

RDA REPORT

Windmill Ranch Community Association
Gilbert, Arizona
Account 1756 - Version 001
May 28, 2002

447

RESERVE DATA ANALYSIS, INC.

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RDA Reserve Management Software
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This reserve analysis study and the parameters under which it has been completed are based upon information provided to us in part by representatives of the association, its contractors, assorted vendors, specialist and independent contractors, the Community Associations Institute, various construction pricing and scheduling manuals including, but not limited to: Marshall & Swift Valuation Service, RS Means Facilities Maintenance & Repair Cost Data, RS Means Repair & Remodeling Cost Data, National Construction Estimator, National Repair & Remodel Estimator, Dodge Cost Manual and the McGraw Hill Book Company. Additionally, costs are obtained from numerous vendor catalogues, actual quotations or historical costs, and our own experience in the field of property management and preparation of reserve analysis studies.

It has been assumed, unless otherwise noted in this report, that all assets have been designed and constructed properly and each estimated useful life will approximate that of the norm per industry standards and/or manufacture specifications used. In some cases, estimates may have been used on assets which have an indeterminable but potential liability to the association. The decision for the inclusion of these as well as all assets considered is left to the client.

We recommend that your reserve analysis study be updated on an annual basis due to fluctuating interest rates, inflationary changes and the unpredictable nature of the lives of many of the assets under consideration. All of the information collected during our inspection of the association and subsequent computations made in preparing this reserve analysis study are retained in our computer files. Therefore, annual updates may be completed quickly and inexpensively each year.

Reserve Data Analysis, Intl., would like to thank you for using our services, and we invite you to call us at any time should you have any questions or comments or need assistance. In addition, any of the parameters and estimates used in this study may be changed at your request, after which we will provide you with a revised study.

RESERVE DATA ANALYSIS, INC.

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PART I - INTRODUCTION

Preparing the annual budget and overseeing the association's finances are perhaps the most important responsibilities of board members. The annual operating and reserve budgets reflect the planning and goals of the association and set the level and quality of service for all of the association's activities.

◆ 1. Funding Options

When a major repair or replacement is required in a community, an association has essentially four options available to address the expenditure:

The first option is to pass a "special assessment" to the membership in an amount required to cover the expenditure. Although not commonplace, there have been special assessments in the amount of \$10,000 per member assessed in associations in Virginia and southern California. When a special assessment is passed, the association has the authority and responsibility to collect the assessments, even by means of foreclosure if necessary. However, an association operating on a special assessment basis cannot guarantee that an assessment, when needed, will be passed. Consequently, it cannot guarantee its ability to perform the required repairs or replacements to those major components for which the association is obligated to maintain when the need arises. Additionally, while relatively new communities require very little in the way of major "reserve" expenditures, associations reaching 12 to 15 years of age and older find many components reaching the end of their effective useful lives. These required expenditures, all accruing at the same time, can be devastating to an association's overall budget.

The second option is for the association to acquire a loan from a lending institution in order to effect the required repairs. In many cases, banks will lend money to an association using "future homeowner assessments" as collateral for the loan. With this method, not only is the current board of directors pledging the future assets of an association, they are also required to pay interest fees on the loan payback in addition to the original principal. In the case of a \$150,000 roofing replacement, the association may be required to pay back the loan over a three to five year period, with interest; whereas, if the association was setting aside reserves for this purpose, using the

vehicle of the regularly assessed membership dues, it would have had the full term of the life of the roof in order to accumulate the necessary moneys. Additionally, those contributions would have been evenly distributed over the entire membership and would have earned interest as part of that contribution.

The third option, too often used, is simply to defer the required repair or replacement. This option can create an environment of declining property values due to the increasing deferred maintenance and the association's financial inability to keep pace with the normal aging process of the common area components. This, in turn, can have a seriously negative impact on sellers in the Association by making it difficult or even impossible for potential buyers to obtain financing from lenders. Increasingly, many lending institutions are requesting copies of the association's most recent reserve study before granting loans, either for the association, a prospective purchaser, or for an individual within such association.

The fourth, and only logical means that the board of directors has to ensure its ability to maintain the assets for which it is obligated, uniformly distributing the costs of the replacements over the entire membership, is by assessing an adequate level of reserves as part of the regular membership assessment. The community is not only comprised of present members, but also future members. Any decision by the board of directors to adopt a calculation method or funding plan which would disproportionately burden future members in order to make up for past reserve deficits would be a breach of its fiduciary responsibility to those future members. Unlike individuals determining their own course of action, the board is responsible to the "community" as a whole.

