FULL RESERVE STUDY

Westwood
Landowners' Association

Magnolia, Texas
June 23, 2022

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Corporate Office
Reserve Advisors, LLC
735 N. Water Street, Suite 175
Milwaukee, WI 53202

Westwood Landowners' Association
Magnolia, Texas

Dear Board of Directors of Westwood Landowners' Association:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of Westwood Landowners' Association in Magnolia, Texas and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, June 23, 2022.

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- to three-years. We look forward to continuing to help Westwood Landowners' 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 12, 2022 by

Reserve Advisors, LLC

Visual Inspection and Report by: Casey M. Lewis, RS[1]
Review by: Alan M. Ebert, RS, PRA[2], 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.

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1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Westwood Landowners' Association (Westwood)
Location: Magnolia, Texas
Reference: 220670

Property Basics: Westwood Landowners' Association is a homeowners association which is responsible for the common elements shared by approximately 2,122 lots. The community was built from 1979 to 1980. The community contains swimming pools, sport courts, playgrounds and a pavilion.

Reserve Components Identified: 46 Reserve Components.

Inspection Date: June 23, 2022.

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 multiple threshold funding years due to replacement of the sport courts, pool structures, and the playground equipment.

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
- 0.7% anticipated annual rate of return on invested reserves
- 3.5% 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.

Unaudited Cash Status of Reserve Fund:

- The Association does not have an established Reserve Fund
- The Association did not budget Reserve Contributions in 2021. (Fiscal year 2021 starts July 1, 2021 and ends June 30, 2022)

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 pool structure at Nickaburr Creek
- Replacement of the pool plaster finishes at the north and Oak Bluff pools due to noted deterioration

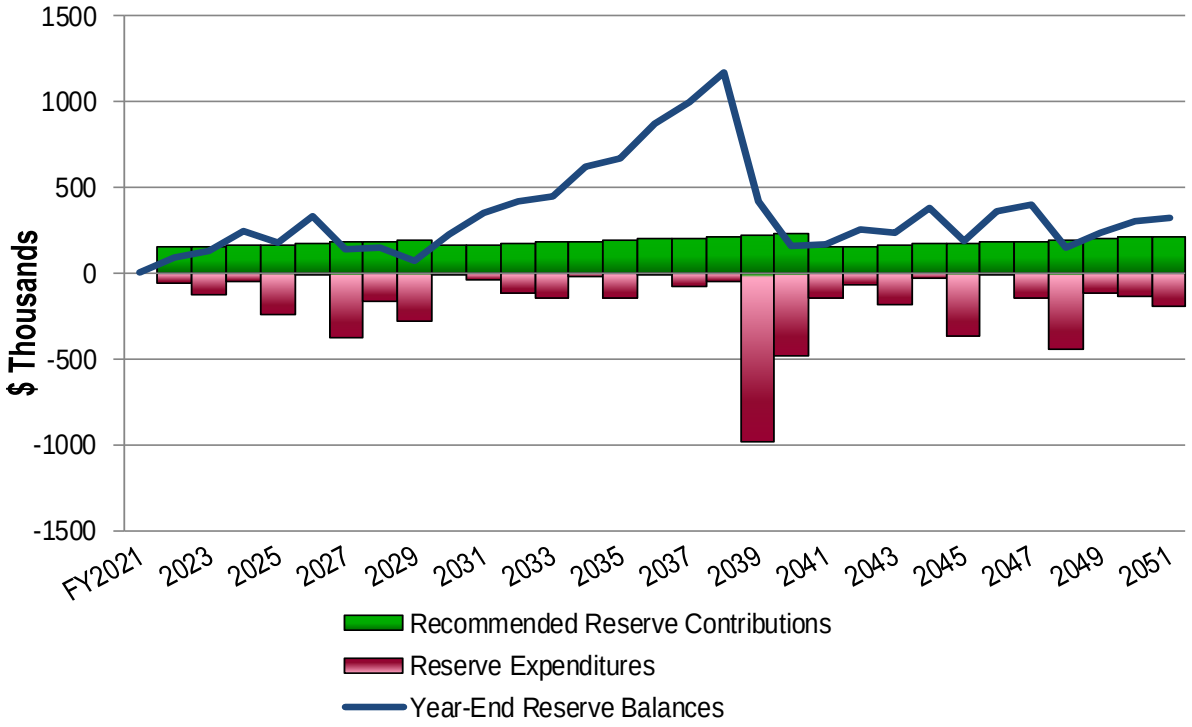
Recommended Reserve Funding: We recommend the following in order to achieve a stable and equitable Funding Plan:

- Increase to $150,000 in 2022
- Inflationary increases from 2022 through 2029
- Decrease to $161,000 by 2030 due to fully funding for replacement of replacement of the sport courts
- Decrease to $152,000 by 2040 due to fully funding for replacement of the north and Oak Bluff pool structures
- Inflationary increases through 2051, the limit of this study's Cash Flow Analysis
- Initial adjustment in Reserve Contributions of $150,000 represents an average annual increase of $70.69 per lot owner and about a thirty-four percent (34.1%) adjustment in the 2021 total Operating Budget of $439,619.

Westwood

Recommended Reserve Funding Table and Graph

Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)
2022	150,000	95,249	2032	172,400	416,811	2042	157,300	257,820
2023	155,300	127,676	2033	178,400	451,150	2043	162,800	238,807
2024	160,700	245,796	2034	184,600	619,936	2044	168,500	381,895
2025	166,300	175,511	2035	191,100	674,433	2045	174,400	187,169
2026	172,100	335,736	2036	197,800	869,240	2046	180,500	357,754
2027	178,100	136,134	2037	204,700	1,000,351	2047	186,800	403,386
2028	184,300	153,504	2038	211,900	1,170,649	2048	193,300	150,835
2029	190,800	68,733	2039	219,300	415,284	2049	200,100	233,056
2030	161,000	223,940	2040	227,000	160,398	2050	207,100	306,444
2031	166,600	355,886	2041	152,000	167,410	2051	214,300	326,475



