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RESERVE STUDY EXECUTIVE SUMMARY

Client: South Shore Harbour Community Association, Inc. (South Shore Harbour)

Location: League City, Texas

Reference: 071502

Property Basics: South Shore Harbour Community Association, Inc. is a planned unit development which is responsible for the common elements shared by 776 single family homes and townhome units. The Association was built in 1982. The development contains concrete flatwork, fences, tennis and basketball courts, playground equipment, an irrigation system, a pool house, a mailbox kiosk and a pool.

Reserve Components Identified: 25 Reserve Components.

Inspection Date: March 15, 2012. We conducted the original Reserve Study on January 24, 2008.

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.

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
- 0.35% annual rate of return on invested reserves
- 1.8% 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: \$270,852 as of February 29, 2012.

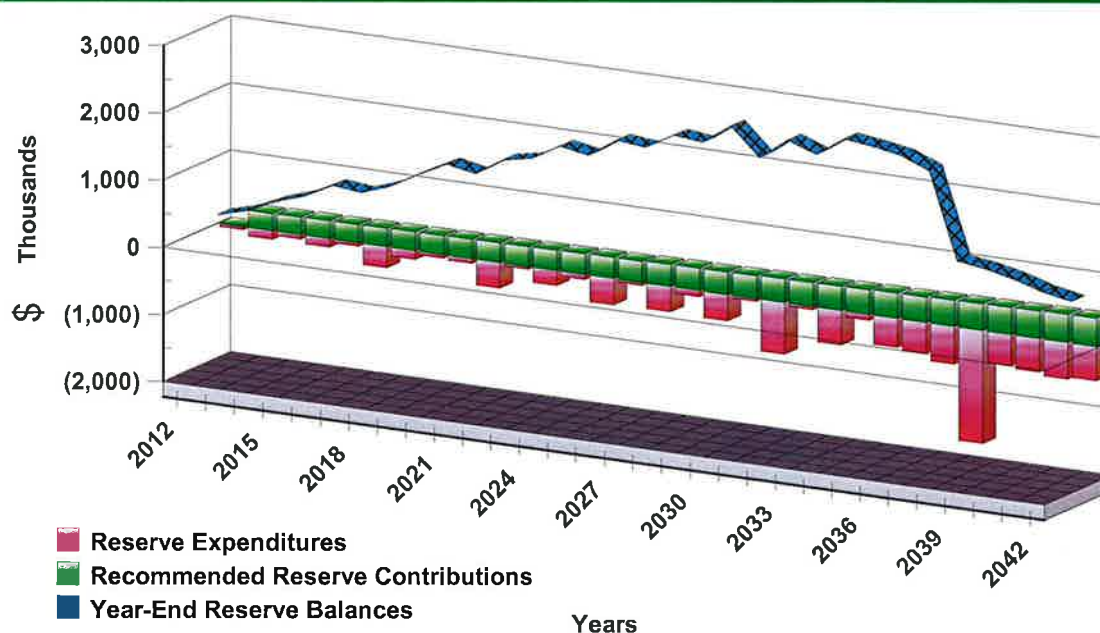
Recommended Reserve Funding: Our revised findings reflect both external market and internal property changes. The result is an overall *decrease* in the recommended Reserve Funding Plan since our last Reserve Study on January 24, 2008. The overall decrease relates primarily to the decrease in recommended concrete street replacements, and removal of the irrigation system from reserves.

The Association budgeted \$10,581 for Reserve Contributions in 2012. We recommend that the Association adopt a reserve budget of \$250,000 in 2013. Afterwards, the Association should budget gradual annual increases in reserve funding, that in part consider the effects of inflation. The recommended year 2013 Reserve Contribution of \$250,000 is \$239,419 more than the prior budgeted amount and represents about a thirty-five percent (34.7%) adjustment in the 2012 total Operating Budget of \$690,756. This initial adjustment of \$239,419 is equivalent to an average monthly increase of \$25.71 per unit owner.

Certification: This *Precision 20/20 Full Reserve Study* exceeds the Community Associations Institute (CAI) and Association of Professional Reserve Analysts (APRA) standards fulfilling the requirements of a "Level I Full Reserve Study."

South Shore Harbour
Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2013	250,000	368,322	2023	298,800	1,735,941	2033	357,300	2,391,797
2014	254,500	559,019	2024	304,200	1,973,561	2034	363,700	2,677,024
2015	259,100	695,269	2025	309,700	1,897,191	2035	370,200	2,625,400
2016	263,800	913,551	2026	315,300	2,181,105	2036	376,900	2,549,477
2017	268,500	872,487	2027	321,000	2,135,895	2037	383,700	2,381,767
2018	273,300	1,018,567	2028	326,800	2,377,090	2038	390,600	1,096,167
2019	278,200	1,253,695	2029	332,700	2,330,686	2039	397,600	1,034,515
2020	283,200	1,474,764	2030	338,700	2,636,704	2040	404,800	945,892
2021	288,300	1,387,046	2031	344,800	2,221,984	2041	412,100	816,693
2022	293,500	1,649,993	2032	351,000	2,538,438	2042	419,500	733,396



Respectfully submitted on March 26, 2012 by
RESERVE ADVISORS, INC.

Jayme Radomski

Jayme R. Radomski, PRA¹, RS², Director of Quality Assurance
Visual Inspection and Report by: Nicole L. Lowery, RS
Reviewed by: Alan M. Ebert, PRA, RS



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.



RESERVE STUDY REPORT

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Precision 20/20 Full Reserve Study* of certain property exhibited to us as that of

South Shore Harbour Community Association, Inc.

League City, Texas

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, March 15, 2012. We conducted the original Reserve Study on January 24, 2008.

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
- **Condition Assessment** - Describes the reserve components, documents conditions with photographs, describes our recommendations for repairs or replacement, and includes detailed solutions and procedures for replacements for the benefit of current and future board members
- **Supplementary Information for Financial Statements** - Contains significant unaudited information about existing reserves from the Reserve Components and Expenditures, and estimated current and future replacement costs
- **Methodology** - Lists the national standards, methods and procedures used, financial information relied upon for the Financial Analysis of the Reserve Study
- **Definitions** - Contains definitions of terms used in the Reserve Study, consistent with national standards
- **Conditions of our Service** - Describes Assumptions and Professional Service Conditions
- **Credentials**
- **Resources**

IDENTIFICATION OF PROPERTY

South Shore Harbour Community Association, Inc. is a planned unit development which is responsible for the common elements shared by 776 single family homes and townhome units. The Association was built in 1982. The development contains concrete flatwork, fences, tennis and basketball courts, playground equipment, an irrigation system, a pool house, a mailbox kiosk and a pool. We identify 25 major common elements that are likely to require capital repair or replacement during the next 30 years.

Our investigation includes Reserve Components or property elements as set forth in your Declaration. 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 Other Entities

We advise that 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:

- South Shore Harbour responsibility
- Limited useful life expectancies
- Predictable remaining useful life expectancies
- Replacement cost above a minimum threshold

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

- Electrical Systems, Common
- Fences, Metal, New Sections and Gates (2003)
- Foundations, Common
- Pipes, Interior Building, Water and Sewer, Common
- Pipes, Subsurface Utilities
- Structural Frames, Common
- Walls, Fiber Cement Siding, Common (2006)

The operating budget provides money for the repair and replacement of certain Reserve Components. Operating Budget Funded Repairs and Replacements relate to:

- General Maintenance to the Common Elements
- Expenditures less than \$10,000 (*These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.*)
- Basketball Goals
- Bollards, Cement
- Bollards, Light Fixtures
- Catch Basins, Landscape
- Concrete Masonry Unit Block Wall, Admiral Drive, Stucco and Paint Applications
- Drinking Fountains
- Fences, Wood, Paint Finishes and Replacement

- Flagpoles
- Guard House
- Irrigation System (Removed from reserves at the request of Management)
- Landscape
- Life Guard Chairs
- Light Posts and Fixtures, Entrances
- Mailbox Kiosk, Gutters and Downspouts
- Paint Finishes, Common Buildings
- Pergolas, Wood, Paint Applications
- Pool Furniture
- Pool House and Mailbox Kiosk, Doors
- Pool House, Exterior Light Fixtures
- Pool House, Shower and Ceramic Tile Stall
- Rest Rooms, Interim Paint Applications and Rubber Floor Coverings
- Roofs, Asphalt Shingles, Common
- Signage, Traffic Signs
- Site Furnishings
- Tennis Courts, Fence, Paint Applications
- Water Feature, Swans
- Other Repairs normally funded through the Operating Budget

Property Maintained by Homeowners relates to:

- Homes and Lots

Certain items have been designated as the responsibility of other entities to repair or replace. Property Maintained by Other Entities relates to:

Country Club:

- Cart Paths
- Golf Course
- Ponds

Municipality:

- Curb Inlets
- Light Poles and Fixtures, Streets
- Sound Wall

Municipal Utility District (MUD):

- Lift Stations

RESERVE EXPENDITURES

for
South Shore Harbour
Community Association, Inc.
League City, Texas

Explanatory Notes:

- 1) 1.8% is the estimated future Inflation Rate for estimating Future Replacement Costs.
2) FY 2012 is Fiscal Year beginning January 1 and ending December 31.

