homes Association, Inc.
Overland Park, Kansas

Explanatory Notes:

- 1) 2.0% is the estimated future Inflation Rate for estimating Future Replacement Costs.
2) FY2018 is Fiscal Year beginning January 1, 2018 and ending December 31, 2018.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$				RUL = 0 FY2018	1 2019	2 2020	3 2021	4 2022	5 2023	6 2024	7 2025	8 2026	9 2027	10 2028	11 2029	12 2030	13 2031	14 2032	15 2033
						Useful	Remaining	Unit (2018)	Per Phase (2018)	Total (2018)	30-Year Total (Inflated)																
Property Site Elements																											
4.020	980	980	Square Yards	Asphalt Pavement System, Crack Repair, Patch and Seal Coat	2019	3 to 5	1	2.50	2,450	2,450	20,397		2,499							2,928					3,169		
4.040	980	980	Square Yards	Asphalt Pavement System, Mill and Overlay	2023	15 to 20	5	19.50	19,110	19,110	21,099						21,099										
4.045	980	980	Square Yards	Asphalt Pavement System, Total Replacement	2039	15 to 20	21	34.00	33,320	33,320	50,502																
4.140	13,300	580	Square Feet	Concrete Sidewalks, Common Grounds, Partial	2020	to 65	2 to 30+	9.00	5,220	119,700	58,276			5,431			5,879				6,363				6,888		
4.500	1	1	Allowance	Landscape, Partial Replacements	2023	to 5	5	20,000.00	20,000	20,000	172,137						22,082				24,380					26,917	
4.560	14	14	Each	Light Poles and Fixtures, Amenity Center	2035	to 30	17	2,500.00	35,000	35,000	49,008																
4.660	1	1	Allowance	Playground Equipment	2024	15 to 20	6	60,000.00	60,000	60,000	164,076						67,570										
4.700	1	1	Each	Pond, Aerator	2026	10 to 15	8	7,000.00	7,000	7,000	31,080								8,202								
4.710	1,520	1,520	Linear Feet	Pond, Erosion Control, Shoreline Inspections and Repairs	2025	to 10	7	7.00	10,640	10,640	45,282							12,222									
4.730	12,370	1,855	Square Yards	Pond, Sediment Removal, Partial	2035	to 30	17	34.00	63,070	420,580	88,313																
4.800	1	1	Allowance	Signage, Entrance Monuments, Renovation	2025	15 to 20	7	11,600.00	11,600	11,600	33,125							13,325									
4.801	1	1	Allowance	Signage, Entrance Monuments, Water Features	2021	10 to 15	3	11,200.00	11,200	11,200	46,077				11,886											15,074	
4.830	1,850	1,850	Square Yards	Sport Courts, Color Coat	2019	4 to 6	1	10.50	19,425	19,425	130,304		19,814				21,876										
4.840	440	440	Linear Feet	Sport Courts, Tennis Court Fence	2029	to 25	11	44.00	19,360	19,360	24,072											24,072					
4.860	1,850	1,850	Square Yards	Sport Courts, Surface Replacement	2029	to 25	11	45.00	83,250	83,250	103,511											103,511					
Clubhouse Elements																											
Exterior Elements																											
5.100	420	420	Square Feet	Balcony, Composite	2030	20 to 25	12	37.00	15,540	15,540	19,708													19,708			
5.110	60	60	Squares	Roof Assemblies, Asphalt Shingles	2025	15 to 20	7	505.00	30,300	30,300	85,510							34,805									
5.120	3,500	3,500	Square Feet	Walls, Paint Finishes (Incl. Trellises)	2020	8 to 10	2	2.00	7,000	7,000	37,528			7,283								8,533					
5.130	650	650	Square Feet	Windows and Doors	2035	to 30	17	53.00	34,450	34,450	48,238																
Interior and Building Service Elements																											
5.300	1	1	Allowance	Audio/Visual (AV) Equipment	2033	to 15	15	17,000.00	17,000	17,000	53,673															22,880	
5.310	2	1	Allowance	Exercise Equipment, Phased	2021	5 to 10	3 to 7	7,500.00	7,500	15,000	71,548				7,959			8,615				9,325				10,094	
5.400	4	4	Each	HVAC Equipment, Split Systems	2022	12 to 18	4	6,000.00	24,000	24,000	62,354					25,978											
5.500	4,000	4,000	Square Feet	Interior, Renovation, Complete	2027	to 25	9	20.00	80,000	80,000	95,607									95,607							
5.510	4,000	4,000	Square Feet	Interior, Renovation, Partial	2019	to 8	1	4.00	16,000	16,000	64,974		16,320														
5.520	2	2	Each	Rest Rooms, Poolside	2025	to 20	7	7,000.00	14,000	14,000	39,978							16,082									
5.600	1	1	Allowance	Security System	2021	to 10	3	12,500.00	12,500	12,500	49,146				13,265										16,170		
Pool Elements																											
6.200	7,800	7,800	Square Feet	Concrete Deck, Inspections, Partial Replacements and Repairs	2020	8 to 12	2	1.30	10,140	10,140	39,086			10,550									12,860				
6.300	4,170	4,170	Square Feet	Cover, Vinyl	2020	6 to 8	2	3.00	12,510	12,510	67,066			13,015								15,250					
6.400	460	460	Linear Feet	Fences, Aluminum (Incl. Water Slide Path Steel Railings)	2027	to 25	9	55.00	25,300	25,300	30,236									30,236							
6.500	1	1	Allowance	Furniture	2022	to 12	4	21,000.00	21,000	21,000	88,121					22,731											
6.600	3	3	Each	Mechanical Equipment, Heaters	2023	18 to 25	5	4,500.00	13,500	13,500	36,193						14,905										
6.601	2	1	Allowance	Mechanical Equipment, Remaining Components, Phased	2019	to 15	1 to 7	7,300.00	7,300	14,600	47,885		7,446					8,385						9,443			
6.800	4,170	4,170	Square Feet	Pool Finish, Plaster	2020	8 to 12	2	9.50	39,615	39,615	152,700			41,215									50,241				
6.890	750	750	Square Feet	Trellises, Wood	2026	15 to 25	8	29.00	21,750	21,750	64,881							25,484									
6.990	1	1	Allowance	Water Slide	2030	to 60	12	49,500.00	49,500	49,500	62,778												62,778				
Anticipated Expenditures, By Year											\$2,254,469	0	46,079	77,494	33,110	48,709	58,086	95,325	93,434	33,686	128,771	54,526	136,908	145,587	28,782	6,888	74,965