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

Westwood Landowners' Association

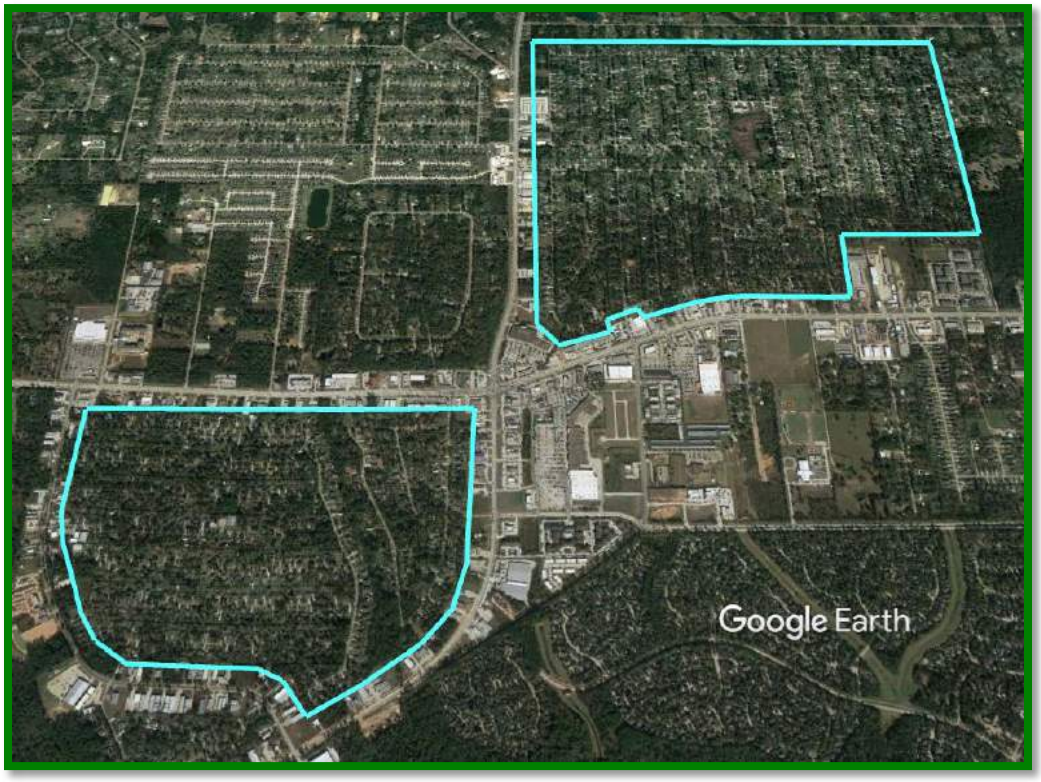
Magnolia, Texas

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, June 23, 2022.

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 Management and the Board. These classes of property include:

- Reserve Components
- Long-Lived Property Elements
- Operating Budget Funded Repairs and Replacements
- Property Maintained by Lot Owners
- 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:

- Westwood 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 the 30-year Reserve Expenditures at this time.

- Electrical Systems, Common
- Foundations, Common Buildings
- Pipes, Subsurface Utilities, Common Areas
- Structural Frames, Common Buildings
- Pavilion, Structure, Replacement

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 $2,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Car Stops, Parking Areas
- Gutters and Downspouts
- Landscape
- Paint Finishes, Touch Up
- Septic Systems, General Maintenance
- Signage, Entrance Monuments, Paint Finishes
- Signage, Informational
- Walls, Masonry, Office Building
- Other Repairs normally funded through the Operating Budget

Certain items have been designated as the responsibility of the lot owners to repair or replace at their cost. Property Maintained by Lot Owners, including items billed back to Lot Owners, 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:

- Street System (Montgomery County)
- Water Infrastructure (Westwood Water Supply Corporation)

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
- 2022 local cost of replacement
  - Per unit
  - Per phase
  - Replacement of total quantity
- Percentage of future expenditures 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

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***.

Years 2021 to 2036

RESERVE EXPENDITURES

Westwood
Landowners' Association
Magnolia, Texas

Explanatory Notes:

1) 3.5% is the estimated Inflation Rate for estimating Future Replacement Costs.