Quantities:				Reserve Component Inventory	Estimated 1st Year of Replacement	Life Analysis, Years		Unit Cost, \$	2012 Cost of Replacement per Phase, \$	Total Future Costs of Replacement, \$	(See Notes 1 & 2) RUL = 0												18 2030	19 2031	20 2032							
Line Item	30-Year Total	Per Phase	Units			Useful	Remaining				FY2012	1 2013	2 2014	3 2015	4 2016	5 2017	6 2018	7 2019	8 2020	9 2021	10 2022	11 2023				12 2024	13 2025	14 2026	15 2027	16 2028	17 2029	
Property Site Elements																																
1	155,000	5,000	Square Feet	Concrete Sidewalks, Partial Replacements	2012	to 65	0	6.00	30,000	1,230,877	30,000	30,540	31,090	31,649	32,219	32,799	33,389	33,990	34,602	35,225	35,859	36,505	37,162	37,831	38,511	39,205	39,910	40,629	41,360	42,105	42,862	
2	480,000	32,000	Square Feet	Concrete Streets, Partial Replacements (Includes Parking Lot)	2017	to 65	5	8.00	256,000	5,604,756						279,885				300,587			322,820		334,547		346,699			359,292		
3	33	11	Each	Entrances, SmartPass Readers	2021	to 10	9	3,500.00	38,500	163,826										45,205										54,034		
4	72	12	Each	Entrances, Swing Arm Operators, Phased Replacements	2013	to 10	1	2,500.00	30,000	231,683		30,540					33,389					36,505				39,910						
5	14,680	3,670	Linear Feet	Fences, Metal, New Sections, Paint Finish	2015	6 to 8	3	7.50	27,525	144,931				29,038								33,493									38,631	
6	4,080	1,360	Linear Feet	Fences, Metal, Old Sections, Paint Finish (Includes Pool Fence)	2015	6 to 8	3	7.50	10,200	37,489				10,761								12,412									14,316	
7	1,360	1,360	Linear Feet	Fences, Metal, Old Sections, Replacement (Includes Pool Fence)	2038	to 60	26	65.00	88,400	140,571																						
8	5	5	Each	Light Poles and Fixtures	2023	to 25	11	2,500.00	12,500	15,210												15,210										
9	6,350	6,350	Square Feet	Pavers	2015	to 30	3	8.00	50,800	53,593				53,593																		
10	1	1	Each	Pavilion	2023	to 25	11	21,500.00	21,500	26,162												26,162										
11	96,600	32,200	Square Feet	Perimeter Pillars and Walls, Masonry, Inspection and Repairs	2014	8 to 12	2	0.90	28,980	108,840			30,033										35,898									
12	2	1	Allowance	Playground Equipment	2018	15 to 20	6	47,000.00	47,000	125,726								52,310														
13	2	1	Allowance	Signage, Entrance Monuments	2016	to 20	4	15,000.00	15,000	39,126					16,110																	
14	57,600	14,400	Square Feet	Tennis and Basketball Courts, Color Coat and Boundary Lines	2013	4 to 6	1	0.80	11,520	57,301		11,727						13,052					14,527									
15	14,400	14,400	Square Feet	Tennls and Basketball Courts, Surface Replacement	2031	to 40	19	10.00	144,000	202,102																					202,102	
16	430	430	Linear Feet	Tennis Courts, Fence	2031	15 to 25	19	43.00	18,490	25,950																					25,950	
17	9	9	Each	Tennis Courts, Light Poles and Fixtures	2031	to 25	19	2,500.00	22,500	31,578																					31,578	
Building Elements																																
18	776	776	Each	Mailboxes	2040	to 30	28	20.00	15,520	25,576																						
19	4	2	Each	Rest Rooms, Renovations	2012	to 30	0	5,000.00	10,000	27,078	10,000																					
Pool Elements																																
20	13,700	6,850	Square Feet	Concrete Deck, Inspections, Partial Replacements and Repairs	2018	8 to 12	6	1.50	10,275	25,105							11,436									13,669						
21	3	1	Allowance	Mechanical Equipment	2013	12 to 15	1	14,000.00	14,000	53,775		14,252												17,654								
22	530	530	Square Feet	Pergolas, Wood	2023	15 to 25	11	22.00	11,660	14,188												14,188										
23	15,600	5,200	Square Feet	Plaster Finish Replacement and Tile Repairs	2013	8 to 12	1	7.00	36,400	134,290		37,055											44,292									
24	2	1	Allowance	Recreation Equipment	2020	to 20	8	28,000.00	28,000	76,820								32,295														
25	5,200	5,200	Square Feet	Structures and Deck, Total Replacement	2038	to 60	26	115.00	598,000	950,919																						
		1	Allowance	Reserve Study Update with Site Visit	2014	2	2	4,300.00	4,300	4,300			4,300																			
Anticipated Expenditures, By Year											\$9,551,772	40,000	124,114	65,423	125,041	48,329	312,684	130,524	47,042	66,897	381,017	35,859	218,767	73,060	392,832	38,511	373,752	93,489	387,328	41,360	768,008	42,862

RESERVE EXPENDITURES

for
**South Shore Harbour
Community Association, Inc.**
League City, Texas

Line Item	Reserve Component Inventory	21 2033	22 2034	23 2035	24 2036	25 2037	26 2038	27 2039	28 2040	29 2041	30 2042
<u>Property Site Elements</u>											
1	Concrete Sidewalks, Partial Replacements	43,634	44,419	45,219	46,033	46,861	47,705	48,564	49,438	50,328	51,234
2	Concrete Streets, Partial Replacements (Includes Parking Lot)	372,343		385,868	392,814	399,884	407,082	414,410	421,869	429,463	437,193
3	Entrances, SmartPass Readers									64,587	
4	Entrances, Swing Arm Operators, Phased Replacements	43,634					47,705				
5	Fences, Metal, New Sections, Paint Finish						43,769				
6	Fences, Metal, Old Sections, Paint Finish (Includes Pool Fence)										
7	Fences, Metal, Old Sections, Replacement (Includes Pool Fence)						140,571				
8	Light Poles and Fixtures										
9	Pavers										
10	Pavilion										
11	Perimeter Pillars and Walls, Masonry, Inspection and Repairs		42,909								
12	Playground Equipment					73,416					
13	Signage, Entrance Monuments				23,016						
14	Tennis and Basketball Courts, Color Coat and Boundary Lines					17,995					
15	Tennis and Basketball Courts, Surface Replacement										
16	Tennis Courts, Fence										
17	Tennis Courts, Light Poles and Fixtures										
<u>Building Elements</u>											
18	Mailboxes								25,576		
19	Rest Rooms, Renovations										17,078
<u>Pool Elements</u>											
20	Concrete Deck, Inspections, Partial Replacements and Repairs										
21	Mechanical Equipment					21,869					
22	Pergolas, Wood										
23	Plaster Finish Replacement and Tile Repairs	52,943									
24	Recreation Equipment						44,525				
25	Structures and Deck, Total Replacement						950,919				
Reserve Study Update with Site Visit											
Anticipated Expenditures, By Year		512,554	87,328	431,087	461,863	560,025	1,682,276	462,974	496,883	544,378	505,505

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS
South Shore Harbour
Community Association, Inc.