◆ 2. The Reserve Study

There are two components of a reserve study – a physical analysis and a financial analysis. During the physical analysis, a reserve provider evaluates information regarding the physical status and repair/replacement cost of the association's major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates. A financial analysis assesses the association's reserve balance or "fund status" (measured in cash or as percent funded) to determine a recommendation for an appropriate reserve contribution rate in the future known as the "funding plan."

Reserve studies fit into one of three categories: 1) Full Study; 2) Update - with site inspection; and 3) Update - without site inspection.

- In a Full reserve study, the reserve provider conducts a component inventory, a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both a "fund status" and "funding plan."

- In an Update – with site inspection, the reserve provider conducts a component inventory (verification only, not quantification), a condition assessment (based on on-site visual observations), and life and valuation estimates to determine both the “fund status” and “funding plan.”
- In an Update – without site inspection, the reserve provider conducts life and valuation estimates to determine the “fund status” and “funding plan.”

◆ 3. Developing a Component List

The budget process begins with an accurate inventory of all the major components for which the association is responsible. The determination of whether an expense should be labeled as operational, reserve, or excluded altogether is sometimes subjective. Since this labeling may have a major impact on the financial plans of the association, subjective determinations should be minimized. We suggest the following considerations when labeling an expense:

OPERATIONAL EXPENSES occur at least annually, no matter how large the expense, and can be effectively budgeted for each year. They are characterized as being reasonably predictable both in terms of frequency and cost. Operational expenses include all minor expenses which would not otherwise adversely affect an operational budget from one year to the next. Examples of Operational Expenses include:

Utilities:

- Electricity
- Gas
- Water
- Telephone
- Cable TV

Services:

- Landscaping
- Pool Maintenance
- Street Sweeping
- Accounting
- Reserve Study

Administrative:

- Supplies
- Bank Service Charges
- Dues & Publications
- Licenses, Permits & Fees

Repair Expenses:

- Tile Roof Repairs
- Equipment Repairs
- Minor Concrete Repairs
- Operating Contingency

RESERVE EXPENSES are major expenses that occur other than annually and which must be budgeted for in advance in order to provide the necessary funds in time

for their occurrence. Reserve expenses are reasonably predictable both in terms of frequency and cost. However, they may include significant assets which have an indeterminable but potential liability which may be demonstrated as a likely occurrence. They are expenses that when incurred would have a significant affect on the smooth operation of the budgetary process from one year to the next if they were not reserved for in advance. Examples of Reserve Expenses include:

- Roof Replacements
- Painting
- Deck Resurfacing
- Fencing Replacement
- Street Slurry Coating
- Asphalt Overlays
- Pool Re-plastering
- Pool Equipment Replacement
- Pool Furniture Replacement
- Tennis Court Resurfacing
- Park & Play Equipment
- Equipment Replacement
- Interior Furnishings
- Lighting Replacement

BUDGETING IS NORMALLY EXCLUDED FOR repairs or replacements of assets which are deemed to have an estimated useful life equal to or exceeding the estimated useful life of the facility or community itself, or exceeding the legal life of the community as defined in an association's governing documents. Examples include the complete replacement of elevators, tile roofs, wiring and plumbing. Also excluded are insignificant expenses which may be covered either by an operating or reserve contingency, or otherwise in a general maintenance fund. Costs which are caused by acts of God, accidents or other occurrences which are more properly insured for, rather than reserved for, are also excluded.

◆ 4. Preparing the Reserve Study

Once the reserve assets have been identified and quantified, their respective replacement costs, useful lives and remaining lives must be assigned so that a funding schedule can be constructed. Replacement costs and useful lives can be found in published manuals such as construction estimators, appraisal handbooks, and valuation guides. Remaining lives are calculated from the useful lives and ages of assets and adjusted according to conditions such as design, manufacture quality, usage, exposure to the elements and maintenance history.

By following the recommendations of an effective reserve study the association should avoid any major shortfalls. However, to remain accurate, the report should be updated on an annual basis to reflect such changes as shifts in economic parameters, additions of phases or assets, or expenditures of reserve funds. The association can assist in simplifying the reserve analysis update process by keeping accurate records of these changes throughout the year.