2) FY2021 is Fiscal Year beginning July 1, 2021 and ending June 30, 2022.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years Useful	Remaining	Unit (2021)	Costs, $ Per Phase (2021)	Total (2021)	Percentage of Future Expenditures	RUL = 0 FY2021	1 2022	2 2023	3 2024	4 2025	5 2026	6 2027	7 2028	8 2029	9 2030	10 2031	11 2032	12 2033	13 2034	14 2035	15 2036
				Property Site Elements																							
4.045	250	250	Square Yards	Asphalt Pavement, Total Replacement, Nickaburr Creek Parking Area	2025	15 to 20	4	35.00	8,750	8,750	0.6%					10,041											
4.120	47,000	2,350	Square Feet	Concrete Flatwork, Partial	2022	to 65	1 to 30+	12.00	28,200	564,000	5.4%		29,187					34,665					41,171				
4.220	560	560	Linear Feet	Fences, Chain Link, Nickaburr Creek and Pavilion	2029	to 30	8	21.00	11,760	11,760	0.3%									15,486							
4.500	1	1	Allowance	Landscape, Tree Trimming	2022	ongoing	1	5,000.00	5,000	5,000	5.1%		5,175	5,356	5,544	5,738	5,938	6,146	6,361	6,584	6,814	7,053	7,300	7,555	7,820	8,093	8,377
4.560	4	4	Each	Light Poles and Fixtures	2051	to 35	30	5,000.00	20,000	20,000	1.1%																
4.660	1	1	Allowance	Playground Equipment, North	2028	15 to 20	7	87,000.00	87,000	87,000	6.3%								110,688								
4.661	1	1	Allowance	Playground Equipment, Oak Bluff	2028	15 to 20	7	40,000.00	40,000	40,000	2.9%								50,891								
4.780	3	3	Each	Septic Systems, Control Panels	2029	15 to 20	8	1,200.00	3,600	3,600	0.3%									4,741							
4.781	3	3	Each	Septic Systems, Pumps	2029	20 to 25	8	1,800.00	5,400	5,400	0.4%									7,111							
4.782	3	3	Systems	Septic Systems, Tanks and Sprinklers, Phased	2049	to 40+	28	8,000.00	24,000	24,000	1.2%																
4.800	8	8	Each	Signage, Entrance Monuments, Replacement	2038	to 35	17	2,800.00	22,400	22,400	0.8%																
4.820	2	1	Allowance	Site Furniture, Phased	2023	15 to 25	2 to 6	19,800.00	19,800	39,600	2.5%			21,210				24,339									
4.830	12,000	12,000	Square Feet	Sport Courts, Tennis, Color Coat, Nickaburr Creek	2023	4 to 6	2	1.30	15,600	15,600	2.1%			16,711												25,252	
4.831	18,000	18,000	Square Feet	Sport Courts, Tennis and Basketball, Color Coat, North	2033	4 to 6	12	1.30	23,400	23,400	3.8%													35,359			
4.840	200	200	Linear Feet	Sport Courts, Tennis, Fence, Nickaburr Creek	2029	to 25	8	40.00	8,000	8,000	0.2%									10,534							
4.841	540	540	Linear Feet	Sport Courts, Tennis and Basketball, Fence, North	2027	to 25	6	40.00	21,600	21,600	1.7%							26,552									
4.860	12,000	12,000	Square Feet	Sport Courts, Tennis, Surface Replacement, Nickaburr Creek	2029	40 to 50	8	13.00	156,000	156,000	3.9%									205,422							
4.861	18,000	18,000	Square Feet	Sport Courts, Tennis and Basketball, Surface Replacement, North	2027	40 to 50	6	13.00	234,000	234,000	5.5%							287,646									
4.955	1	1	Each	Truck, Toytoa Tacoma	2041	20 to 25	20	30,000.00	30,000	30,000	1.1%																
				Building Elements																							
5.070	1	1	Each	HVAC Equipment, Split System, Office Building	2026	15 to 20	5	6,500.00	6,500	6,500	0.4%						7,720										
5.085	14	14	Each	Light Fixtures, Pavilion	2029	to 30	8	900.00	12,600	12,600	0.3%									16,592							
5.500	1	1	Allowance	Office Building, Interior Renovation, Complete	2035	to 25	14	30,500.00	30,500	30,500	0.9%															49,370	
5.510	1	1	Allowance	Office Building, Interior Renovation, Partial	2025	10 to 15	4	10,000.00	10,000	10,000	0.7%					11,475											
5.580	6	6	Each	Rest Rooms, Pool Houses	2032	to 20	11	7,500.00	45,000	45,000	3.6%												65,699				
5.600	33	33	Squares	Roof, Asphalt Shingles, Office Building	2035	15 to 20	14	380.00	12,540	12,540	0.4%															20,298	
5.601	8	8	Squares	Roof, Asphalt Shingles, North Pool	2041	15 to 20	20	380.00	3,040	3,040	0.1%																
5.602	16	16	Squares	Roofs, Asphalt Shingles, Nickaburr Creek and Oak Bluff Pools	2024	15 to 20	3	380.00	6,080	6,080	0.4%				6,741												
5.605	170	170	Squares	Roof Assembly, Metal, Pavilion	2039	to 40+	18	700.00	119,000	119,000	4.2%																
5.720	1	1	Allowance	Security System	2037	10 to 15	16	13,000.00	13,000	13,000	0.4%																
5.760	1	1	Allowance	Walls, Siding, Fiber Cement, Paint Finishes	2025	8 to 10	4	6,600.00	6,600	6,600	0.6%					7,574										10,683	
5.761	3,990	3,990	Square Feet	Walls, Siding, Fiber Cement, Replacement	2045	to 50	24	12.00	47,880	47,880	2.1%																
5.800	270	270	Square Feet	Windows and Doors, Office Building	2033	to 35	12	35.00	9,450	9,450	0.3%													14,280			
				Pool Elements																							
6.200	9,740	9,740	Square Feet	Concrete Decks, Inspections, Partial Replacements and Repairs	2023	8 to 12	2	1.50	14,610	14,610	1.3%			15,651										22,077			
6.400	1,500	1,500	Linear Feet	Fences, Steel, Paint Finishes	2024	6 to 8	3	14.00	21,000	21,000	1.9%				23,283							29,623					
6.401	1,500	750	Linear Feet	Fences, Steel, Replacement, Phased	2039	to 35	18 to 19	62.00	46,500	93,000	3.4%																
6.600	3	1	Allowance	Mechanical Equipment, Phased	2024	to 15	3 to 13	7,500.00	7,500	22,500	1.5%				8,315					9,876					11,730		
6.800	1,540	1,540	Square Feet	Pool Finish, Nickaburr Creek, Plaster	2035	8 to 12	14	11.00	16,940	16,940	1.3%															27,421	
6.801	180	180	Linear Feet	Pool Finish, Nickaburr Creek, Tile	2045	15 to 25	24	37.00	6,660	6,660	0.3%																
6.802	2,510	2,510	Square Feet	Pool Finish, North, Plaster	2023	8 to 12	2	11.00	27,610	27,610	3.8%			29,577										41,721			
6.803	240	240	Linear Feet	Pool Finish, North, Tile	2023	15 to 25	2	37.00	8,880	8,880	0.5%			9,512													