Community Association, Inc.		Individual Reserve Budgets & Cash Flows for the Next 30 Years															
League City, Texas		FY2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Reserves at Beginning of Year (Note 1)	270,852	241,371	368,322	559,019	695,269	913,551	872,487	1,018,567	1,253,695	1,474,764	1,387,046	1,649,993	1,735,941	1,973,561	1,897,191	2,181,105
	Total Recommended Reserve Contributions (Note 2)	9,699	250,000	254,500	259,100	263,800	268,500	273,300	278,200	283,200	288,300	293,500	298,800	304,200	309,700	315,300	321,000
Plus	Estimated Interest Earned, During Year (Note 3)	820	1,065	1,620	2,191	2,811	3,120	3,304	3,970	4,766	4,999	5,306	5,915	6,480	6,762	7,125	7,542
Less	Anticipated Expenditures, By Year	(40,000)	(124,114)	(65,423)	(125,041)	(48,329)	(312,684)	(130,524)	(47,042)	(66,897)	(381,017)	(35,859)	(218,767)	(73,060)	(392,832)	(38,511)	(373,752)
	Anticipated Reserves at Year End	<u>\$241,371</u>	<u>368,322</u>	<u>559,019</u>	<u>695,269</u>	<u>913,551</u>	<u>872,487</u>	<u>1,018,567</u>	<u>1,253,695</u>	<u>1,474,764</u>	<u>1,387,046</u>	<u>1,649,993</u>	<u>1,735,941</u>	<u>1,973,561</u>	<u>1,897,191</u>	<u>2,181,105</u>	<u>2,135,895</u>

(continued)		Individual Reserve Budgets & Cash Flows for the Next 30 Years, Continued														
		2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
Reserves at Beginning of Year		2,135,895	2,377,090	2,330,686	2,636,704	2,221,984	2,538,438	2,391,797	2,677,024	2,625,400	2,549,477	2,381,767	1,096,167	1,034,515	945,892	816,693
Total Recommended Reserve Contributions		326,800	332,700	338,700	344,800	351,000	357,300	363,700	370,200	376,900	383,700	390,600	397,600	404,800	412,100	419,500
Plus	Estimated Interest Earned, During Year	7,884	8,224	8,678	8,488	8,316	8,613	8,855	9,263	9,040	8,615	6,076	3,722	3,460	3,079	2,708
Less	Anticipated Expenditures, By Year	(93,489)	(387,328)	(41,360)	(768,008)	(42,862)	(512,554)	(87,328)	(431,087)	(461,863)	(560,025)	(1,682,276)	(462,974)	(496,883)	(544,378)	(505,505)
Anticipated Reserves at Year End		<u>2,377,090</u>	<u>2,330,686</u>	<u>2,636,704</u>	<u>2,221,984</u>	<u>2,538,438</u>	<u>2,391,797</u>	<u>2,677,024</u>	<u>2,625,400</u>	<u>2,549,477</u>	<u>2,381,767</u>	<u>1,096,167</u>	<u>1,034,515</u>	<u>945,892</u>	<u>816,693</u>	<u>733,396</u>
		(NOTE 4)														

Explanatory Notes:

- 1) Year 2012 reserves are as of February 29, 2012; FY 2012 starts January 1 and ends December 31.
- 2) Reserve Contributions for 2012 are the remaining budgeted 11 months; 2013 is the first year of recommended contributions.
- 3) 0.35% is the current annual rate of return on invested reserves; 2012 is a partial year of interest earned.
- 4) Accumulated year 2042 ending reserves consider the need to fund for partial replacement of the concrete sidewalks and concrete streets shortly after 2042, and the age, size, overall condition and complexity of the property.

RESERVE EXPENDITURES and FUNDING PLAN

The tables following this introduction present:

Reserve Expenditures

- Line item numbers
- Total quantities replaced during the next 30 years
- Quantities replaced per phase (in a single year)
- Reserve component inventory
- Estimated first year of replacement
- Life analysis showing
 - useful life
 - remaining useful life
- Unit cost of replacement
- 2012 local cost of replacement
- 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

CONDITION ASSESSMENT

The Condition Assessment of this *Precision 20/20 Full Reserve Study* includes *Enhanced Solutions and Procedures (ESP)* for select significant components. These narratives describe the Reserve Components, document specific problems and conditions, and may include detailed solutions and procedures for necessary capital repairs and replacements for the benefit of current and future board members. We advise the Board use this information to help define the scope and procedures for repair or replacement when soliciting bids or proposals from contractors. *However, the Report in whole or part is not and should not be used as a design specification or design engineering service.*

Property Site Elements

Concrete, Flatwork - The Association maintains various applications of concrete flatwork such as *sidewalks* and *streets*. These applications of concrete have useful lives of up to 65 years although isolated deterioration of limited areas of concrete is common. Inclement weather, inadequate subsurface preparation and improper concrete mixtures or finishing techniques can result in premature deterioration such as settlement, chips, cracks and spalls. Variable conditions like these result in the need to plan for periodic partial replacements of the concrete flatwork throughout the next 30 years. We comment on the respective quantities, conditions and times of partial replacements of ***concrete flatwork*** in the following sections of this narrative.

Concrete Sidewalks - Concrete sidewalks comprise 192,300 square feet throughout the community. This quantity includes the pavilion concrete pad. The sidewalks are in fair to poor overall condition. Our inspection notes trip hazards, cracks

and depressions throughout the concrete sidewalks. Pages 5.2 and 5.3 of *Photographs* depict these conditions. We estimate that up to 155,000 square feet of concrete sidewalks, or eighty-one percent (81%) of the total, will require replacement during the next 30 years. We recommend the Association budget for replacement of 5,000 square feet of concrete sidewalks annually beginning in 2012. Line Item 1 of *Reserve Expenditures* notes our estimate of future costs and anticipated times of replacements. We recommend an annual inspection of the sidewalks to identify potential trip hazards. We suggest that the Association grind down or mark these hazards with orange safety paint prior to replacement and fund this ongoing activity through the operating budget.

Concrete Streets - The Association maintains approximately 1,400,000 square feet of concrete at the private streets. This quantity includes the concrete curbs and the parking lot at the pool. The streets are in good to fair overall condition at an age of 30 years. Our inspection notes missing curb sections, and damage and cracks in the concrete streets. Pages 5.3 through 5.5 of *Photographs* depict these conditions. Concrete streets have a useful life of up to 65 years. We estimate that up to 480,000 square feet of concrete streets, or thirty-four percent (34%) of the total, will require replacement during the next 30 years. We advise the Association budget for the replacement of 32,000 square feet of the streets every four years beginning by 2017 followed by a steadily increasing rate of replacement as the streets continue to age. Line Item 2 of *Reserve Expenditures* notes our estimate of future costs and anticipated times of replacements.

The Association should coordinate the concrete flatwork partial replacements on Line Items 1 and 2 of ***Reserve Expenditures*** to maximize the given amount of concrete in a single event. This will permit the use of a single contractor and likely achieve the most economical unit price for the work. The times and costs of these replacements may vary. However, the estimated expenditures detailed in ***Reserve Expenditures*** are sufficient to budget appropriate reserves.

Entrances, *SmartPass* Readers - South Shore Harbour maintains 11 *SmartPass* readers at the community entrances. The readers are in good condition at an age of one year. These elements have a useful life of up to 10 years. We recommend the Association budget for replacement by 2021 and every 10 years thereafter. We depict this information on Line Item 3 of ***Reserve Expenditures***.

Entrances, Swing Arm Operators - South Shore Harbour maintains 24 swing arm operators that limit access into the community. The swing arm operators are in fair condition at unknown ages. These elements have a useful life of up to 10 years. We recommend the Association budget for phased replacement of up to fifty percent (50%) beginning by 2013 and every five years thereafter. We depict this information on Line Item 4 of ***Reserve Expenditures***. The Association should replace damaged swing arms as needed through the operating budget.