◆ 5. Funding Methods

From the simplest to most complex, reserve analysis providers use many different computational processes to calculate reserve requirements. However, there are two basic processes identified as industry standards: the cash-flow method and the component method.

The cash flow method develops a reserve-funding plan 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 actual anticipated schedule of reserve expenses until the desired funding goal is achieved. This method sets up a "window" in which all future anticipated replacement costs are computed, based on the individual lives of the components under consideration.

The component method develops a reserve-funding plan where the total contribution is based on the sum of contributions for individual components. The component method is the more conservative of the two funding options, and assures that the association will achieve and maintain an ideal level of reserves over time. This method also allows for computations on individual components in the analysis. The RDA Summary and RDA Projection Reports are based upon the component methodology.

◆ 6. Funding Strategies

Once an association has established its funding goals, the association can select an appropriate funding plan. There are four basic strategies from which most associations select. It is recommended that associations consult professionals to determine the best strategy or combination of plans that best suit the association's need. Additionally, associations should consult with their financial advisor to determine the tax implications of selecting a particular plan. Further, consultation with the American Institute of Certified Public Accountants (AICPA) for their reporting requirements is advisable. The four funding plans and descriptions of each are detailed below. Associations will have to update their reserve studies more or less frequently depending on the funding strategy they select.

- Full Funding — Given that the basis of funding for reserves is to distribute the costs of the replacements over the lives of the components in question, it follows that the ideal level of reserves would be proportionately related to those lives and costs. If an association has a component with an expected estimated useful life of ten years, it would set aside approximately one-tenth of the replacement cost each year. At the end

of three years, one would expect that three-tenths of the replacement cost to have accumulated, and if so, that component would be "fully-funded." This model is important in that it is a measure of the adequacy of an association's reserves at any one point of time, and is independent of any particular method which may have been used for past funding or may be under consideration for future funding. The formula is based on current replacement cost, and is a measure in time, independent of future inflationary or investment factors:

$$\text{Fully Funded Reserves} = \frac{\text{Age of Component}}{\text{Useful Life}} \times \text{Current Replacement Cost}$$

When an association's total accumulated reserves for all components meet this criteria, its reserves are "fully-funded."

- **Baseline Funding (RDA Cash Flow Minimum Reports)** — The goal of this funding method is to keep the reserve cash balance above zero. This means that while each individual component may not be fully funded, the reserve balance overall does not drop below zero during the projected period. An association using this funding method must understand that even a minor reduction in a component's remaining useful life can result in a deficit in the reserve cash balance.
- **Threshold Funding (RDA Cash Flow Specific Reports)** — This method is based on the baseline funding concept. The minimum reserve cash balance in threshold funding, however, is set at a predetermined dollar amount.
- **Statutory Funding** — This method is based on local statutes. To use it, associations set aside a specific minimum amount of reserves as required by statutes.

◆ 7. Distribution of Accumulated Reserves

The "Distribution of Accumulated Reserves Report" can be viewed and printed after performing the "RDA Summary Calculations," which is a "Component or Segregated Calculation Process," as opposed to the "Cash Flow Calculation Process," also available to the user in the program.

When calculating reserves based upon the component methodology, a beginning reserve balance must be allocated for each of the individual components considered in the analysis before the individual calculations can be completed. When this distribution is not available, or of sufficient detail, the following method is suggested for allocating reserves:

The first step the program performs in this process is subtracting, from the total accumulated reserves, any amounts for assets which have predetermined (fixed) reserve balances. The user can "fix" the accumulated reserve balance within the program on the individual asset's detail page. If by error these amounts total more than the amount of funds available, then the remaining assets are adjusted accordingly. A provision for a contingency reserve is then deducted by the determined percentage used, and if there are sufficient remaining funds available.

The second step is to identify the ideal level of reserves for each asset. As indicated in the prior section, this is accomplished by evaluating the component's age proportionate to its estimated useful life and current replacement cost. Again, the equation used is as follows:

$$\text{Fully Funded Reserves} = \frac{\text{Age of Component}}{\text{Useful Life}} \times \text{Current Replacement Cost}$$

The RDA RESERVE MANAGEMENT SOFTWARE™ program performs the above calculations to the very month the component was placed-in-service. It also allows for the accumulation of the necessary reserves for the replacement to be available on the first day of the fiscal year it is scheduled to be replaced.