RESERVE EXPENDITURES

Wilshire Farms Homes Association, Inc. Overland Park, Kansas				Estimated 1st Year of Event	Life Analysis, Years		Costs, \$				16 2034	17 2035	18 2036	19 2037	20 2038	21 2039	22 2040	23 2041	24 2042	25 2043	26 2044	27 2045	28 2046	29 2047	30 2048	
Line Item	Total Quantity	Per Phase Quantity	Units		Unit (2018)	Per Phase (2018)	Total (2018)	30-Year Total (Inflated)																		
Reserve Component Inventory					Useful	Remaining																				
Property Site Elements																										
4.020	980	980	Square Yards	Asphalt Pavement System, Crack Repair, Patch and Seal Coat	2019	3 to 5	1	2.50	2,450	2,450	20,397	3,431							4,019				4,351			
4.040	980	980	Square Yards	Asphalt Pavement System, Mill and Overlay	2023	15 to 20	5	19.50	19,110	19,110	21,099															
4.045	980	980	Square Yards	Asphalt Pavement System, Total Replacement	2039	15 to 20	21	34.00	33,320	33,320	50,502					50,502										
4.140	13,300	580	Square Feet	Concrete Sidewalks, Common Grounds, Partial	2020	to 65	2 to 30+	9.00	5,220	119,700	58,276		7,455				8,070				8,735			9,455		
4.500	1	1	Allowance	Landscape, Partial Replacements	2023	to 5	5	20,000.00	20,000	20,000	172,137				29,719				32,812					36,227		
4.560	14	14	Each	Light Poles and Fixtures, Amenity Center	2035	to 30	17	2,500.00	35,000	35,000	49,008	49,008														
4.660	1	1	Allowance	Playground Equipment	2024	15 to 20	6	60,000.00	60,000	60,000	164,076							96,506								
4.700	1	1	Each	Pond, Aerator	2026	10 to 15	8	7,000.00	7,000	7,000	31,080				10,198									12,680		
4.710	1,520	1,520	Linear Feet	Pond, Erosion Control, Shoreline Inspections and Repairs	2025	to 10	7	7.00	10,640	10,640	45,282	14,899									18,161					
4.730	12,370	1,855	Square Yards	Pond, Sediment Removal, Partial	2035	to 30	17	34.00	63,070	420,580	88,313	88,313														
4.800	1	1	Allowance	Signage, Entrance Monuments, Renovation	2025	15 to 20	7	11,600.00	11,600	11,600	33,125											19,800				
4.801	1	1	Allowance	Signage, Entrance Monuments, Water Features	2021	10 to 15	3	11,200.00	11,200	11,200	46,077											19,117				
4.830	1,850	1,850	Square Yards	Sport Courts, Color Coat	2019	4 to 6	1	10.50	19,425	19,425	130,304	26,666				29,442					32,506					
4.840	440	440	Linear Feet	Sport Courts, Tennis Court Fence	2029	to 25	11	44.00	19,360	19,360	24,072															
4.860	1,850	1,850	Square Yards	Sport Courts, Surface Replacement	2029	to 25	11	45.00	83,250	83,250	103,511															
Clubhouse Elements																										
Exterior Elements																										
5.100	420	420	Square Feet	Balcony, Composite	2030	20 to 25	12	37.00	15,540	15,540	19,708															
5.110	60	60	Squares	Roof Assemblies, Asphalt Shingles	2025	15 to 20	7	505.00	30,300	30,300	85,510										50,705					
5.120	3,500	3,500	Square Feet	Walls, Paint Finishes (Incl. Trellises)	2020	8 to 10	2	2.00	7,000	7,000	37,528		9,998								11,714					
5.130	650	650	Square Feet	Windows and Doors	2035	to 30	17	53.00	34,450	34,450	48,238	48,238														
Interior and Building Service Elements																										
5.300	1	1	Allowance	Audio/Visual (AV) Equipment	2033	to 15	15	17,000.00	17,000	17,000	53,673													30,793		
5.310	2	1	Allowance	Exercise Equipment, Phased	2021	5 to 10	3 to 7	7,500.00	7,500	15,000	71,548			10,926			11,827				12,802					
5.400	4	4	Each	HVAC Equipment, Split Systems	2022	12 to 18	4	6,000.00	24,000	24,000	62,354					36,376										
5.500	4,000	4,000	Square Feet	Interior, Renovation, Complete	2027	to 25	9	20.00	80,000	80,000	95,607															
5.510	4,000	4,000	Square Feet	Interior, Renovation, Partial	2019	to 8	1	4.00	16,000	16,000	64,974	22,404							26,250							
5.520	2	2	Each	Rest Rooms, Poolside	2025	to 20	7	7,000.00	14,000	14,000	39,978										23,896					
5.600	1	1	Allowance	Security System	2021	to 10	3	12,500.00	12,500	12,500	49,146						19,711									
Pool Elements																										
6.200	7,800	7,800	Square Feet	Concrete Deck, Inspections, Partial Replacements and Repairs	2020	8 to 12	2	1.30	10,140	10,140	39,086						15,676									
6.300	4,170	4,170	Square Feet	Cover, Vinyl	2020	6 to 8	2	3.00	12,510	12,510	67,066		17,867								20,934					
6.400	460	460	Linear Feet	Fences, Aluminum (Incl. Water Slide Path Steel Railings)	2027	to 25	9	55.00	25,300	25,300	30,236															
6.500	1	1	Allowance	Furniture	2022	to 12	4	21,000.00	21,000	21,000	88,121	28,828										36,562				
6.600	3	3	Each	Mechanical Equipment, Heaters	2023	18 to 25	5	4,500.00	13,500	13,500	36,193						21,288									
6.601	2	1	Allowance	Mechanical Equipment, Remaining Components, Phased	2019	to 15	1 to 7	7,300.00	7,300	14,600	47,885			10,635					11,976							
6.800	4,170	4,170	Square Feet	Pool Finish, Plaster	2020	8 to 12	2	9.50	39,615	39,615	152,700					61,244										
6.890	750	750	Square Feet	Trellises, Wood	2026	15 to 25	8	29.00	21,750	21,750	64,881													39,397		
6.990	1	1	Allowance	Water Slide	2030	to 60	12	49,500.00	49,500	49,500	62,778															
Anticipated Expenditures, By Year											\$2,254,469	55,494	226,293	35,320	31,759	29,719	116,320	84,990	52,826	96,506	75,057	124,594	93,776	36,562	4,351	128,552