Fences, Metal - Approximately 3,670 linear feet of metal picket fences line the north and east perimeters of the property and are nine years of age. Also, an additional 1,360 linear feet of metal picket fences line the pool deck and portions of the east and south perimeters of the property and are 30 years of age. Fences of this type have a long useful life but are not

maintenance free. Periodic maintenance should include periodic applications of protective paint finish to the metal fences and partial replacement of deteriorated fence sections as needed. Fence components at grade and key structural connections are especially prone to failure if not thoroughly maintained. Secure and rust free fasteners and connections will prevent premature deterioration. The protective finishes are in fair to poor overall condition. Our inspection notes finish deterioration on the metal fences. Page 5.6 of *Photographs* depicts this condition. We recommend paint applications every six- to eight-years and we anticipate a useful life of up to 60 years for the fences. Therefore, we do not anticipate the need for replacement of the newer sections of metal fences during the next 30 years.

Periodic applications of paint to the fences will help prevent the need to budget for their costly replacement. Preparation of the fences before application of the paint finish is important. The painting contractor should remove all soil, dirt, oil, grease and other foreign materials before application of the paint finish to maximize its useful life. The contractor should also remove paint blisters and rust prior to the paint finish application. We recommend the use of a power wire brush, scraper and/or sander as effective means of removal. The Association should require the application of a primer on bare metal. The primer for metal surfaces should include a rust inhibitor for added protection. We recommend the Association refinish the fences by 2015 and every eight years thereafter. We anticipate replacement of the 1,360 linear feet of older section of metal fences by 2038, therefore these fence sections will not require paint applications in 2038. We detail this information on Line Items 5 through 7 of *Reserve Expenditures*.

Light Poles and Fixtures - The Association uses six metal light fixtures atop five concrete poles to illuminate the property. The poles and fixtures are in good overall condition at an unknown age. Exterior light poles and fixtures have useful lives of up to 25 years. The Association should anticipate the need to replace the poles and fixtures by 2023. We note this information on Line Item 8 of *Reserve Expenditures*.

Pavers - The community entrances utilize approximately 6,350 square feet of pavers. The pavers are in fair overall condition at an age of up to 30 years. Traffic pavers comprise special types of clays that are baked at higher temperatures and for a longer time than other masonry types. Thus, traffic pavers have greater strength and durability than common masonry. Traffic pavers have a long functional useful life. However, over time, the negative effects of erosion and vehicle traffic will create isolated areas of deterioration. We advise the Association budget for complete replacement of the pavers every 30 years. Based on the condition, we recommend South Shore Harbour anticipate replacement of the pavers by 2015. We suggest the Association conduct interim resetting and replacement of minor areas of pavers as normal maintenance, funded from the operating budget. We depict this information on Line Item 9 of *Reserve Expenditures*.

Pavilion - The Association maintains a metal frame pavilion with an asphalt shingle roof at the recreation park. The pavilion is in good condition at an unknown age. Pavilion structures have a useful life of up to 25 years. We recommend South Shore Harbour budget for its replacement by 2023 and budget for repairs to the pavilion, interim replacements of the pavilion

roof and paint applications to the structure through the operating budget. We include this information on Line Item 10 of *Reserve Expenditures*.

Perimeter Pillars and Walls, Masonry - The Association maintains approximately 32,200 square feet of masonry pillars and perimeter walls throughout the community. This quantity includes both sides of the walls. The overall condition of the masonry is good at an age of 30 years. Masonry generally requires less maintenance than other types of exterior elements. However, masonry is not maintenance free. South Shore Harbour should plan for the periodic inspection of the masonry to identify and repair areas of deterioration. Common types of masonry deterioration include efflorescence, spalling and cracking.

Repointing is a process of raking and cutting out defective mortar to a depth of not less than ½ inch nor more than ¾ inch and replacing it with new mortar. We advise a complete inspection of the pillars and perimeter walls, and partial repointing with related masonry repairs every 8- to 12-years to forestall deterioration. We suggest that the Association budget for repointing of up to six percent (6%), or about 1,930 square feet of masonry, by 2014 and every 10 years thereafter. We depict this information on Line Item 11 of *Reserve Expenditures*.

Playground Equipment - The Association maintains playground equipment at the recreation park. The playground equipment is in good condition at an age of 13 years. 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. *Playworld Systems*¹ is a leading innovator of modular

¹ Reserve Advisors, Inc. does not have any financial or other interest in this company and includes this reference for

playground equipment. We suggest the Association learn more about the specific requirements of playground equipment at <http://www.playworldsystems.com>. We recommend the use of a specialist for the design or replacement of the playground equipment environment. Playground equipment of this type has a useful life of 15- to 20-years. We recommend replacement of the playground equipment by 2018 and again by 2037. We include this information on Line Item 12 of *Reserve Expenditures*.

Signage, Entrance Monuments - The Association maintains five entrance monuments throughout the community. Two entrance monuments comprise wood and brick masonry. The remaining three monuments comprise brick masonry, composite sign boards and concrete pillars. These monuments are in good to fair condition at unknown ages. The community signs contribute to the overall aesthetic appearance to owners and potential buyers. We advise the Association conduct capital repairs to the masonry and concrete, and replace the wood and composite signs every 20 years. We recommend the Association plan to renovate the entrance monuments by 2016 and again by 2036. We note this information on Line Item 13 of *Reserve Expenditures*.

Tennis and Basketball Courts - South Shore Harbour maintains 11,600 square feet of concrete comprising two tennis courts and 2,800 square feet of concrete comprising one basketball court. The components of the courts include the *color coat and boundary lines*, *playing surfaces*, *fence*, and *light poles and fixtures*. We comment on the respective quantities, conditions and times of replacements in the following sections of this narrative.

Color Coat and Boundary Lines - The tennis court color coat surface and the painted boundary lines on the basketball court are in overall good condition at an age of five years. Our inspection notes minor color coat deterioration. Page 5.9 of ***Photographs*** depicts this condition. We recommend the Association apply a new color coat to the concrete tennis courts and paint boundary lines to the concrete basketball court every four- to six-years to maximize the useful life of the courts. Prior to the application of the color coat and boundary lines, the Association should require the contractor to rout and fill all cracks. This deters water infiltration and further deterioration of the concrete playing surfaces. We advise the Association to perform crack repairs and apply a new color coat to the concrete tennis courts and paint boundary lines on the concrete basketball court in 2013 and every six years thereafter except when replacement occurs. We include this information on Line Item 14 of ***Reserve Expenditures***.

Surface - The court playing surfaces are in good to fair overall condition at an age of 30 years. Our visual inspection notes cracks in the concrete basketball court. Page 5.10 of ***Photographs*** depicts this condition. These courts are subject to soil movements and have useful lives of up to 40 years. In consideration of the observed good to fair condition of the courts, we recommend the Association defer the initial surface replacement and anticipate replacement of the courts by 2031. We note this information on Line Item 15 of ***Reserve Expenditures***. We recommend replacement of the tennis standards and basketball goals from the operating budget on an as needed basis.

Fence - Approximately 430 linear feet of metal chain link fence enclose the tennis courts. The chain link fence is in good condition at an unknown age. Chain link fence of this type has a useful life of 15- to 25-years. We recommend the Association anticipate replacement of the court chain link fence by 2031, concurrent with concrete surface replacement. We depict this information on Line Item 16 of *Reserve Expenditures*.

Light Poles and Fixtures - Nine light poles and 12 fixtures illuminate the tennis courts. The metal poles and fixtures are in good condition at an unknown age. Light poles and fixtures of this type have a useful life of up to 25 years. We recommend the Association anticipate replacement of these light poles and fixtures by 2031, concurrent with concrete surface replacement. We include this information on Line Item 17 of *Reserve Expenditures*.

The times and costs of these replacements may vary. However, the estimated expenditures detailed in *Reserve Expenditures* are sufficient to budget appropriate reserves.

Building Elements

Mailboxes - A total of 776 unit mailboxes are located in the recreation area mailbox kiosk building of South Shore Harbour. The mailboxes are in good overall condition at an age of two years. Mailboxes of this type have useful lives of up to 30 years. We recommend the Association anticipate replacement of the mailboxes by 2040. We include this information on Line Item 18 of *Reserve Expenditures*. The Association should verify the new mailboxes meet

the specifications of the United States Postal Service. The estimate of cost is based on a historical cost provided by Management.