The next step the program performs is to arrange all of the assets used in the study in ascending order by remaining life, and alphabetically within each grouping of remaining life items. These assets are then assigned their respective ideal level of reserves until the amount of funds available are depleted, or until all assets are appropriately funded. If any assets are assigned a zero remaining life (schedule for replacement this fiscal year), then the amount assigned equals the current replacement cost and funding begins for the next cycle of replacement. If there are insufficient funds available to accomplish this, then the software automatically adjust the zero remaining life item to 1 year and that asset assumes its new grouping position alphabetically in the final printed report.

If at the completion of this task there are additional moneys which have not been distributed, the remaining reserves are then assigned, in ascending order, to a level equal to, but not exceeding, the current replacement cost for each component. If there are sufficient moneys available to fund all assets at their current replacement cost levels, then any excess funds are designated as such and are not factored into any of the report computations. If at the end of this assignment process there are designated excess funds, they can be used to offset the monthly contribution requirements recommended, or used in any other manner the client may desire.

Assigning the reserves in this manner defers the make-up period for any underfunding over the longest remaining life of all the assets under consideration, thereby minimizing the impact of deficiency. For example, if the report indicates an underfunding of \$50,000, this underfunding will be assigned to components with the longest remaining life possible in order to give more time to "replenish" the account. If the \$50,000 underfunding were to be assigned to short remaining life items, the impact would be immediately felt.

If the reserves are underfunded, the monthly contribution requirements as outlined in this report can be expected to be higher than normal. In future years, as individual assets are replaced, the funding requirements will return to their normal levels. In the case of a large deficiency, a special assessment may be considered. The program can easily generate revised reports outlining how the monthly contributions would be affected by such an adjustment, or by any other changes which may be under consideration.

◆ 8. Funding Reserves

Two contribution numbers are provided in the report, the "Monthly Membership Contribution" and the "Net Monthly Allocation." The association should contribute to reserves each month the "Monthly Membership Contribution" figure, when the interest earned on the reserves is left in the reserve accounts as part of the contribution. When interest is earned on the reserves, that interest must be left in reserves and only amounts set aside for taxes should be removed.

The second alternative is to allocate the "Net Monthly Allocation" to reserves (this is the member contribution plus the anticipated interest earned for the fiscal year). This method assumes that all interest earned will be assigned directly as operating income. This allocation takes into consideration the anticipated interest earned on accumulated reserves regardless of whether or not it is actually earned. When taxes are paid the amount due will be taken directly from the association's operating accounts as the reserve accounts are allocated only those moneys net of taxes.

◆ 9. Users' Guide to Your Reserve Analysis Study

Part II of your RDA REPORT contains the reserve analysis study for your association. There are seven types of pages in the study as described below.

REPORT SUMMARY

The **Report Summary** lists all of the parameters which were used in calculating the report as well as the summary of your reserve analysis study.

INDEX REPORTS

The **Distribution of Accumulated Reserves** report lists all assets in remaining life order. It also identifies the ideal level of reserves which should have accumulated for the association as well as the actual reserves available.

The **Asset Listing/Summary** lists all assets by category (i.e. roofing, painting, lighting, etc.) together with their remaining life, current cost, monthly reserve contribution, and net monthly allocation.

DETAIL REPORTS

The **Detail Report** itemizes each asset and lists all measurements, current and future costs and calculations for that asset. Provisions for percentage replacements, salvage values and one-time replacements can also be utilized.

The numerical listings for each asset are enhanced by extensive narrative detailing factors such as design, manufacture quality, usage, exposure to elements and maintenance history.

The **Detail Report Index** is an alphabetical listing of all assets together with the page number of the asset's detail report and asset number.

PROJECTIONS AND CHARTS

Thirty-year Projections as well as *Charts and Graphs* of projected data add to the usefulness of your reserve analysis study.

◆ 10. Definitions

REPORT I.D. - Includes the REPORT DATE (ex. November 15, 1992), VERSION (ex. 001), and ACCOUNT NUMBER (ex. 9773). Please use this information when referencing your report. (Displayed on the summary page.)

BUDGET YEAR BEGINNING/ENDING - The budgetary year for which the report is prepared. For associations with fiscal years ending December 31, the monthly contribution figures indicated are for the 12 month period beginning 1/1/2X and ending 12/31/2X.

NUMBER OF UNITS/PHASES - If applicable, the number of units and/or phases included in this version of the report.