RESERVE EXPENDITURES

Westwood
Landowners' Association
Magnolia, Texas

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years Useful	Remaining	Costs, $ Unit (2021)	Per Phase (2021)	Total (2021)	Percentage of Future Expenditures	16 2037	17 2038	18 2039	19 2040	20 2041	21 2042	22 2043	23 2044	24 2045	25 2046	26 2047	27 2048	28 2049	29 2050	30 2051
				Property Site Elements																						
4.045	250	250	Square Yards	Asphalt Pavement, Total Replacement, Nickaburr Creek Parking Area	2025	15 to 20	4	35.00	8,750	8,750	0.6%									19,979						
4.120	47,000	2,350	Square Feet	Concrete Flatwork, Partial	2022	to 65	1 to 30+	12.00	28,200	564,000	5.4%	48,898					58,076					68,976				
4.220	560	560	Linear Feet	Fences, Chain Link, Nickaburr Creek and Pavilion	2029	to 30	8	21.00	11,760	11,760	0.3%															
4.500	1	1	Allowance	Landscape, Tree Trimming	2022	ongoing	1	5,000.00	5,000	5,000	5.1%	8,670	8,973	9,287	9,613	9,949	10,297	10,658	11,031	11,417	11,816	12,230	12,658	13,101	13,559	14,034
4.560	4	4	Each	Light Poles and Fixtures	2051	to 35	30	5,000.00	20,000	20,000	1.1%															56,136
4.660	1	1	Allowance	Playground Equipment, North	2028	15 to 20	7	87,000.00	87,000	87,000	6.3%												220,246			
4.661	1	1	Allowance	Playground Equipment, Oak Bluff	2028	15 to 20	7	40,000.00	40,000	40,000	2.9%												101,263			
4.780	3	3	Each	Septic Systems, Control Panels	2029	15 to 20	8	1,200.00	3,600	3,600	0.3%													9,433		
4.781	3	3	Each	Septic Systems, Pumps	2029	20 to 25	8	1,800.00	5,400	5,400	0.4%													14,149		
4.782	3	3	Systems	Septic Systems, Tanks and Sprinklers, Phased	2049	to 40+	28	8,000.00	24,000	24,000	1.2%													62,884		
4.800	8	8	Each	Signage, Entrance Monuments, Replacement	2038	to 35	17	2,800.00	22,400	22,400	0.8%		40,201													
4.820	2	1	Allowance	Site Furniture, Phased	2023	15 to 25	2 to 6	19,800.00	19,800	39,600	2.5%					39,398				45,210						
4.830	12,000	12,000	Square Feet	Sport Courts, Tennis, Color Coat, Nickaburr Creek	2023	4 to 6	2	1.30	15,600	15,600	2.1%					31,041						38,157				
4.831	18,000	18,000	Square Feet	Sport Courts, Tennis and Basketball, Color Coat, North	2033	4 to 6	12	1.30	23,400	23,400	3.8%			43,465						53,430						65,679
4.840	200	200	Linear Feet	Sport Courts, Tennis, Fence, Nickaburr Creek	2029	to 25	8	40.00	8,000	8,000	0.2%															
4.841	540	540	Linear Feet	Sport Courts, Tennis and Basketball, Fence, North	2027	to 25	6	40.00	21,600	21,600	1.7%															60,627
4.860	12,000	12,000	Square Feet	Sport Courts, Tennis, Surface Replacement, Nickaburr Creek	2029	40 to 50	8	13.00	156,000	156,000	3.9%															
4.861	18,000	18,000	Square Feet	Sport Courts, Tennis and Basketball, Surface Replacement, North	2027	40 to 50	6	13.00	234,000	234,000	5.5%															
4.955	1	1	Each	Truck, Toytoa Tacoma	2041	20 to 25	20	30,000.00	30,000	30,000	1.1%					59,694										
				Building Elements																						
5.070	1	1	Each	HVAC Equipment, Split System, Office Building	2026	15 to 20	5	6,500.00	6,500	6,500	0.4%									14,842						
5.085	14	14	Each	Light Fixtures, Pavilion	2029	to 30	8	900.00	12,600	12,600	0.3%															
5.500	1	1	Allowance	Office Building, Interior Renovation, Complete	2035	to 25	14	30,500.00	30,500	30,500	0.9%															
5.510	1	1	Allowance	Office Building, Interior Renovation, Partial	2025	10 to 15	4	10,000.00	10,000	10,000	0.7%											24,460				
5.580	6	6	Each	Rest Rooms, Pool Houses	2032	to 20	11	7,500.00	45,000	45,000	3.6%														122,035	
5.600	33	33	Squares	Roof, Asphalt Shingles, Office Building	2035	15 to 20	14	380.00	12,540	12,540	0.4%															
5.601	8	8	Squares	Roof, Asphalt Shingles, North Pool	2041	15 to 20	20	380.00	3,040	3,040	0.1%					6,049										
5.602	16	16	Squares	Roofs, Asphalt Shingles, Nickaburr Creek and Oak Bluff Pools	2024	15 to 20	3	380.00	6,080	6,080	0.4%							12,960								
5.605	170	170	Squares	Roof Assembly, Metal, Pavilion	2039	to 40+	18	700.00	119,000	119,000	4.2%			221,041												
5.720	1	1	Allowance	Security System	2037	10 to 15	16	13,000.00	13,000	13,000	0.4%	22,542														
5.760	1	1	Allowance	Walls, Siding, Fiber Cement, Paint Finishes	2025	8 to 10	4	6,600.00	6,600	6,600	0.6%									15,070						
5.761	3,990	3,990	Square Feet	Walls, Siding, Fiber Cement, Replacement	2045	to 50	24	12.00	47,880	47,880	2.1%									109,326						
5.800	270	270	Square Feet	Windows and Doors, Office Building	2033	to 35	12	35.00	9,450	9,450	0.3%															
				Pool Elements																						
6.200	9,740	9,740	Square Feet	Concrete Decks, Inspections, Partial Replacements and Repairs	2023	8 to 12	2	1.50	14,610	14,610	1.3%							31,141								
6.400	1,500	1,500	Linear Feet	Fences, Steel, Paint Finishes	2024	6 to 8	3	14.00	21,000	21,000	1.9%									47,950						
6.401	1,500	750	Linear Feet	Fences, Steel, Replacement, Phased	2039	to 35	18 to 19	62.00	46,500	93,000	3.4%			86,373	89,396											
6.600	3	1	Allowance	Mechanical Equipment, Phased	2024	to 15	3 to 13	7,500.00	7,500	22,500	1.5%			13,931					16,546					19,651		
6.800	1,540	1,540	Square Feet	Pool Finish, Nickaburr Creek, Plaster	2035	8 to 12	14	11.00	16,940	16,940	1.3%									38,680						
6.801	180	180	Linear Feet	Pool Finish, Nickaburr Creek, Tile	2045	15 to 25	24	37.00	6,660	6,660	0.3%									15,207						
6.802	2,510	2,510	Square Feet	Pool Finish, North, Plaster	2023	8 to 12	2	11.00	27,610	27,610	3.8%							58,851					69,897			
6.803	240	240	Linear Feet	Pool Finish, North, Tile	2023	15 to 25	2	37.00	8,880	8,880	0.5%							18,928								

Years 2021 to 2036

RESERVE EXPENDITURES

Westwood
Landowners' Association
Magnolia, Texas

Explanatory Notes:

1) 3.5% is the estimated Inflation Rate for estimating Future Replacement Costs.

2) FY2021 is Fiscal Year beginning July 1, 2021 and ending June 30, 2022.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years Useful	Remaining	Costs, $ Unit (2021)	Per Phase (2021)	Total (2021)	Percentage of Future Expenditures	RUL = 0 FY2021	1 2022	2 2023	3 2024	4 2025	5 2026	6 2027	7 2028	8 2029	9 2030	10 2031	11 2032	12 2033	13 2034	14 2035	15 2036
6.804	1,570	1,570	Square Feet	Pool Finish, Oak Bluff, Plaster	2023	8 to 12	2	11.00	17,270	17,270	2.4%			18,500										26,096			
6.805	180	180	Linear Feet	Pool Finish, Oak Bluff, Tile	2023	15 to 25	2	37.00	6,660	6,660	0.4%			7,134													
6.900	1,540	1,540	Square Feet	Structure and Deck, Nickaburr Creek, Removal (Budgeted)	2022	to 60	1	13.00	20,020	20,020	0.4%		20,721														
6.901	1,540	1,540	Square Feet	Structure and Deck, Nickaburr Creek, Replacement	2025	to 60	4	115.00	177,100	177,100	3.9%					203,226											
6.902	2,510	2,510	Square Feet	Structure and Deck, North, Total Replacement	2039	to 60	18	130.00	326,300	326,300	11.6%																
6.903	1,540	1,540	Square Feet	Structure and Deck, Oak Bluff, Total Replacement	2040	to 60	19	130.00	200,200	200,200	7.4%																
				Anticipated Expenditures, By Year ($5,216,577 over 30 years)								0	55,083	123,651	43,883	238,054	13,658	379,348	167,940	276,346	6,814	36,676	114,170	147,088	19,550	141,117	8,377