Rest Rooms, Renovations - The Association maintains two common area rest rooms located in the pool house. The components of these rest rooms include ceramic tile walls, painted ceilings, concrete floors with a rubber floor covering, various light and plumbing fixtures, and toilet partitions. The components are in overall fair to poor condition at an age of 30 years. Periodic renovations of the rest rooms are an astute practice to maintain a positive overall appearance of the Association. The useful life of rest room components varies up to 30 years. Management informs us the Association will renovate the rest rooms in 2012. We recommend the Association budget for a subsequent renovation of the rest rooms by 2042. We include an allowance of \$5,000 plus inflation per rest room on Line Item 19 of *Reserve Expenditures* for these renovations. The Association should verify the rest room renovations comply with the Americans with Disability Act (ADA).

Pool Elements

Concrete Deck - An exposed aggregate concrete deck surrounds the pool and wading pool. The pool deck comprises approximately 6,850 square feet of concrete. The deck is in good to fair condition at an age of 30 years. Our inspection notes cracks in the concrete deck. Page 5.12 of *Photographs* depicts this condition. The useful life of a concrete pool deck is up to 60 years. However, we recommend the Association conduct inspections, partial replacements and repairs to the deck every 8- to 12-years. Soil movement and water infiltration underneath the concrete deck can cause significant settlement and cracks in the concrete. The pool deck should

also be free of trip hazards for the safety of residents and their guests. We recommend the Association plan partial replacements of up to ten percent (10%) of concrete sections, crack repairs, mortar joint repairs and caulk replacement beginning by 2018 and again by 2028. The times, amounts and related costs of these repairs and replacements may vary. However, we judge the amounts shown on Line Item 20 of *Reserve Expenditures* sufficient to budget appropriate reserves.

Mechanical Equipment - The pool mechanical equipment comprises the following:

- Automatic chlorinators
- Controls
- Interconnected pipe, fittings and valves
- Water filters
- Water circulation pumps

The pool mechanical equipment is in fair to poor condition at unknown ages. Pool mechanical equipment has a useful life of 12- to 15-years. We recommend the Association anticipate replacement of the pool mechanical equipment in 2013 and every 12 years thereafter. We consider interim replacement of motors and minor repairs as normal maintenance. We note this information on Line Item 21 of *Reserve Expenditures*.

Pergolas, Wood - The Association maintains two wood pergolas comprising 530 square feet. The pergolas are in good condition at an unknown age. Wood structures exposed to weather have a useful life of 15- to 25-years. We recommend South Shore Harbour budget for their replacement by 2023 and budget for paint applications and repairs through the operating budget. We depict this information on Line Item 22 of *Reserve Expenditures*.

Plaster Finish Replacement and Tile Repairs - The wall and floor surfaces of the pool and wading pool have a plaster finish of 5,200 square feet based on the horizontal surface area. The pool plaster appears in fair to poor overall condition at an age of five years. Our visual inspection notes plaster finish deterioration. Page 5.13 of *Photographs* depicts this condition. This type of pool finish deteriorates with time and requires periodic maintenance and replacement. Removal also provides the opportunity to inspect the pool structure and to allow for partial repairs of the underlying concrete surfaces as needed. We recommend the Association anticipate the need to replace the plaster finish and conduct related repairs every 8- to 12-years to maintain the integrity of the pool structure. Based on the fair to poor condition noted, we recommend the Association budget for replacement of the plaster finish and partial replacements of the scuppers, tiles, sealants, coping and partial concrete structure repairs in 2013 and every 10 years thereafter. We include this information on Line Item 23 of *Reserve Expenditures*. The estimate of cost is based on bids received by the Association as reported by Management.

Recreation Equipment - The Association maintains one slide and one diving board at the pool. The condition of the recreation equipment is good overall at an age of 12 years. Recreation equipment of these types have a useful life of up to 20 years. We recommend the Association replace the recreation equipment by 2020 and again by 2038, and conduct repairs as needed through the operating budget. We include this information on Line Item 24 of *Reserve Expenditures*.

Structures and Deck, Total Replacement - The concrete pool and wading pool structures visually appears in good condition at an age of 30 years. The concrete floor and walls

have a plaster finish. This finish makes it difficult to thoroughly inspect the concrete structure during a noninvasive visual inspection. An invasive inspection of the structure is beyond the scope of this Reserve Study. Therefore, we base our recommendations for its eventual replacement on historical information provided by Management, its age of 30 years, our experience of observing many other pool structures and an anticipated total useful life of up to 60 years. A concrete deck of 6,850 square feet surrounds the pool. The Association has replaced minor portions of the deck. Its condition is good to fair overall.

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 South Shore Harbour fully fund for the possible need to replace the pools and deck by 2038. The time and cost of this replacement may vary. However, we judge the amount shown on Line Item 25 of *Reserve Expenditures* sufficient to budget appropriate reserves.

Reserve Study Update - An ongoing review by the Board and an Update of this Reserve Study in two- to three- years 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.

The Association can expense the fee for an Update with site visit from the reserve account. This fee is included in the Reserve Funding Plan. We base this budgetary amount on updating the same property components and quantities of this Reserve Study report. 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.

PHOTOGRAPHS

Photographs document the conditions of various property components as of the date of our visual inspection, March 15, 2012. The Condition Assessment contains references to these photographs.

The following is an overview image of the subject property:



The next pages contain the photographs related to Section 4 - Condition Assessment



Concrete sidewalks - Note cracks and trip hazards



Concrete sidewalks - Note trip hazard



Concrete sidewalks - Note trip hazard



Concrete sidewalks - Note trip hazard and depression



Concrete street



Concrete curb - Note missing section



Concrete streets - Note cracks and damage



Concrete street



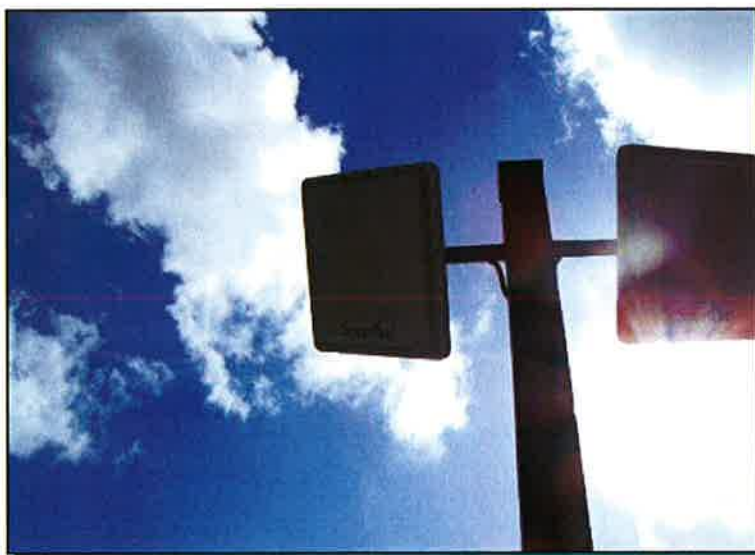
Concrete street - Note cracks



Concrete street - Note cracks



Swing arm operators



SmartPass readers



Metal fences and masonry pillars



Metal fence



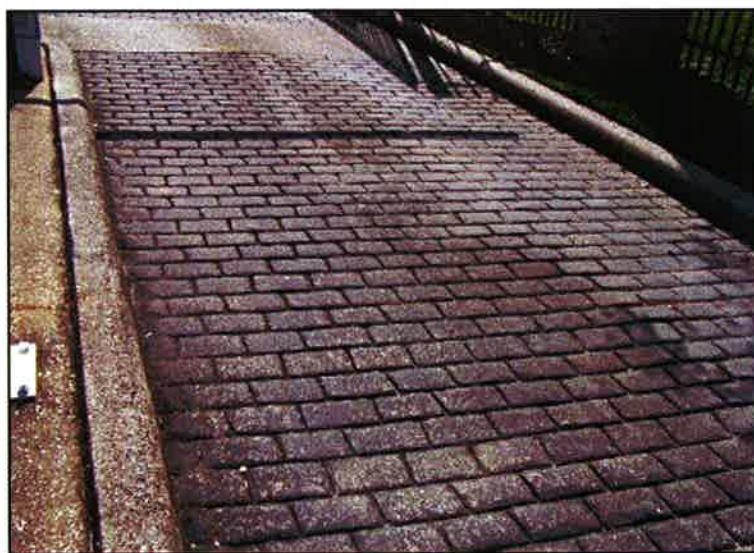
Metal fence - Note paint finish deterioration



Light pole and fixture



Light post and fixture
*Fund replacement through
operating budget*



Pavers



Pavilion



Masonry walls



Playground equipment



Signage



Tennis courts overview



Tennis courts - Note color coat deterioration



Tennis courts fence



Basketball court overview



Basketball court - Note cracks



Pool house overview



Mail kiosk overview



Mailboxes



Rest room overview



Pool overview



Concrete deck - Note cracks



Mechanical equipment



Wood pergola



Plaster finish - Note deterioration



SUPPLEMENTARY INFORMATION FOR FINANCIAL STATEMENTS

The Reserve Funding Plan uses the Cash Flow Method to determine an appropriate funding plan with the following unaudited financial information furnished by the Association.