INFLATION - This figure is used to approximate the future cost to repair or replace each component in the report. The current cost for each component is compounded on an annual basis by the number of remaining years to replacement and the total is used in calculating the monthly reserve contribution which will be necessary in order to accumulate the required funds in time for replacement.

ANNUAL CONTRIBUTION INCREASE - The percentage rate at which the association will increase its contribution to reserves at the end of each year until the year in which the asset is replaced. For example, in order to accumulate \$10,000 in 10 years, you could set aside \$1,000 per year. As an alternative, you could set aside \$795 the first year and increase that amount by 5% each year until the year of replacement. In either case you arrive at the same amount. The idea is that you start setting aside a lower amount and increase that number each year in accordance with the planned percentage. Ideally this figure should be equal to the rate of inflation. It can, however, be used to aid those associations that have not set aside appropriate reserves in the past by making the initial year's allocation less formidable.

INVESTMENT YIELD - The average interest rate anticipated by the association based upon its current investment practices.

TAXES ON YIELD - The estimated percentage of interest income which will be set aside for taxes.

ACCUMULATED RESERVE BALANCE - The anticipated reserve balance on the first day of the fiscal year for which this report has been prepared. Based upon information provided and not audited.

PERCENT FULLY FUNDED - The ratio, at the beginning of the fiscal year, of the actual (or projected) reserve balance to the calculated fully funded balance, expressed as a percentage.

PHASE INCREMENT DETAIL/AGE - Comments regarding aging of the components on the basis of construction date or date of acceptance by the association.

MONTHLY CONTRIBUTION - The contribution to reserves required by the association each month.

INTEREST CONTRIBUTION - The interest that should be earned on the reserves, net of taxes, based upon their beginning reserve balance and monthly contributions for one year. This figure is averaged for budgeting purposes.

NET MONTHLY ALLOCATION - The sum of the monthly contribution and interest contribution figures.

GROUP OR FACILITY NUMBER/CATEGORY NUMBER - The report may be prepared and sorted either by group or facility (location, building, phase, etc.) or by category (roofing, painting, etc.). Standard report printing format is by category.

PERCENTAGE OF REPLACEMENT - In some cases, an asset may not be replaced in its entirety or the cost may be shared with a second party. Examples are budgeting for a percentage of replacement of streets over a period of time, or sharing the expense to replace a common wall with a neighboring party.

PLACED-IN-SERVICE - The month and year that the asset was placed-in-service. - This may be the construction date, the first escrow closure date in a given phase, or the date of the last servicing or replacement.

ESTIMATED USEFUL LIFE - The estimated useful life of an asset based upon industry standards, manufacturer specifications, visual inspection, location, usage, association standards and prior history. All of these factors are taken into consideration when tailoring the estimated useful life to the particular asset. For example, the carpeting in a hallway or elevator (a heavy traffic area) will not have the same life as the identical carpeting in a seldom-used meeting room or office.

ADJUSTMENT TO USEFUL LIFE - Once the useful life is determined it may be adjusted +/- by this separate figure for the current cycle of replacement. This will allow for a current period adjustment without affecting the estimated replacement cycles for future replacements.

ESTIMATED REMAINING LIFE - This calculation is completed internally based upon the report's fiscal year date and the date the asset was placed-in-service.

REPLACEMENT YEAR - The year that the asset is scheduled to be replaced. The appropriate funds will be available by the first day of the fiscal year for which replacement is anticipated.

FIXED ACCUMULATED RESERVES - An optional figure which, if used, will override the normal process of allocating reserves to each asset.

FIXED MONTHLY CONTRIBUTION - An optional figure which, if used, will override all calculations and set the contribution at this amount.

SALVAGE VALUE - The salvage value of the asset at the time of replacement, if applicable.

ONE-TIME REPLACEMENT - Notation if the asset is to be replaced on a one-time basis.

CURRENT REPLACEMENT COST - The estimated replacement cost effective as of the beginning of the fiscal year for which the report is being prepared.

FUTURE REPLACEMENT COST - The estimated cost to repair or replace the asset at the end of its estimated useful life based upon the current replacement cost and inflation.

COMPONENT INVENTORY - The task of selecting and quantifying reserve components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents and discussion with appropriate association representative(s).