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS																
Wilshire Farms																
Homes Association, Inc.																
Overland Park, Kansas																
Individual Reserve Budgets & Cash Flows for the Next 30 Years																
	FY2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Reserves at Beginning of Year (Note 1)	175,702	176,405	192,023	177,433	208,525	225,505	234,563	207,575	183,473	220,496	163,717	182,355	119,749	49,169	96,757	168,451
Total Recommended Reserve Contributions (Note 2)	0	59,500	60,700	61,900	63,100	64,400	65,700	67,000	68,300	69,700	71,100	72,500	74,000	75,500	77,000	78,500
Plus Estimated Interest Earned, During Year (Note 3)	703	2,197	2,204	2,302	2,589	2,744	2,637	2,332	2,409	2,292	2,064	1,802	1,007	870	1,582	2,043
Less Anticipated Expenditures, By Year	0	(46,079)	(77,494)	(33,110)	(48,709)	(58,086)	(95,325)	(93,434)	(33,686)	(128,771)	(54,526)	(136,908)	(145,587)	(28,782)	(6,888)	(74,965)
Anticipated Reserves at Year End	<u>\$176,405</u>	<u>\$192,023</u>	<u>\$177,433</u>	<u>\$208,525</u>	<u>\$225,505</u>	<u>\$234,563</u>	<u>\$207,575</u>	<u>\$183,473</u>	<u>\$220,496</u>	<u>\$163,717</u>	<u>\$182,355</u>	<u>\$119,749</u>	<u>\$49,169</u>	<u>\$96,757</u>	<u>\$168,451</u>	<u>\$174,029</u>
													(NOTE 5)			
Predicted Reserves based on 2018 funding level of:	\$51,877	176,405	184,355	160,797	181,606	186,972	182,969	141,456	101,347	120,863	44,958	42,833	(42,194)	(136,973)		