Years 2037 to 2051

RESERVE EXPENDITURES

Westwood
Landowners' Association
Magnolia, Texas

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years Useful	Remaining	Costs, $ Unit (2021)	Per Phase (2021)	Total (2021)	Percentage of Future Expenditures	16 2037	17 2038	18 2039	19 2040	20 2041	21 2042	22 2043	23 2044	24 2045	25 2046	26 2047	27 2048	28 2049	29 2050	30 2051
6.804	1,570	1,570	Square Feet	Pool Finish, Oak Bluff, Plaster	2023	8 to 12	2	11.00	17,270	17,270	2.4%							36,811					43,720			
6.805	180	180	Linear Feet	Pool Finish, Oak Bluff, Tile	2023	15 to 25	2	37.00	6,660	6,660	0.4%							14,196								
6.900	1,540	1,540	Square Feet	Structure and Deck, Nickaburr Creek, Removal (Budgeted)	2022	to 60	1	13.00	20,020	20,020	0.4%															
6.901	1,540	1,540	Square Feet	Structure and Deck, Nickaburr Creek, Replacement	2025	to 60	4	115.00	177,100	177,100	3.9%															
6.902	2,510	2,510	Square Feet	Structure and Deck, North, Total Replacement	2039	to 60	18	130.00	326,300	326,300	11.6%			606,099												
6.903	1,540	1,540	Square Feet	Structure and Deck, Oak Bluff, Total Replacement	2040	to 60	19	130.00	200,200	200,200	7.4%				384,885											
				Anticipated Expenditures, By Year ($5,216,577 over 30 years)								80,110	49,174	980,196	483,894	146,131	68,373	183,545	27,577	371,111	11,816	143,823	447,784	119,218	135,594	196,476

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS
Westwood
Landowners' Association
Magnolia, Texas

Individual Reserve Budgets & Cash Flows for the Next 30 Years

		FY2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Reserves at Beginning of Year	*(Note 1)*	N/A	0	95,249	127,676	245,796	175,511	335,736	136,134	153,504	68,733	223,940	355,886	416,811	451,150	619,936	674,433
Total Recommended Reserve Contributions	*(Note 2)*	N/A	150,000	155,300	160,700	166,300	172,100	178,100	184,300	190,800	161,000	166,600	172,400	178,400	184,600	191,100	197,800
Estimated Interest Earned, During Year	*(Note 3)*	N/A	332	778	1,303	1,469	1,783	1,646	1,010	775	1,021	2,022	2,695	3,027	3,736	4,514	5,384
Anticipated Expenditures, By Year		N/A	(55,083)	(123,651)	(43,883)	(238,054)	(13,658)	(379,348)	(167,940)	(276,346)	(6,814)	(36,676)	(114,170)	(147,088)	(19,550)	(141,117)	(8,377)
Anticipated Reserves at Year End		$0	$95,249	$127,676	$245,796	$175,511	$335,736	$136,134	$153,504	$68,733 *(NOTE 5)*	$223,940	$355,886	$416,811	$451,150	$619,936	$674,433	$869,240

(continued)

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

	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051
Reserves at Beginning of Year	869,240	1,000,351	1,170,649	415,284	160,398	167,410	257,820	238,807	381,895	187,169	357,754	403,386	150,835	233,056	306,444
Total Recommended Reserve Contributions	204,700	211,900	219,300	227,000	152,000	157,300	162,800	168,500	174,400	180,500	186,800	193,300	200,100	207,100	214,300
Estimated Interest Earned, During Year	6,521	7,572	5,531	2,008	1,143	1,483	1,732	2,165	1,985	1,901	2,655	1,933	1,339	1,882	2,207
Anticipated Expenditures, By Year	(80,110)	(49,174)	(980,196)	(483,894)	(146,131)	(68,373)	(183,545)	(27,577)	(371,111)	(11,816)	(143,823)	(447,784)	(119,218)	(135,594)	(196,476)
Anticipated Reserves at Year End	$1,000,351	$1,170,649	$415,284	$160,398 *(NOTE 5)*	$167,410	$257,820	$238,807	$381,895	$187,169	$357,754	$403,386	$150,835 *(NOTE 5)*	$233,056	$306,444	$326,475 *(NOTE 4)*

Explanatory Notes:

1) The Association does not have a Reserve Balance; FY2021 starts July 1, 2021 and ends June 30, 2022.
2) 2022 is the first year of recommended contributions.
3) 0.7% is the estimated annual rate of return on invested reserves
4) Accumulated year 2051 ending reserves consider the age, size, overall condition and complexity of the property.
5) Threshold Funding Years (reserve balance at critical point).

FIVE-YEAR OUTLOOK

Westwood
Landowners' Association
Magnolia, Texas

Line Item	Reserve Component Inventory	RUL = 0 FY2021	1 2022	2 2023	3 2024	4 2025	5 2026
	Property Site Elements						
4.045	Asphalt Pavement, Total Replacement, Nickaburr Creek Parking Area					10,041	
4.120	Concrete Flatwork, Partial		29,187				
4.500	Landscape, Tree Trimming		5,175	5,356	5,544	5,738	5,938
4.820	Site Furniture, Phased			21,210			
4.830	Sport Courts, Tennis, Color Coat, Nickaburr Creek			16,711			
	Building Elements						
5.070	HVAC Equipment, Split System, Office Building						7,720
5.510	Office Building, Interior Renovation, Partial					11,475	
5.602	Roofs, Asphalt Shingles, Nickaburr Creek and Oak Bluff Pools				6,741		
5.760	Walls, Siding, Fiber Cement, Paint Finishes					7,574	
	Pool Elements						
6.200	Concrete Decks, Inspections, Partial Replacements and Repairs			15,651			
6.400	Fences, Steel, Paint Finishes				23,283		
6.600	Mechanical Equipment, Phased				8,315		
6.802	Pool Finish, North, Plaster			29,577			
6.803	Pool Finish, North, Tile			9,512			
6.804	Pool Finish, Oak Bluff, Plaster			18,500			
6.805	Pool Finish, Oak Bluff, Tile			7,134			
6.900	Structure and Deck, Nickaburr Creek, Removal (Budgeted)		20,721				
6.901	Structure and Deck, Nickaburr Creek, Replacement					203,226	
	Anticipated Expenditures, By Year ($5,216,577 over 30 years)	0	55,083	123,651	43,883	238,054	13,658

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, Repaving

Line Item: 4.045

Quantity: Approximately 250 square yards at the Nickaburr Creek parking area

History: The age was unavailable at the time of our inspection.