Unaudited Supplemental Information on Future Major Repairs and Replacements

<i>Reserve Component Categories</i>	<i>Total Current Replacement Costs</i>	<i>Total Future or Inflated Replacement Costs</i>	<i>% of Total Future Replacements</i>	<i>Component of Projected 2012 YE Fund Balance</i>
Property Site Elements	\$5,821,410	\$8,239,721	86.26%	\$208,216
Building Elements	\$35,520	\$52,654	0.55%	\$1,331
Pool Elements	\$837,410	\$1,255,097	13.14%	\$31,716
Reserve Study Update	\$4,300	\$4,300	0.05%	\$109
Totals	\$6,698,640	\$9,551,772	100%	\$241,371

The *Audit and Accounting Guide for Common Interest Realty Associations* presents recommendations on Supplementary Information on Future Major Repairs and Replacements in end of fiscal year Audits of Financial Statements for community associations¹. Accountants use discretion and judgment on how to present the Supplementary Information on Future Major Repairs and Replacements. However, the Supplementary Information on Future Major Repairs and Replacements often references and includes excerpts from our Reserve Studies. The following table excerpts significant unaudited information from the Reserve Expenditures about Reserve Component categories and estimated current and future replacement costs based on inflation at an annual rate of 1.8%.

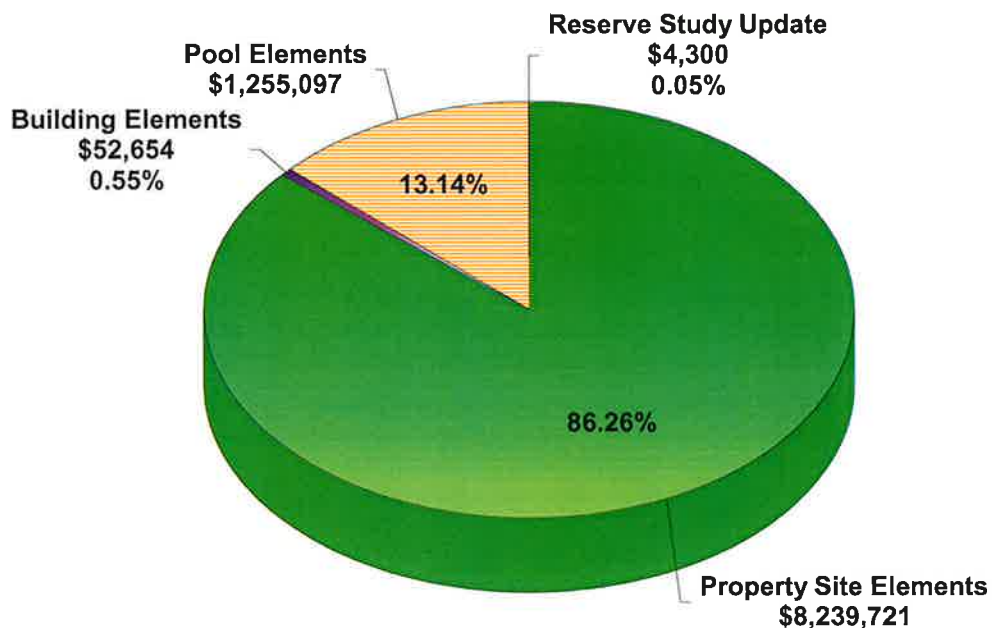
The information included in the table above may be included as part of the Supplementary Information on Future Major Repairs and Replacements. *However, Reserve*

¹ American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide - *Common Interest Realty Associations*; American Institute of Certified Public Accountants, Inc.; 2003

Advisors, Inc. does not certify that the information in the table will fully satisfy the recommendations of the AICPA guideline.

The most important category of Reserve Components noted in *Reserve Expenditures* is the Property Site Elements. The following chart illustrates the relative importance of the Reserve Expenditures and relative funding during the next 30 years.

Future Expenditures Relative Cost Illustration South Shore Harbour Community Association, Inc.



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.

South Shore Harbour 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 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:

Information Furnished by the Association	
February 29, 2012 unaudited Cash Status of the Reserve Fund	\$270,852
Remaining 2012 Budgeted Reserve Contributions	\$9,699
Anticipated Interest on Reserve Fund	\$820
Less Anticipated Reserve Expenditures	(\$40,000)
Projected 2012 Year-End Reserve Balance	\$241,371

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 League City, Texas at an annual inflation rate of 1.8%. Isolated or regional markets of greater construction (development) activity may experience slightly greater rates of inflation for both construction materials and labor.

The past and current maintenance practices of South Shore Harbour and their effects on remaining useful lives

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.

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

The anticipated effects of appreciation of the reserves over time in accord with your average current return or yield on investment of your cash equivalent assets at an annual rate of 0.35% (We did not consider the costs, if any, of Federal and State Taxes on income derived from interest and/or dividend income)

Interest rates on reserves are steady or increasing in concert with the certificates of deposit and money market rates. Slight increases exist in the savings rates of one, two or three-year CDs. Without significant differences in these savings rates, shorter term investments are the choice of many investors. We recommend consultation with a professional investment adviser before investing reserves to determine an appropriate investment strategy to maximize a safe return on reserve savings. The following table summarizes rates of inflation and key rates for government securities, generally considered as safe investment alternatives.

Interest Rate and Inflation Data								
Average or Last Actual = (A)	<u>2010:1 (A)</u>	<u>2010:2 (A)</u>	<u>2010:3 (A)</u>	<u>2010:4 (A)</u>	<u>2011:1 (A)</u>	<u>2011:2 (A)</u>	<u>2011:3 (A)</u>	<u>2011:4 (E)</u>
90-Day Treasury Bill	0.050%	0.10%	0.10%	0.15%	0.05%	0.40%	0.2%	0.2%
1-Year Treasury Bill	0.30	0.34	0.26	0.22	0.30	0.15	0.10	0.10
10-Year Treasury Note	3.50	3.30	2.67	2.50	2.50	2.25	2.20	1.85
30-Year Treasury Bond	4.50	4.20	3.79	3.90	4.50	4.50	3.60	2.80
Consumer Price Index (annualized rate)	0.01	1.2%	1.2%	0.8%	2.1%	4%	4%	3%
Residential Construction Inflation, Bureau of Labor Statistics (2-year ave.)			\$0	2.2%	2.9%	2.7%	4.1%	3.0%
National Market Savings Rates as found	0.10%	for Money Market Savings			0.8%	for 2-Year Certificate of Deposit		
in http://www.bankrate.com	0.4%	for 1-Year Certificate of Deposit			1.2%	for 3-Year Certificate of Deposit		
Estimated Near Term Yield Rate for Reserve Savings	0.35%							
Estimated Near Term Inflation Rate for Future Capital Expenditures	1.8%							

11/8/2011

11/18/2011

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

DEFINITIONS¹

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 South Shore Harbour 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) South Shore Harbour 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.

¹ 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.