(continued)																
Individual Reserve Budgets & Cash Flows for the Next 30 Years, Continued																
	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	
Reserves at Beginning of Year	174,029	200,871	57,821	106,783	161,625	220,887	195,450	203,037	244,882	245,098	268,806	244,876	253,673	322,145	425,855	
Total Recommended Reserve Contributions	80,100	81,700	83,300	85,000	86,700	88,400	90,200	92,000	93,800	95,700	97,600	99,600	101,600	103,600	105,700	
Plus Estimated Interest Earned, During Year	2,236	1,543	982	1,601	2,281	2,483	2,377	2,671	2,922	3,065	3,064	2,973	3,434	4,461	4,973	
Less Anticipated Expenditures, By Year	(55,494)	(226,293)	(35,320)	(31,759)	(29,719)	(116,320)	(84,990)	(52,826)	(96,506)	(75,057)	(124,594)	(93,776)	(36,562)	(4,351)	(128,552)	
Anticipated Reserves at Year End	<u>\$200,871</u>	<u>\$57,821</u>	<u>\$106,783</u>	<u>\$161,625</u>	<u>\$220,887</u>	<u>\$195,450</u>	<u>\$203,037</u>	<u>\$244,882</u>	<u>\$245,098</u>	<u>\$268,806</u>	<u>\$244,876</u>	<u>\$253,673</u>	<u>\$322,145</u>	<u>\$425,855</u>	<u>\$407,976</u>	(NOTE 4)
													(NOTE 5)			

Explanatory Notes:

- 1) Year 2018 starting reserves are as of August 31, 2018; FY2018 starts January 1, 2018 and ends December 31, 2018.
- 2) Reserve Contributions for 2018 have been contributed; 2019 is the first year of recommended contributions.
- 3) 1.2% is the estimated annual rate of return on invested reserves; 2018 is a partial year of interest earned.
- 4) Accumulated year 2048 ending reserves consider the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Years (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

Asphalt Pavement System, Crack Repair, Patch and Seal Coat

Line Item: 4.020

Quantity: Approximately 980 square yards of asphalt pavement and adjacent concrete curbs and gutters comprise the amenity center parking area

History and Condition: The age of the last seal coat application and repair is unknown. Based on the fair condition of the parking area, we suggest near term repairs.

Useful Life: Three- to five-years

Component Detail Notes: Proposals for seal coat applications should include crack repairs and patching. The contractor should only apply seal coat applications after repairs are completed. A seal coat does not bridge or close cracks, therefore, unrepaired cracks render the seal coat applications useless.

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost includes an allowance for crack repairs and patching in addition to seal coat applications.

Asphalt Pavement System, Repaving

Line Items: 4.040 and 4.045

Quantity: Approximately 980 square yards of asphalt pavement and adjacent concrete curbs and gutters comprise the amenity center parking area

History: Original

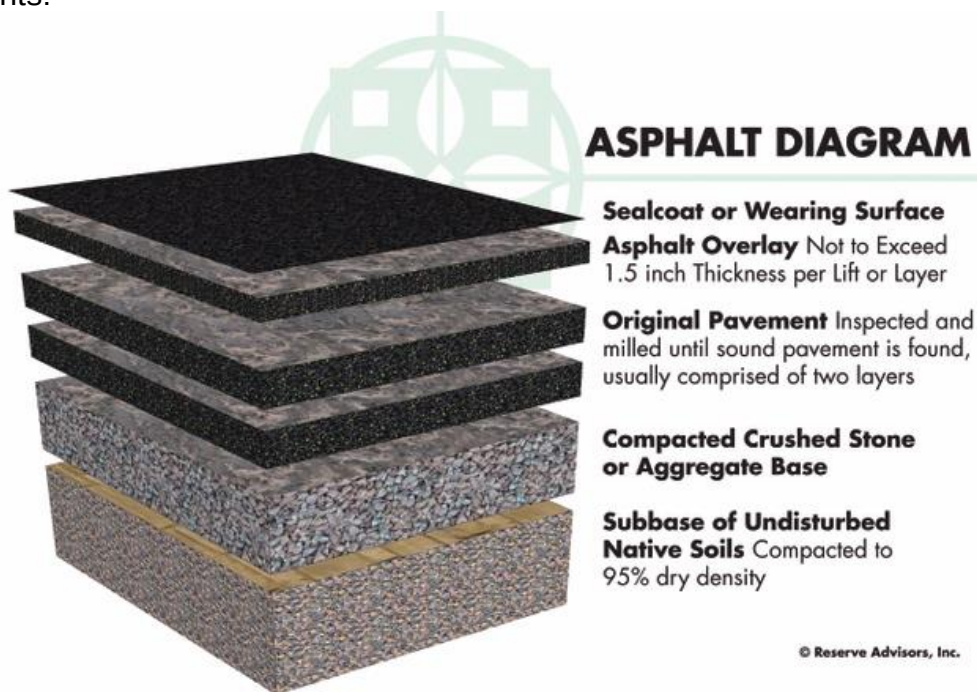
Condition: Fair overall. We note cracks throughout the parking area.



Repaired and unrepaired cracks at parking area Repaired and unrepaired cracks at parking area

Useful Life: 15- to 20-years

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 these components:



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 mill and overlay method for the initial repaving event followed by the total replacement method for subsequent repaving at Wilshire Farms.