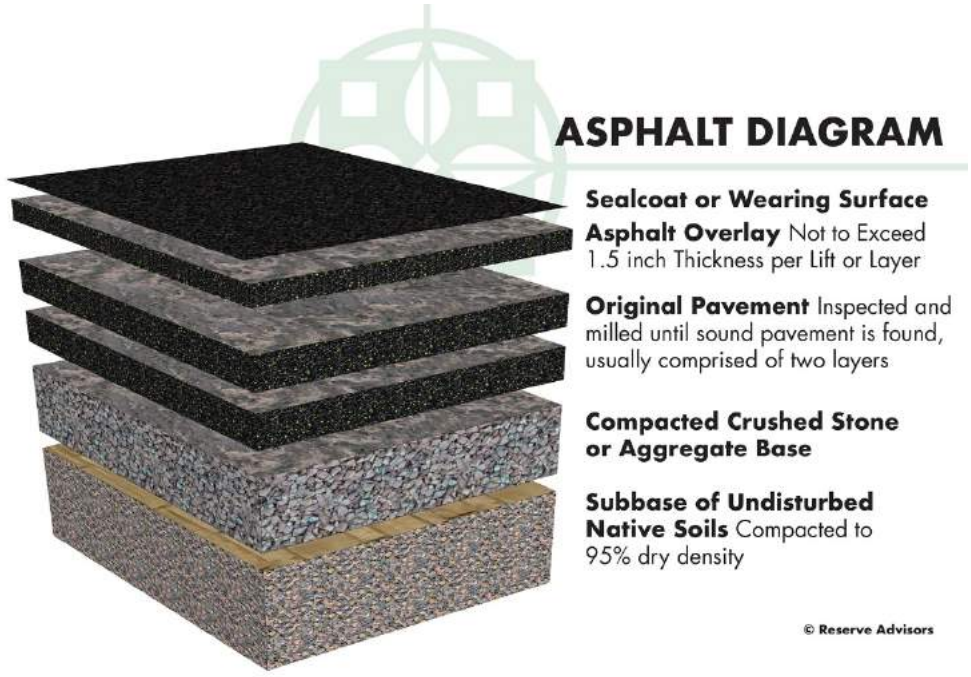
Condition: Fair overall

Asphalt pavement parking lot overview

Asphalt pavement parking lot overview

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 Westwood:



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 Westwood in conjunction with replacement of the pool.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect for settlement, large cracks and trip hazards, and ensure proper drainage
    - Repair areas which could cause vehicular damage such as potholes
- As needed:
    - Perform crack repairs and patching

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.

Concrete Flatwork

Line Item: 4.120

Quantity: Approximately 47,000 square feet at the parking areas, sidewalks and pavilion

History and Condition: Good to fair overall with periodic cracks and settlement evident at the parking areas.

Pavilion concrete flatwork

Parking area

Concrete parking area

Concrete settlement

Cracks and settlement at office parking area

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

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect and repair major cracks, spalls and trip hazards
  - Mark with orange safety paint prior to replacement or repair
  - Repair or perform concrete leveling in areas in immediate need of repair or possible safety hazard

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 14,100 square feet of concrete driveways, or thirty percent (30%) of the total, will require replacement during the next 30 years.

Fences, Chain Link

Line Item: 4.220

Quantity: 560 linear feet at the Nickaburr Creek amenity area and the pavilion

History: Original

Condition: Good to fair overall

Chain link fence

Chain link fence

Useful Life: Up to 30 years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect and repair loose sections, and damage
  - Repair leaning sections and clear vegetation from fence areas which could cause damage

Priority/Criticality: Per Board discretion

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

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 and the Board, we include a landscape allowance for tree trimming annually

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our cost is based on information provided by the Association.

Light Poles and Fixtures

Line Item: 4.560

Quantity: Four concrete poles with LED light fixtures

History: Replaced from 2017 through 2021.

Condition: Good overall

Light pole and fixtures

Light pole and fixtures

Useful Life: Up to 25 years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- As-needed:
    - Inspect and repair broken or dislodged fixtures, and leaning or damaged poles
    - Replaced burned out bulbs as needed

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our cost is based on information provided by the Association.

Playground Equipment

Line Items: 4.660 and 4.661

Quantity: Playground equipment includes the following elements:

- Playsets, swings, and a see-saw
- Wood surface with a plastic border

History: Varied ages. Added new mulch in recent years.

Condition: Good to fair overall

Playground equipment

Playground equipment

Spring riders

Playground equipment

Playground equipment

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.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair loose connections and fasteners or damaged elements
    - Inspect for safety hazards and adequate coverage of ground surface cover

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.

Septic Systems

Line Items: 4.780 through 4.782

Quantity: Three aerobic septic systems

History: The age was unavailable at the time of our inspection.

Condition: Reported in satisfactory overall condition

Septic system

Useful Life: 15- to 20-years for the control panels, 20- to 25-years for the pumps, and up to 40+ years for the tanks and sprinkler systems

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect the septic tank
    - Monitor use of water. High water use may overload the septic system and decrease the system's efficiency.
    - Ensure proper disposal of elements in the septic system
- Every three years:
    - Pumping of the septic tank

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

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

Signage, Entrance Monuments

Line Item: 4.800

Quantity: Eight entrance monuments

History: Varied ages. Painted in 2019-2020.

Condition: Good overall

Entrance monument

Useful Life: Up to 35 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.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair damage, vandalism and loose components
    - Verify lighting is working properly
    - Touch-up paint finish applications if applicable

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 apply paint finishes as needed to forestall deterioration and fund these activities through the operating budget.

Site Furniture

Line Item: 4.820

Quantity:

- Benches (9)
- Picnic tables (21)
- Trash receptacles (11)

History: Original; Considering upgrading tables to concrete at pools.

Condition: Fair to poor overall

Furniture rust

Site furniture

Site furniture

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. We depict replacement in a phased manner.

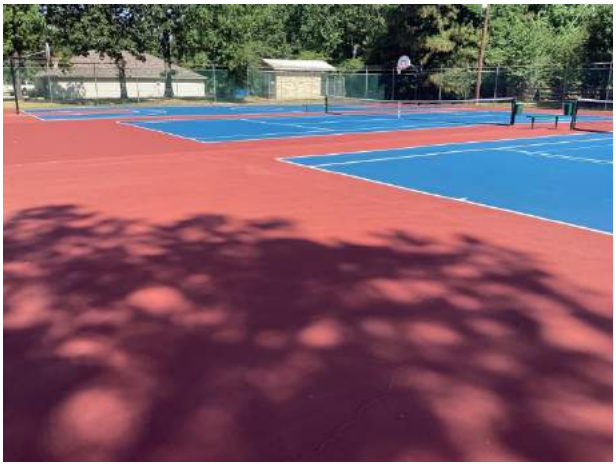
Sport Courts, Color Coat

Line Items: 4.830 and 4.831

Quantity: 12,000 square feet at the Nickaburr Creek courts and 18.000 square feet at the north courts

History: A color coat was applied to the north courts in 2021 and the Nickaburr Creek color coat is unknown in age

Condition: The north color coat is in good condition and the Nickaburr Creek coat is in poor condition



North courts overview

North courts overview

Nickaburr tennis court overview

Court trip hazards and cracks

Useful Life: Four- to six-years

Priority/Criticality: Not recommended to defer

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

Sport Courts, Fences

Line Items: 4.840 and 4.841

Quantity: Approximately 200 linear feet at the Nickaburr Creek courts and 540 linear feet at the north courts

History: Original

Condition: Fair overall with warped webbing evident.