◆ 11. A Multi-Purpose Tool

Your RDA REPORT is an important part of your association's budgetary process. Following its recommendations should ensure the association's smooth budgetary transitions from one fiscal year to the next, and either decrease or eliminate the need for "special assessments".

In addition, your RDA reserve study serves a variety of useful purposes:

- Following the recommendations of a reserve study performed by a professional consultant can protect the Board of Directors in a community from personal liability concerning reserve components and reserve funding.
- A reserve analysis study is required by your accountant during the preparation of the association's annual audit.
- A reserve study is often requested by lending institutions during the process of loan applications, both for the community and, in many cases, the individual owners.
- Your RDA REPORT is also a detailed inventory of the association's major assets and serves as a management tool for scheduling, coordinating and planning future repairs and replacements.
- Your RDA REPORT is a tool which can assist the Board in fulfilling its legal and fiduciary obligations for maintaining the community in a state of good repair. If a community is operating on a special assessment basis, it cannot guarantee that an assessment, when needed, will be passed. Therefore, it cannot guarantee its ability to perform the required repairs or replacements to those major components which the association is obligated to maintain.
- Since the RDA reserve analysis study includes precise measurements and cost estimates of the client's assets, the detail reports may be used to evaluate the accuracy and price of contractor bids when assets are due to be repaired or replaced.
- The reserve study is an annual disclosure to the membership concerning the financial condition of the association, and may be used as a "consumers' guide" by prospective purchasers.

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Windmill Ranch Community Association
 Gilbert, Arizona
RDA Reserve Analysis Report Summary

Report Date	May 28, 2002	Parameters:	
Version	001	Inflation	3.25%
Account Number	1756	Annual Contribution Increase	3.00%
Budget Year Beginning	1/ 1/02	Investment Yield	4.25%
Ending	12/31/02	Taxes on Yield	30.00%
Total Units Included	178	Contingency	3.00%
Phase Development	1 of 1	Reserve Fund Balance as of	
		1/ 1/02:	\$14,966.35

Project Profile & Introduction

Unless otherwise indicated in this report, we have used 2000 as the basis for aging the original components examined in this analysis.

The reserve balance was obtained from the April, 2002 Balance Sheet.

Calculation Method: Component
 Funding Strategy: Full
 RDA Reports: May, 2002.

RDA Summary of Calculations

Monthly Contribution to Reserves Required:	\$633.06
(\$3.56 per unit per month)	
Average Net Monthly Interest Contribution This Year:	46.32
Net Monthly Allocation to Reserves 1/ 1/02 to 12/31/02:	\$679.38
(\$3.82 per unit per month)	

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Windmill Ranch Community Association
Distribution of Accumulated Reserves

REPORT DATE: May 28, 2002
 VERSION: 001
 ACCOUNT NUMBER: 1756

DESCRIPTION	REM LIFE	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Concrete Components - Unfunded	0	0.00	0.00
Fencing - Split Rail, Unfunded	0	0.00	0.00
Fitness Course - Unfunded	0	0.00	0.00
Granite Replenishment - Unfunded	0	0.00	0.00
Light Fixtures - Unfunded	0	0.00	0.00
Monument Sign - Letters, Unfunded	0	0.00	0.00
Roofs - Ramadas, Metal, Unfunded	0	0.00	0.00
Paint - Wrought Iron	2	210.66	430.48
Tot Turf - Replace	4	612.42	1,183.71
Paint - Ramada Support Structures	6	96.84	96.84
Paint - Block Walls	8	3,352.20	3,352.20
Sand Replenishment	8	25.23	25.23
BBQ Grills - Replace	10	41.50	41.50
Irrigation Controllers - Replace	10	273.43	273.43
Park Equipment - Replace	14	239.39	239.39
Playstructure - Replace	14	1,204.19	1,204.19
Basketball Backboard - Replace	18	52.26	52.26
Bollard Light Fixtures - Replace	20	1,618.22	1,618.22
Light Fixtures - Replace	22	180.31	180.31
Walls - Block, Repairs	23	1,392.52	1,392.52
Dry Wells - Replace	28	4,164.35	4,164.35
Fencing - Wrought Iron, Replace	28	275.81	275.81
Total Asset Summary:		13,739.33	14,530.44
Contingency @ 3.00%:		412.18	435.91
Grand Total:		14,151.51	14,966.35
Excess Reserves Not Used:			0.00
Percent Fully Funded:		106%	