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 for milling and overlayment includes area patching of up to twenty percent (20%). We recommend the Association replace up to five percent (5%) of the adjacent concrete curbs and gutters in conjunction with repaving.

Concrete Sidewalks

Line Item: 4.140

Quantity: 13,300 square feet at the amenity center grounds and near the pond

Condition: Good overall



Isolated and minor sidewalk cracks



Concrete sidewalk in good overall condition

Useful Life: Up to 65 years although interim deterioration of areas is common, resulting in the need to plan for ongoing, phased replacement of the concrete

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 estimate that up to 4,640 square feet of concrete sidewalks, or thirty-five percent (34.9%) of the total, will require replacement during the next 30 years.

Landscape

Line Item: 4.500

Component Detail Notes: The Association contains a large quantity of trees, shrubbery and other landscape elements. Replacement of these elements is an ongoing need. Many associations budget for these replacements as normal maintenance. Other associations fund ongoing replacements from reserves. Large amounts of landscape may need replacement due to disease, drought or other forces of nature. If the cost of removal and replacement is substantial, funding from reserves is logical. The Association may also desire to periodically update the appearance of the community through major improvements to the landscape.

Useful Life: At the request of Management, we include a landscape allowance of \$20,000 plus inflation for partial replacements every five years.

Priority/Criticality: Per Board discretion

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: 14 each at the amenity center grounds

History: Original

Condition: Good overall



Amenity center grounds light pole and fixture

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 Item: 4.660

History: Original

Condition: Good overall



Playground playset



Underside and fasteners of playset in good condition

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: Approximately two years of age

Condition: Reported in good condition



Fountain style pond aerator

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.

Pond, Erosion Control

Line Item: 4.710

Quantity: 1,520 linear feet of natural vegetation and stone bulkheads

History: The history of shoreline maintenance is unknown

Condition: The shorelines appear in good condition and free of major instances of erosion

Useful Life: Shorelines are subject to fluctuations in water levels, increased plant growth and migrating storm and ground water resulting in the need for erosion control measures every 10 years



Pond overview



Natural shoreline in good condition



Isolated and minor instances of erosion



Section of shoreline with stone bulkhead

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 plan for regrading of the sections with natural shorelines and plan for inspections, repairs and partial replacements of the stone bulkheads.

Pond, Sediment Removal

Line Item: 4.730

Quantity: 12,370 square yards of water surface area

Condition: Good overall

Useful Life: Based on the visual condition and construction of the pond and deciduous trees near the pond, we recommend the Association anticipate the need to remove pond sediment up to every 30 years.

Component Detail Notes: The gradual build-up of natural debris, including tree leaves, branches and silt, may eventually change the topography of areas of the pond. Silt typically accumulates at inlets, outlets and areas of shoreline erosion. Sediment removal of ponds becomes necessary if this accumulation alters the quality of pond water or the functionality of the ponds as storm water management structures. Sediment removal is the optimal but also the most capital intensive method of pond management.

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. For reserve budgeting purposes, we estimate the need to remove fifteen percent (15%) of the surface area an average depth of one yard. However, the actual volume of material to remove may vary dependent upon an invasive analysis at the time of removal. A visual inspection of a body of water cannot reveal the amount of accumulated silt. This is especially true on larger bodies of water. It is therefore inaccurate to assume an entire body of water will require sediment removal. It is more cost effective to spot remove in areas of intense silt accumulation as noted through bathymetric surveys. The amount or depth of silt is determined through prodding into the silt until a relatively solid base is found or through bathymetric surveys. A bathymetric survey establishes a base of data about the depth of the body of water over many locations against which the data of future surveys is compared. These invasive procedures are beyond the scope of a Reserve Study and require multiple visits to the site. We recommend Wilshire Farms contract with a local engineer for periodic bathymetric surveys. Future updates of the Reserve Study can incorporate future anticipated expenditures based on the results of the bathymetric surveys.

Unit costs per cubic yard to remove can vary significantly based on the type of equipment used, quantity of removed material and disposal of removed material. Sediment removal costs must also include mobilization, or getting the equipment to and from the site. Also, the portion of the overall cost to remove associated with mobilization varies based on the volume removed. Costs for sediment disposal also vary depending on the site. Compact sites will require hauling and in some cases disposal fees.

Signage, Entrance Monuments

Line Items: 4.800 and 4.801

Quantity: The Association maintains entrance monuments at the one east side entrance and the two south side entrances. The east side entrance monuments include “knee walls” comprised of masonry along 156th Street.

History: Original

Condition: Good overall



South entrance monument



East entrance monument with lettering



Fountain pool



Fountain mechanical equipment

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
- Signs
- Waterfall features including fountain pools and mechanical equipment

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 (including the “knee walls” along 156th Street) and replacement of the remaining components listed above.

Sport Courts, Color Coat

Line Item: 4.830

Quantity: 1,850 square yards comprising two tennis courts and one basketball court

History: The age of the last color coat application is unknown. Based on the fair overall condition of the court surfaces, we suggest near term color coat applications.