Chain link fence

Chain link 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 and 4.861

Quantity: 12,000 square feet of concrete at the Nickaburr Creek courts and 18.000 square feet of concrete at the north courts

History: Original

Condition: Fair overall. We were unable to inspect the surface at the north court due to the recent color coat. We note significant cracks and trip hazards at the Nickaburr Creek courts.

Useful Life: 40- to 50-years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair large cracks, trip hazards and possibly safety hazards
    - Verify gate and fencing is secure
    - Verify lighting is working properly if applicable
    - Inspect and repair standards and windscreens 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.

Truck, Toyota Tacoma

Line Item: 4.995

Quantity: One each

History: 2021

Condition: Reported satisfactory

Truck

Useful Life: 20- 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.

Building Elements

HVAC Equipment, Split System

Line Item: 5.070

Quantity: One split system at the office building

History: Replaced in 2007

Condition: Reported satisfactory without operational deficiencies

Condensing unit

Useful Life: 15- to 20-years

Component Detail Notes: A split system air conditioner consists of an outside condensing unit, an interior evaporator coil, refrigerant lines and an interior air-handling unit. The condensing unit has a cooling capacity of three-tons.

Preventative Maintenance Notes: We recommend the Association obtain and adhere to the manufacturer's recommended maintenance plan. We also recommend the Association maintain a maintenance contract with a qualified professional. The required preventative maintenance may vary in frequency and scope based on the unit's age, operational condition, or changes in technology. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
  - Lubricate motors and bearings
  - Change or clean air filters as needed
  - Inspect condenser base and piping insulation
  - Inspect base pan, coil, cabinet and clear obstructions as necessary
- Annually:
  - Clean coils and drain pans, clean fan assembly, check refrigerant charge, inspect fan drive system and controls
  - Inspect and clean accessible ductwork as needed
  - Clean debris from inside cabinet, inspect condenser compressor and associated tubing for damage

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. The condensing unit may require replacement prior to replacement of the related interior forced air unit. For purposes of this Reserve Study, we assume coordination of replacement of the interior forced air unit, evaporator coil, refrigerant lines and exterior condensing unit.

Light Fixtures, Pavilion

Line Item: 5.085

Quantity: 14 each

History: Original

Condition: Reported satisfactory

Pavilion light fixtures

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.

Office Building, Interior Renovations

Line Items: 5.500 and 5.510

Quantity: The office building interior components include:

- Tile and vinyl floor coverings
- Paint finishes on the walls and ceilings
- Plumbing fixtures
- Light fixtures
- Furnishings
- Kitchen cabinets, countertops, and appliances

History: Renovated in 2010

Condition: Good to fair overall condition

Office overview

Rest room

Meeting room overview

Useful Life: Complete renovation every 25 years and partial renovation 10- 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. The complete renovation should include replacement of all components listed above and the partial renovations should include the following:

- Paint finish applications
- Replacement of up to fifty percent (50%) of the furnishings

Rest Rooms, Pool Houses

Line Item: 5.580

Quantity: The rest room components include:

- Tile floor coverings
- Paint finishes at the ceilings

- Light fixtures
- Plumbing fixtures

History: Plumbing upgraded in 2019 and repaired in 2021. Water fountains replaced in 2020.

Condition: The plumbing fixtures are in good condition and the finishes are in fair condition

Rest room overview

Rest room overview

Useful Life: Renovation up to every 20 years

Priority/Criticality: Per Board discretion

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

Roofs, Asphalt Shingles

Line Items: 5.600 through 5.602

Quantity: Approximately 33 *squares* [1] at the office building, 8 squares at the north pool house and 16 squares at the remaining pool houses

History: The office roof was replaced in 2016, the north pool house roof was replaced in 2022 and the remaining roofs are unknown in age

Condition: Good to fair overall with no significant deterioration evident from our visual inspection from the ground. Management and the Board does not report a history of leaks.

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

Office roof overview

Nickaburr pool house roof

Oak Bluff pool house roof

North pool house roof

Useful Life: 15- to 20-years

Component Detail Notes: Contractors use one of two methods for replacement of sloped roofs, either an overlayment or a tear-off. Overlayment is the application of new shingles over an existing roof. However, there are many disadvantages to overlayment including hidden defects of the underlying roof system, absorption of more heat resulting in accelerated deterioration of the new and old shingles, and an uneven visual appearance. Therefore, we recommend only the tear-off method of replacement. The tear-off method of replacement includes removal of the existing shingles, flashings if required and underlayments.

Preventative Maintenance Notes: We recommend the Association maintain a service and inspection contract with a qualified professional and record all documentation of repairs conducted. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Record any areas of water infiltration, flashing deterioration, damage or loose shingles

- Implement repairs as needed if issues are reoccurring
- Trim tree branches that are near or in contact with roof

- As-needed:
  - Ensure proper ventilation and verify vents are clear of debris and not blocked from attic insulation

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 Assembly, Metal, Pavilion

Line Item: 5.605

Quantity: Approximately 170 squares

History: Original

Condition: Good to fair overall condition

Pavilion overview

Rust at gutter interface

Useful Life: Up to and sometimes beyond 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 replacement of the gutters and downspouts. We recommend the Association budget for interim partial replacement of the gutters and downspouts through the operating budget.

Security System

Line Item: 5.720

Quantity: Westwood utilizes the following security system components:

- Cameras (11)
- Recorder (1)

History: Replaced in 2022

Condition: Reported satisfactory without operational deficiencies

Useful Life: 10- to 15-years

Preventative Maintenance Notes: We recommend the Association obtain and adhere to the manufacturer's recommended maintenance plan. The required preventative maintenance may vary in frequency and scope based on the unit's age, operational condition, or changes in technology. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Monthly:
  - Check cameras for proper focus, fields of view are unobstructed and camera and lenses are clean and dust-free
  - Check recording equipment for proper operation
  - Verify monitors are free from distortion with correct brightness and contrast
- Annually:
  - Check exposed wiring and cables for wear, proper connections and signal transmission
  - Check power connections, and if applicable, functionality of battery power supply systems

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. The Association should anticipate replacement of all of the security system components per event.

Walls, Siding, Fiber Cement

Line Items: 5.670 and 5.761

Quantity: Approximately 3,990 square feet at the office and pool houses

History: Unknown, various ages

Condition: Good to fair over with periodic siding damage evident

Fiber cement siding overview

Siding damage

Fiber cement siding overview

Useful Life: Up to 50 years with paint applications every 8- to 10-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.