Windmill Ranch Community Association
Asset Listing - Summary by Category

REPORT DATE: May 28, 2002
 VERSION: 001
 ACCOUNT NUMBER: 1756

DESCRIPTION	REM LIFE	CURRENT COST	MONTHLY CONTRIBUTION	NET MONTHLY ALLOCATION
Concrete Components - Unfunded	0	0	0.00	0.00
*** CATEGORY SUMMARY:		0	0.00	0.00
Roofs - Ramadas, Metal, Unfunded	0	0	0.00	0.00
*** CATEGORY SUMMARY:		0	0.00	0.00
Paint - Block Walls	8	17,344	151.55	162.06
Paint - Ramada Support Structures	6	400	4.36	4.66
Paint - Wrought Iron	2	430	0.08	1.16
*** CATEGORY SUMMARY:		18,174	155.99	167.88
Fencing - Split Rail, Unfunded	0	0	0.00	0.00
Fencing - Wrought Iron, Replace	28	4,305	13.07	13.94
Walls - Block, Repairs	23	18,103	65.21	69.61
*** CATEGORY SUMMARY:		22,408	78.28	83.55
Bollard Light Fixtures - Replace	20	18,504	75.25	80.35
Light Fixtures - Replace	22	2,250	8.42	8.99
Light Fixtures - Unfunded	0	0	0.00	0.00
*** CATEGORY SUMMARY:		20,754	83.67	89.34
Basketball Backboard - Replace	18	543	2.42	2.58
BBQ Grills - Replace	10	258	1.88	2.01
Fitness Course - Unfunded	0	0	0.00	0.00
Park Equipment - Replace	14	1,988	10.98	11.73
Playstructure - Replace	14	10,000	55.21	59.00
*** CATEGORY SUMMARY:		12,789	70.49	75.32
Dry Wells - Replace	28	65,000	197.30	210.48
Granite Replenishment - Unfunded	0	0	0.00	0.00
Irrigation Controllers - Replace	10	1,700	12.42	13.28
Monument Sign - Letters, Unfunded	0	0	0.00	0.00
Sand Replenishment	8	131	1.14	1.22
Tot Turf - Replace	4	1,891	15.33	18.52
*** CATEGORY SUMMARY:		68,721	226.19	243.50
TOTAL ASSET SUMMARY:		142,846	614.62	659.59
CONTINGENCY @ 3.00%:			18.44	19.79
GRAND TOTAL:			633.06	679.38

Windmill Ranch Community Association
Reserve Analysis Summary by Asset ID

REPORT DATE: May 28, 2002
 VERSION: 001
 ACCOUNT NUMBER: 1756

ASSET ID	DESCRIPTION	USE/REM LIFE	CURRENT COST	ANNUAL CONTBTN	ANNUAL ALLOCTN
1001	Paint - Block Walls	10/ 8	17,344	1,819	1,945
1002	Walls - Block, Repairs	25/23	18,103	783	835
1003	Irrigation Controllers - Replace	12/10	1,700	149	159
1004	Paint - Wrought Iron	4/ 2	430	1	14
1005	Fencing - Wrought Iron, Replace	30/28	4,305	157	167
1006	Roofs - Ramadas, Metal, Unfunded	0/ 0	0	0	0
1007	Paint - Ramada Support Structures	8/ 6	400	52	56
1008	Fitness Course - Unfunded	0/ 0	0	0	0
1010	Basketball Backboard - Replace	20/18	543	29	31
1011	Granite Replenishment - Unfunded	0/ 0	0	0	0
1012	Concrete Components - Unfunded	0/ 0	0	0	0
1013	Light Fixtures - Unfunded	0/ 0	0	0	0
1014	Fencing - Split Rail, Unfunded	0/ 0	0	0	0
1015	Monument Sign - Letters, Unfunded	0/ 0	0	0	0
1016	Bollard Light Fixtures - Replace	22/20	18,504	903	964
1017	Light Fixtures - Replace	24/22	2,250	101	108
1017	Dry Wells - Replace	30/28	65,000	2,368	2,526
1019	Playstructure - Replace	16/14	10,000	663	708
1020	Sand Replenishment	10/ 8	131	14	15
1021	Tot Turf - Replace	6/ 4	1,891	184	222
1022	Park Equipment - Replace	16/14	1,988	132	141
1023	BBQ Grills - Replace	12/10	258	23	24