CONDITIONS OF OUR SERVICE ASSUMPTIONS

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, we make no guarantee nor assume liability for the accuracy of any data, opinions, or estimates identified as furnished by others that we used in formulating this analysis.

We did not make any soil analysis or geological study with this report; nor were any water, oil, gas, coal, or other subsurface mineral and use rights or conditions investigated.

Substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, environmental mold or other potentially hazardous materials could, if present, adversely affect the validity of this study. Unless otherwise stated in this report, the existence of hazardous substance, that may or may not be present on or in the property, was not considered. Our opinions are predicated on the assumption that there are no hazardous materials on or in the property. We assume no responsibility for any such conditions. We are not qualified to detect such substances, quantify the impact, or develop the remedial cost.

We have made a visual inspection of the property and noted visible physical defects, if any, in our report. Our inspection and analysis was made by employees generally familiar with real estate and building construction; however, we did not do any invasive testing. Accordingly, we do not opine on, nor are we responsible for, the structural integrity of the property including its conformity to specific governmental code requirements, such as fire, building and safety, earthquake, and occupancy, or any physical defects that were not readily apparent during the inspection.

Our opinions of the remaining useful lives of the property elements do not represent a guarantee or warranty of performance of the products, materials and workmanship.



PROFESSIONAL SERVICE CONDITIONS

Our Services - Reserve Advisors, Inc. will perform its services as an independent contractor in accordance with our professional practice standards. Our compensation is not contingent upon our conclusions.

Our inspection and analysis of the subject property is limited to visual observations and is noninvasive. We will inspect sloped roofs from the ground. We will inspect 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 our observation. Conditions can change between the time of inspection and the issuance of the report. Reserve Advisors does not investigate, nor assume any responsibility for any existence or impact of any hazardous materials, structural, latent or hidden defects which may or may not be present on or within the property. Our opinions of estimated costs and remaining useful lives are not a guarantee of the actual costs of replacement, a warranty of the common elements or other property elements, or a guarantee of remaining useful lives.

We assume, without independent verification, the accuracy of all data provided to us. You agree to indemnify and hold us 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 as 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 controlling person of Reserve Advisors, Inc., including any director, officer, employee, affiliate, or agent. Liability of Reserve Advisors, Inc. 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 - Reserve Advisors, Inc. will complete the services in accordance with the Proposal. We will consider any additional information made available to us in the interest of promptly issuing a Final Report (if requested). However, the Report represents a valid opinion of our findings and recommendations and is deemed complete and final if no Final Report or changes are requested within six months of our inspection. We retain the right to withhold the Report or Final Report if payment for services is not rendered in a timely manner. All files, work papers or documents developed by us during the course of the engagement remains our property.

Your Obligations - You agree to provide us access to the subject property during our on-site visual inspection and tour. You will provide to us to the best of your ability and if reasonably available, historical and budgetary information, the governing documents, and other information that we request and deem necessary to complete our Study. You agree to pay our actual attorneys' fees and any other costs incurred in the event we have to initiate litigation to collect on any unpaid balance for our services.

Use of Our Report and Your Name - Use of our Report(s) is limited to only the purpose stated herein. Any use or reliance for any other purpose, by you or third parties, is invalid. Our Reserve Study Report in whole or part ***is not and can not be used as a design specification, design engineering services or an appraisal.*** You may show our report in its entirety to those third parties who need to review the information contained herein. The Client and other third parties viewing this report should not reference our name or our report, in whole or in part, in any document prepared and/or distributed to third parties without our written consent. ***This report*** contains intellectual property developed by Reserve Advisors, Inc. specific to this engagement and ***can not be reproduced or distributed to those who conduct reserve studies without the written consent of Reserve Advisors, Inc.***



We reserve the right to include our client's name in our client lists, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

Payment Terms, Due Dates, and Interest Charges - The retainer payment is due upon authorization and prior to shipment of the report. The final payment of the fee is due immediately upon receipt of the Report. Subsequent changes to the report can be made for up to six months from the initial report date. Any outstanding balance after 30 days of the invoice date is subject to an interest charge of 1.5% per month. Any litigation necessary to collect an unpaid balance shall be venued in Milwaukee County Circuit Court in the State of Wisconsin.



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 bachelors 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 a 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, Inc., 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. Each Team Review requires the attendance of several engineers, a Review Coordinator, Director of Quality Assurance and other participatory peers. 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, Inc. 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 100-story John Hancock Center 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 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.

THEODORE J. SALGADO, P.E., PRA
Principal

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, defect identification transition studies, and consulting services for a nationwide portfolio of more than 5,000 clients. Under his direction, the firm conducts reserve study services for apartment complexes, churches, hotels, resorts, office towers and vintage architecturally ornate buildings.



PRIOR RELEVANT EXPERIENCE

Before founding Reserve Advisors, Inc. 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 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 - Senior Designated Member and Certified Construction Inspector

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

Community Associations Institute - Member and Volunteer Leader of multiple chapters throughout the United States

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

Milwaukee School of Engineering - Member, Corporation Board

Professional Engineer, Wisconsin - Registered in 1982

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 exhibiting, and direct mail promotions. 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.



Mr. Poehlmann served on the national Board of Trustees of Community Associations Institute. Community Associations Institute (CAI) is a national, nonprofit 501(c)(6) trade association created in 1973 to provide education and resources to America's 305,000 residential condominium, cooperative and homeowner associations and related professionals and service providers. The Institute is dedicated to fostering vibrant, responsive, competent community associations that promote harmony, community, and responsible leadership.

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 Planning for Replacement of Property Doesn't Have to Be Like a Trip to the Dentist, Reserve Studies for the First Time Buyer, Sound Association Planning Parallels Business Concepts, and Reserve Studies Minimize Liability. He has worked with a variety of publications, including the Chicago Tribune, The Milwaukee Journal/Sentinel, Common Ground, Common Interest, and Condo Management. He also co-authored "Reserves", an educational videotape produced by Reserve Advisors on the subject of Reserve Studies and the benefits of maintaining appropriate reserves. The videotape is available through Reserve Advisors or CAI's website, www.caionline.org and libraries in the State of Virginia.

INDUSTRY SERVICE AWARDS

CAI National Rising Star Award - To an individual whose leadership abilities and professional contributions have earmarked them for even greater accomplishments in the future.

CAI Michigan Chapter Award - "Given to the individual who contributed their time, expertise, and resources toward improving the quality of services offered by the chapter. Mr. Poehlmann was unanimously selected as the winner of the 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



QUALIFICATIONS

Jayme R. Radomski, P.E., PRA, RS
Director of Quality Assurance

CURRENT CLIENT SERVICES

Jayme R. Radomski, an Architectural Engineer, is the Director of Quality Assurance for *Reserve Advisors, Inc.* Ms. Radomski is responsible for the management, review and quality assurance of all reserve studies. In this role, she assumes the responsibility of stringent report review analysis to assure report accuracy and the best solution for Reserve Advisors' clients.

Ms. Radomski has been involved with hundreds of Reserve Study assignments. The following is a partial list of clients served by Jayme Radomski demonstrating her breadth of experiential knowledge of community associations in construction and related buildings systems.

Sun City Community Association of Huntley, Inc. This planned unit development is located in Huntley, Illinois. The development features common elements shared by 5,481 homeowners. Common elements include a 114,000-square foot community center, a 19,000-square foot clubhouse, an aquatic center, a woodshop, a tennis center, ponds and other amenities. The buildings comprise complex asphalt shingle and flat roof assemblies, complex mechanical systems, furnishings, fixtures and kitchen equipment. The development comprises single family homes and eight townhome style neighborhoods.

Carroll House Condominium This unique architectural development located in historic Baltimore, Maryland comprises 23 residential units in four unique buildings. The buildings were constructed in the mid-1800s. The development comprises two mid-rise buildings and two single-story carriage homes.

Ballston Park Condominium This 137 unit, nine story, high rise building is located in Arlington, Virginia. This development features flat roof assemblies, brick masonry walls, balconies, mechanical systems, interior finishes, a parking garage and an elevated terrace.

Church of the Resurrection Located in New Albany, Ohio, this recently expanded church includes a church, and a social hall and classrooms. These two unique buildings comprise asphalt shingle and metal roof assemblies, brick masonry walls, complex mechanical systems, audio visual and sound equipment, and a kitchen.