Tennis courts



Basketball court



Surface cracks at tennis court



Evidence of previous standing water at basketball court

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.

Sport Courts, Fence

Line Item: 4.840

Quantity: 440 linear feet surrounding the tennis courts

History: Original

Condition: Good overall



Tennis court fence

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.

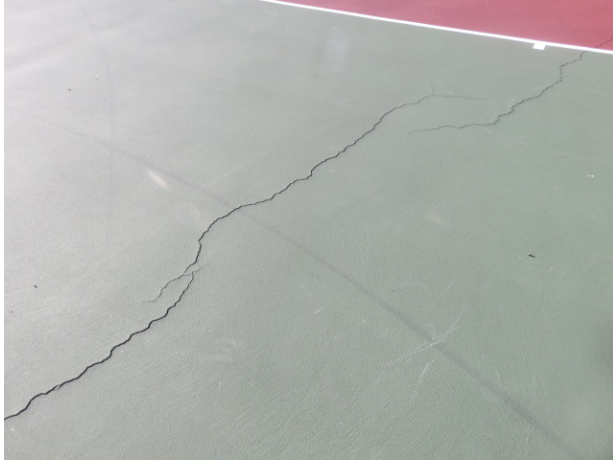
Sport Courts, Surfaces

Line Item: 4.860

Quantity: 1,850 square yards comprising two tennis courts and one basketball court

History: Original

Condition: Good to fair overall with cracks and settlement evident



Cracks at tennis court surface



Cracks at tennis court surface



Settlement of asphalt below concrete fence footing



Settlement and minor instance of standing water at basketball court

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.

Clubhouse Elements - Exterior



Clubhouse, front elevation



Clubhouse, rear elevation

Balcony, Composite

Line Item: 5.100

Quantity: One balcony comprising 420 square feet of composite deck boards and a wood support structure at the rear elevation of the clubhouse

History: Likely original

Condition: Good overall



Useful Life: 20- to 25-years

Component Detail Notes: The wood components in the composite material will absorb moisture. When dispelled, black mold spots can appear that will require chemical cleaning. However, these spots will reappear resulting in the need for

cleaning every other month as needed during humid months. The Association should fund these expenses 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.

Roof Assemblies, Asphalt Shingles

Line Item: 5.110

Quantity: 60 squares¹ including the clubhouse, porticos, pool house rest room and storage building and pool mechanical equipment building

History: Likely original

Condition: Good overall. Management does not inform us of water infiltration.



Asphalt shingles in good condition



Open valley with w-flashing and adjacent gutters in good condition

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.

Walls, Stucco

Line Item: 5.120

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

Quantity: Approximately 3,500 square feet of the building exteriors including the soffit, fascia and trim

History: The age of the last paint finish application is unknown

Condition: Good to fair overall with minor finish fade evident

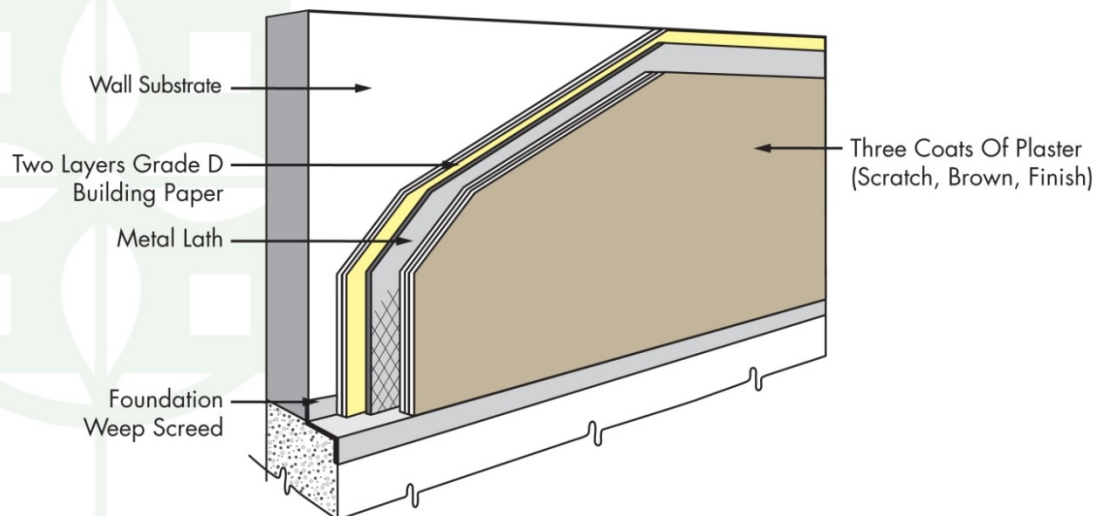


Stucco finish walls at the pool house

Useful Life: We recommend inspections, repairs and paint finish applications every 8- to 10-years.

Component Detail Notes: The following graphic details the typical components of a stucco wall system on frame construction:

STUCCO DETAIL



© Reserve Advisors, Inc.