Windows and Doors, Office Building

Line Item: 5.800

Quantity: Approximately 270 square feet

History: Original

Condition: Good to fair condition

Windows

Garage doors

Useful Life: Up to 35 years

Priority/Criticality: Not recommended to defer

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

Pool Elements

Concrete Decks

Line Item: 6.200

Quantity: 9,740 square feet

History: Original

Condition: Fair overall with frequent cracks, settlement and trip hazards evident.

Concrete pool deck overview

Concrete cracks

Concrete pool deck overview

Concrete pool deck overview

Concrete cracks

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 decks every 8- to 12-years.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
    - Inspect and repair large cracks, trip hazards, and possible safety hazards
    - Inspect and repair pool coping for cracks, settlement, heaves or sealant deterioration
    - Repair concrete spalling
    - Schedule periodic pressure cleanings 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 the following per event:

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

Fences, Steel

Line Items: 6.400 and 6.401

Quantity: 1,500 linear feet

History: The age was unavailable at the time of our inspection.

Condition: Fair overall with frequent deterioration and rust evident.

Steel pool fence

Steel pool fence

Fence picket damage

Steel pool fence

Fence finish deterioration

Steel pool fence

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

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair loose fasteners or sections, and damage
    - Repair leaning sections and clear vegetation from fence areas which could cause damage

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We depict replacement in a phased manner.

Mechanical Equipment

Line Item: 6.600

Quantity: The mechanical equipment includes the following:

- Controls
- Electrical panels
- Interconnected pipe, fittings and valves
- Pumps and filters

History: Original

Condition: Reported satisfactory without operational deficiencies. We note .

Pool filters

Pool pumps

Pool mechanical equipment

Useful Life: Up to 15 years

Preventative Maintenance Notes: We recommend the Association maintain a maintenance contract with a qualified professional and follow the manufacturer's specific recommended maintenance and local, state and/or federal inspection guidelines.

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 6.805

Quantity:

- Nickaburr Creek - 1,540 square feet of plaster and 180 linear feet of tile
- North – 2,510 square feet of plaster and 240 linear feet of tile
- Oak Bluff – 1,570 square feet of plaster and 180 linear feet of tile

History: The pool finishes are unknown in age. The Nickaburr Creek structure will be removed in 2022. We include subsequent replacement of the pool at request of the Board.

Condition: Fair to poor overall with frequent cracks, discoloration and peeling evident.

Plaster cracks

Plaster cracks

Plaster chips

Pool overview

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

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
    - Inspect and patch areas of significant plaster delamination, coping damage and structure cracks
    - Inspect main drain connection and anti-entrapment covers, pressure test circulation piping and valves
    - Test handrails and safety features for proper operation

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. Removal and replacement of the finish 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

Structures and Decks

Line Item: 6.900 through 6.903

Quantity:

- Nickaburr Creek - 1,540 square feet

- North – 2,510 square feet
- Oak Bluff – 1,570 square feet

History: As previously stated, the Association plans to remove the Nickaburr Creek pool structure and deck in 2022. We include subsequent replacement in 2025.

Conditions: The pool structures vary in condition. This finish makes it difficult to thoroughly inspect the concrete structures during a noninvasive visual inspection.

Nickaburr Creek pool

Excessive cracks at the Nickaburr Creek pool

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 The Association plan to replace the following components:

- Concrete decks
- Pool structure
- 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. Our cost is partially based on historical bid provided by the Association.

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.

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

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

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

This Reserve Study is in compliance with and exceeds the National standards[1] set forth by the Association of Professional Reserve Analysts (APRA) fulfilling the requirements of a "Level I 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
- Local[2] 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 Magnolia, Texas at an annual inflation rate[3]. Isolated or regional markets of greater

[1] Identified in the APRA "Standards - Terms and Definitions" and the CAI "Terms and Definitions".
[2] See Credentials for additional information on our use of published sources of cost data.
[3] Derived from Marshall & Swift, historical costs and the Bureau of Labor Statistics.

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

- The past and current maintenance practices of Westwood 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 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 founders are also founders of Community Associations Institute's (CAI) Reserve Committee that developed national standards for reserve study providers. One of our founders 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 a 2,600,000-square foot 98-story highrise. 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.

CASEY M. LEWIS, RS
Responsible Advisor

CURRENT CLIENT SERVICES

Casey M. Lewis, an engineer, is an advisor for Reserve Advisors. Mr. Lewis is responsible for the inspection and analysis of the condition of clients' property, and recommending engineering solutions to prolong the lives of the components. He also forecasts capital expenditures for the repair and/or replacement of the property components and prepares technical reports on assignments. He is responsible for conducting Life Cycle Cost Analysis and Capital Replacement Forecast services and the preparation of Reserve Study Reports for condominiums, townhomes and homeowners associations.

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

Bleu Ciel Condominium Association, Inc. A luxury highrise in Dallas, Texas, Bleu Ceil Condominium comprises a uniquely shaped tower with 136 units. Residents of the Association have access to a swimming pool, plaza deck and multiple interior common areas including a spa, fitness center, wine tasting and storage rooms. The site also includes a garage located at the lower levels of the tower.

Waterside Estates Homeowners Association, Inc. This single family home community contains over 1,400 residential homes and is located in Richmond, Texas. Features of this community include swimming pools, water slides, multiple playgrounds, walking trails, panelized masonry perimeter walls, wood fences, and two tennis courts.

Silver Oaks Condominium Association, Inc. A townhome community in Cedar Park, Texas containing 82 units in 22 buildings. The townhomes consist of stone masonry, stucco siding and asphalt shingle roofs. The features of this community include private asphalt streets, masonry retaining walls, concrete flatwork, wood balconies and metal fences.

Hide-A-Way Lake Club A Homeowners Association located in Hideaway, Texas, containing 1,704 single family homes. Amenities of this community include a 27 hole golf course, multiple lakes, ponds, swimming pools and amenity buildings including a clubhouse, marina and event venue.

Wintergreen Trail Townhomes A townhome style community of 51 units in 12 buildings located in The Woodlands, Texas. The townhomes comprise of fiber cement siding, wood trim and asphalt roofs. Features of the property include concrete flatwork and wood fences surrounding the property.

Camp John Marc A special needs summer camp in Meridian, Texas that comprises over 100 acres that includes 22 cabins, numerous multipurpose use structures, extensive site infrastructure, maintenance buildings and equipment, animal storage structures and a packaged sewer treatment facility.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Mr. Lewis completed his bachelor's degree in industrial engineering at Texas Tech University. During his summers, he worked in the homebuilding industry where he oversaw and managed the construction of single family homes in the Houston, Texas area. Following the completion of his studies, he worked as an industrial engineer in the space launch industry.

EDUCATION

Texas Tech University - B.S. Industrial Engineering

PROFESSIONAL AFFILIATIONS

Reserve Specialist (RS) - CAI

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 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.

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 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' 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 Westwood 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) Westwood 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, LLC (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.