Brookfield Academy This five building campus is located in Brookfield, Wisconsin. This independent school consists of students from levels K4 to 12. The campus includes various buildings and an athletic complex.

Turnberry Village Condominium Association A townhome style condominium development of 90 units in 13 buildings located in Ann Arbor, Michigan. The buildings feature complex roof designs, masonry veneer, and wood and aluminum siding.

PRIOR RELEVANT EXPERIENCE

Before joining *Reserve Advisors, Inc.*, Ms. Radomski was a Designer for Ahern Fire Protection in Menomonee Falls, WI. She was responsible for designing and drafting of fire protection systems in accordance with all applicable codes while selecting the most efficient fabrication, installation and stocklisting techniques, and performing hydraulic calculations to ensure proper flow and pressure of sprinkler systems.

EDUCATION

Milwaukee School of Engineering - M.S. Environmental Engineering, B.S. Architectural Engineering
University of Wisconsin-Madison - B.S. Consumer Science

PROFESSIONAL AFFILIATIONS

Professional Engineering License (P.E.) - Wisconsin 2008
Reserve Specialist (RS) - Community Associations Institute
Professional Reserve Analyst (PRA) - Association of Professional Reserve Analysts
American Society of Civil Engineers (ASCE)



QUALIFICATIONS

Nicole L. Lowery, RS
Responsible Advisor

CURRENT CLIENT SERVICES

Nicole L. Lowery, a Civil Engineer, is an Advisor for *Reserve Advisors, Inc.* Ms. Lowery is responsible for the inspection and analysis of the condition of clients' property, and recommending engineering solutions to prolong the lives of the components and prepares reports on assignments. She is responsible for conducting Life Cycle Cost Analysis and Capital Replacement Forecast services on condominiums, townhomes, planned unit developments, and homeowner associations.

The following is a partial list of clients served by Nicole Lowery demonstrating her breadth of experiential knowledge of community associations in construction and related buildings systems.

Berkeley Square Condominium Association - A townhome style condominium development of 122 units in 18 buildings located in Tampa, Florida. The buildings feature complex roof designs, masonry veneer, and stucco construction.

3 Chisolm Street Homeowners Association - This historic Charleston, South Carolina community was constructed in 1929 and 1960 and comprises brick and stucco construction with asphalt shingle and modified bitumen roofs. The unique buildings were originally the Murray Vocational School. The buildings were transformed in 2002 to 27 high-end condominiums. The property includes a courtyard and covered parking garage.

Lakes of Pine Run Condominium Association - This condominium community comprises 112 units in 41 buildings of stucco construction with asphalt shingle roofs. Located in Ormond Beach, Florida, it has a domestic water treatment plant and wastewater treatment plant for the residents of the property.

Rivertowne on the Wando Homeowners Association - This exclusive river front community is located on the Wando River in Mount Pleasant, South Carolina. This unique Association includes several private docks along the Wando River, a pool and tennis courts for use by its residents.

Biltmore Estates Homeowners Association - This private gated community is located in Miramar, Florida, just northwest of Miami, Florida and consists of 128 single family homes. The lake front property maintains a pool, a pool house and private streets.

Bellavista at Miromar Lakes Condominium Association - Located in the residential waterfront resort community of Miromar Lakes Beach & Golf Club in Fort Myers, Florida, this property comprises 60 units in 15 buildings. Amenities include a clubhouse and a pool.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Inc., Ms. Lowery was a project manager with Kipcon in New Brunswick, New Jersey and the Washington, D.C. Metro area for eight years, where she was responsible for preparing reserve studies and transition studies for community associations. Ms. Lowery successfully completed the bachelors program in Civil Engineering from West Virginia University in Morgantown, West Virginia.

EDUCATION

West Virginia University - B.S. Civil Engineering

PROFESSIONAL AFFILIATIONS / DESIGNATIONS

Reserve Specialist (RS) - Community Associations Institute



QUALIFICATIONS
Paul J. Grifoni, PRA, RS
Review Coordinator

CURRENT CLIENT SERVICES

Paul J. Grifoni, a civil engineer, is an Advisor for *Reserve Advisors, Inc.* Mr. Grifoni 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. Paul Grifoni frequently serves as the *Quality Assurance Review Coordinator* for Recreational, Townhome, Mid-Rise communities.

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

Avery Ranch Located in Austin, Texas, large homeowners association with three amenity centers.

Bingham Station Located in Garner, North Carolina, made up of a clubhouse, tennis court and playgrounds.

Caroline Pines Located in Ruther Glen, Virginia, 22 mile of streets, earth dam.

Islandwalk Located in Naples, Florida, has full Town Center including car wash, post office, bank, and cafe.

Metropolitan Located in West Palm Beach, Florida, ten story mid rise with rooftop pool built in 2006.

The Palms Located in Jacksonville, Florida, apartment conversion on the beach.

Pelican Landing Located in Bonita Springs Florida, has its own private island, tennis center.

Pueblo Encantado Located in Santa Fe, New Mexico, pool, clubhouse, unpaved streets.

Sterling Woods Located in Danbury, Connecticut, 358 townhome units.

University Place Located in suburban Sarasota, has 16 ponds, gate house, perimeter walls and fencing, entrance monuments, streets and drainage system.

Valdosta Loundes Located in Valdosta, Georgia. This property is a commercial conference center.

Vista Lakes This multi community located in Orlando, Florida has an olympic size pool with waterslide, clubhouse and playgrounds.

PRIOR RELEVANT EXPERIENCE

Before joining *Reserve Advisors, Inc.*, Mr. Grifoni was a Field Engineer for Heavy Civil Projects in New England. He also was a supervisor for a custom home building company based in Florida.

EDUCATION - University of Massachusetts, Lowell - B.S. Civil Engineering

PROFESSIONAL AFFILIATIONS / DESIGNATIONS

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

Reserve Specialist (RS) - Community Associations Institute



QUALIFICATIONS
Alan M. Ebert, PRA, RS
Quality Assurance Review Coordinator

CURRENT CLIENT SERVICES

Alan M. Ebert, a Geological Engineer, is an Advisor for *Reserve Advisors, Inc.* Mr. Ebert is responsible for the inspection and analysis of the condition of clients' properties, and recommending engineering solutions to prolong the lives of the components. He also forecasts capital expenditures for the repair and/or replacement of the property components and prepares technical reports on assignments. He is responsible for conducting Life Cycle Cost Analyses and Capital Replacement Forecast services and the preparation of Reserve Study Reports for condominiums, townhomes and homeowner associations.

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, Inc., 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 Reserve Analyst (PRA), Reserve Specialist (RS)

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 <http://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 <http://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 <http://www.msbinfo.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 <http://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.



Reserve Study Update

March 26, 2012

The Reserve Study for South Shore Harbour Community Association, Inc.
was submitted onMarch 26, 2012.

To maintain the most accurate and cost-effective replacement schedule and funding plan for your
property elements, this study should be updated on or about**First Quarter, 2014**

...but no later than.....**First Quarter, 2015**

As a valued client, we are pleased to offer a discounted rate of**\$4,300**
for a Reserve Study Update with Site visit as noted above.

To initiate your Reserve Study Update, please sign this authorization and fax or mail to the number
below. Upon receipt of this authorization we will contact you to schedule your site visit and invoice for
the Reserve Study Update Service.

Sign this contract below and fax to **414-272-3663**. Or mail to
Reserve Advisors, Inc.
735 N. Water St., Suite 175
Milwaukee, WI 53202

Delivery options for your Reserve Study Update Report, Please check one of the following:
____ 1-Full color printed copy PLUS Electronic Report Copy in CD Format, FREE
____ 2-Full color printed copies PLUS Electronic Report Copy in CD Format, \$100

for Reserve Advisors, Inc.

Monica Mack
Update Services Manager
ref. # 071502
1 (800) 221-9882
Date: March 26, 2012

for South Shore Harbour Community Association, Inc.

Name: _____

Title: _____

Date: _____

Phone: _____

Agent or Manager: Ms. LeJean Griffith

Management Firm: Houston Community Management Services