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 assume the following activities per event:

- Crack repairs as needed (Each paint product has the limited ability to cover and seal cracks but we recommend repair of all cracks which exceed the ability of the paint product to bridge.)
- Replacement of up to two percent (2%), of the stucco walls (The exact amount of area in need of replacement will be discretionary based on the actual future conditions and the desired appearance.)
- Replacement of up to fifty percent (50%) of the sealants in coordination with each paint finish application.
- Paint finishes to the wood trellises at the pool deck and partial replacement of deteriorated wood components as necessary

Windows and Doors

Line Item: 5.130

Quantity: 650 square feet

History: Original

Condition: Good condition



Double-hung clubhouse window

Useful Life: Up to 30 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 - Interior

Audio/Visual Equipment

Line Item: 5.300

History: Replaced in 2018 at a cost of \$17,000

Condition: Reported satisfactory

Useful Life: Up to 15 years

Priority/Criticality: Per Board discretion

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

Exercise Equipment

Line Item: 5.310

Quantity: The exercise room contains the following types of equipment:

- Elliptical
- Bench
- Dumbbells
- Weight training
- Treadmills

History: Varied ages

Conditions: Reported satisfactory



Exercise room

Useful Life: The useful life of the exercise equipment varies from 5- 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. Due to the varied ages, usages and useful lives of the equipment, we recommend an ongoing, phased approach to replacement.

HVAC Equipment, Split Systems

Line Item: 5.400

Quantity: Four remote condensing units and four interior air handling units comprising four split systems

History and Condition: Original and reported in satisfactory condition



Clubhouse condensing units

Useful Life: 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. We recommend the Association coordinated replacement of the condensing units and air handling units as a single event.

Interior Renovations

Line Items: 5.500 and 5.510

History and Condition: The clubhouse finishes are primarily original and the furnishings and appliances vary in age. We note a majority of the clubhouse interior elements to be in good overall condition with the exception of the carpet floor coverings.

Management informs us the Association may paint the interior walls and ceilings in the near term, at which time we recommend a coordinated carpet replacement.



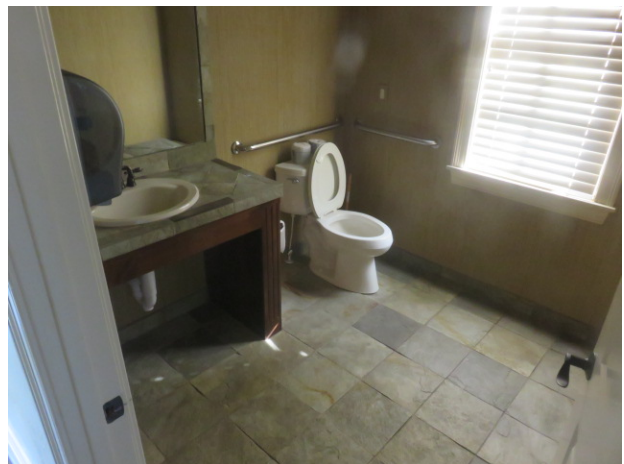
Clubhouse lower level



Clubhouse upper level



Clubhouse kitchen



Clubhouse rest room



Bar area at the lower level



Carpet wear at staircase

Useful Life: Complete renovation every 25 years. Partial renovations every eight years

Component Detail Notes: The clubhouse comprises approximately 4,000 square feet of finished area.

- Carpet, tile and wood floor coverings
- Paint finishes on the walls and ceilings
- Plumbing fixtures
- Light fixtures including exit and emergency lights
- Kitchen cabinets and countertops
- Furnishings including sofas, tables and chairs
- Various appliances including a stove, 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 components listed above.

These partial renovations should include the following:

- Application of paint finish to all surfaces
- Replacement of the carpet
- Replacement of the appliances and furnishings as necessary

Rest Rooms

Line Item: 5.520

Quantity: Two additional common rest rooms located adjacent to the pool area



Pool side rest room

History: Components are original

Condition: Good to fair overall

Useful Life: Renovations every 20 years

Component Detail Notes: Components include:

- Tile floor coverings
- Paint finishes on the walls and ceiling
- Light fixtures
- Plumbing fixtures
- Metal partitions and railings

Priority/Criticality: Per Board discretion

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

Security System

Line Item: 5.600

History: The exact age of the system is unknown. Management estimates the system is approximately 10 years of age.

Condition: Reported satisfactory

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.

Pool Elements



Main pool and deck overview



Wading pool and trellis

Concrete Deck

Line Item: 6.200

Quantity: 7,800 square feet

History: Original

Condition: Good condition with isolated and minor cracks, chips and spalls evident



Concrete pool deck



Isolated "D-crack" along control joint

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.

Cover, Vinyl

Line Item: 6.300

Quantity: 4,170 square feet

History: Unknown age

Condition: Reported in fair condition

Useful Life: Six- to eight-years

Priority/Criticality: Per Board discretion

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

Fences, Aluminum

Line Item: 6.400

Quantity: 340 linear feet surrounding the pool area. This quantity includes the steel railings at the sidewalk leading to the water slide. We recommend the Association paint the steel railings as needed using funds from the operating budget to prevent rust and thereby maximize the overall useful life of the railings.

History: Original

Condition: Good overall condition

Useful Life: Up to 25 years



Aluminum picket fence

Priority/Criticality: Not recommended to defer

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

Furniture

Line Item: 6.500

Quantity: Pool furniture includes the following:

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

History: Varied ages

Condition: Good to fair overall

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 Items: 6.600 and 6.601

Quantity: Pool mechanical equipment includes the following:

- Automatic chlorinator
- Controls
- Filters
- Heaters
- Interconnected pipe, fittings and valves
- Pumps

History: The heaters are original and the remaining components vary in age

Condition: Reported satisfactory



Pool heaters



Pool pumps and filters

Useful Life: 18- to 25-years for the heaters and up to 15 years for the remaining equipment

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 an ongoing, phased approach to replacement. We consider interim replacement of motors and minor repairs as normal maintenance.

Pool Finishes, Plaster

Line Item: 6.800

Quantity: 4,170 square feet based on the horizontal surface area. This quantity includes the wading pool.

History: Unknown age

Condition: Good to fair overall. Our inspection notes cracks at the pool steps and shelves suggesting near term replacement of the plaster is likely.



Main swimming pool



Plaster finish deterioration



Minor cracks at pool shelf



Plaster and tile pool finish



Wading pool



Large crack at wading pool step

Useful Life: 8- to 12-years

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 finish
- Partial replacements of the scuppers and coping as needed
- Replacement of tiles and 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.

Trellises, Wood

Line Item: 6.890

Quantity: 750 square feet of trellises at the pool deck based on the horizontal surface areas

History: Original

Condition: Good to fair overall. We note rust at the steel base plates that adhere the trellises to the pool deck.



Trellis wood components in good condition



Trellis wood components in good condition

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. Our cost for paint finishes to the clubhouse stucco includes paint finishes to the trellises. If necessary, we recommend interim paint finish applications through the operating budget.

Water Slide

Line Item: 6.990

History: Original

Conditions: Good overall



Fiberglass water slide



Topside view of slide



Underside view of slide and fasteners in good condition

Useful Life: Up to 25 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. We recommend gel-coating or refinishing of the topside as necessary funded through the operating budget.

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 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.

Wilshire Farms 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 "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 Overland Park, Kansas at an annual inflation rate. Isolated or regional markets of

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.

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

- The past and current maintenance practices of Wilshire Farms 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



TIMOTHY J. MATTHIESEN, RS
Responsible Advisor

CURRENT CLIENT SERVICES

Timothy J. Matthiesen, a Civil Engineer, is an Advisor for **Reserve Advisors, Inc.**, which is dedicated to serving community associations, religious organizations, educational facilities, and public and private entities throughout the United States. Mr. Matthiesen is responsible for the inspection and analysis of the property's current condition, recommending engineering solutions to prolong the lives of building components, forecasting capital expenditures for the repair and/or replacement of the property components, and technical report preparation on assignments. He is responsible for conducting Life Cycle Cost Analysis and Capital Replacement Forecast Services on townhomes, homeowners associations and planned unit developments.

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

The Mercer Residential tower that rises 30 stories over the Galleria neighborhood west of downtown Houston.

Craig Ranch Community Association Nationally acclaimed master-planned community in North Texas spread across 400 acres that provides its residents with an unrivaled active community lifestyle.

Four Seasons Resorts Colorado State of the art 45-story high rise hotel and condominium in downtown Denver and ski lodge destination resort in Vail.

Riverstone Homeowners Association Developing community outside of Houston comprised of over 3,000 homes. The development includes private gated sections, several lakes, water parks and miles of perimeter walls.

Insulators & Allied Workers Local No. 14 Headquarters of the insulators and allied workers union for the Philadelphia area that houses its offices, a ballroom and an educational center.

Steiner Ranch Homeowners Association One of the largest master-planned communities in Central Texas, this community features multiple pool and park developments overlooking Lake Austin and the surrounding hills.

Glenhaven Lakes Club A homeowners association of over 1,000 homes set in the mountains north of Seattle. The community is responsible for its extensive private water system and maintenance equipment.

The Broadway, San Antonio This luxury condominium high-rise near downtown features balconies with stunning views of the city and an elevated pool deck atop a parking structure.

Alpha Delta Pi Sorority House Frank Lloyd Wright inspired prairie style house on the campus of the University of Arizona that maintains residences for over sixty students and a commercial kitchen.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Inc., Mr. Matthiesen was working with a consulting firm to assess school facility capabilities in southeastern Wisconsin. He was responsible for the inspection and condition assessment of school facilities and his day to day duties included conducting on-site meetings with school personnel, completing technical inspections and creating a database of photographs and building condition information.

Mr. Matthiesen also worked for a local county parks department near his hometown as a Civil Engineer. He was responsible for the design of park facilities including roadways and parking lots, picnic shelters and recreational trails along with the inspection of current facilities including historic structures maintained by the County.

EDUCATION

Marquette University - B.S. Civil Engineering

PROFESSIONAL AFFILIATIONS

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 Wilshire Farms 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) Wilshire Farms 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.