TOTAL ASSET SUMMARY:	142,846	7,375	7,915
CONTINGENCY @ 3.00%:		221	237
GRAND TOTAL:		7,597	8,153

Percent Fully Funded: 106%

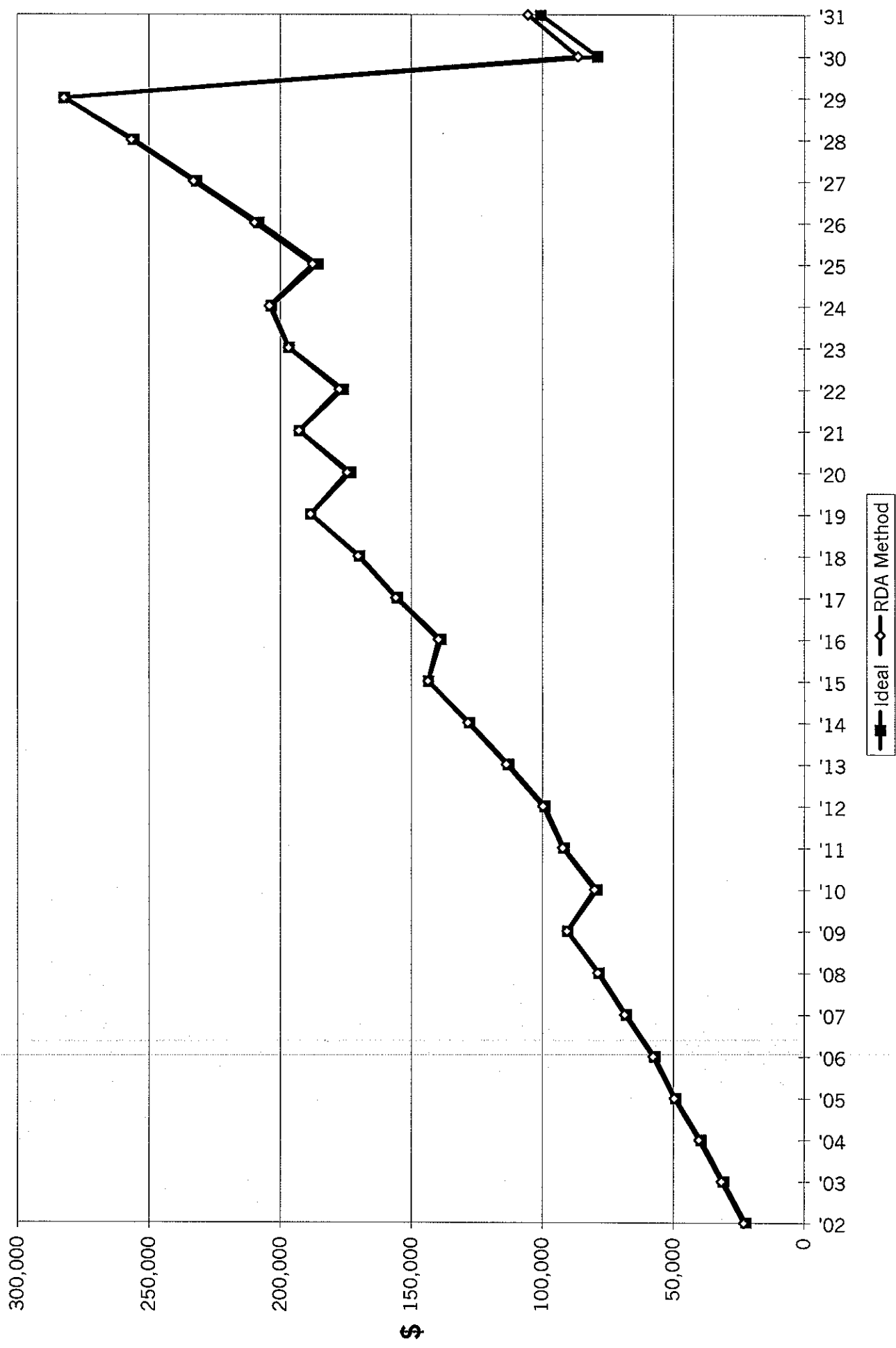
Windmill Ranch Community Association
RDA Standard Projections

REPORT DATE: May 28, 2002
 VERSION: 001
 ACCOUNT NUMBER: 1756

Beginning Accumulated Reserves: \$14,966

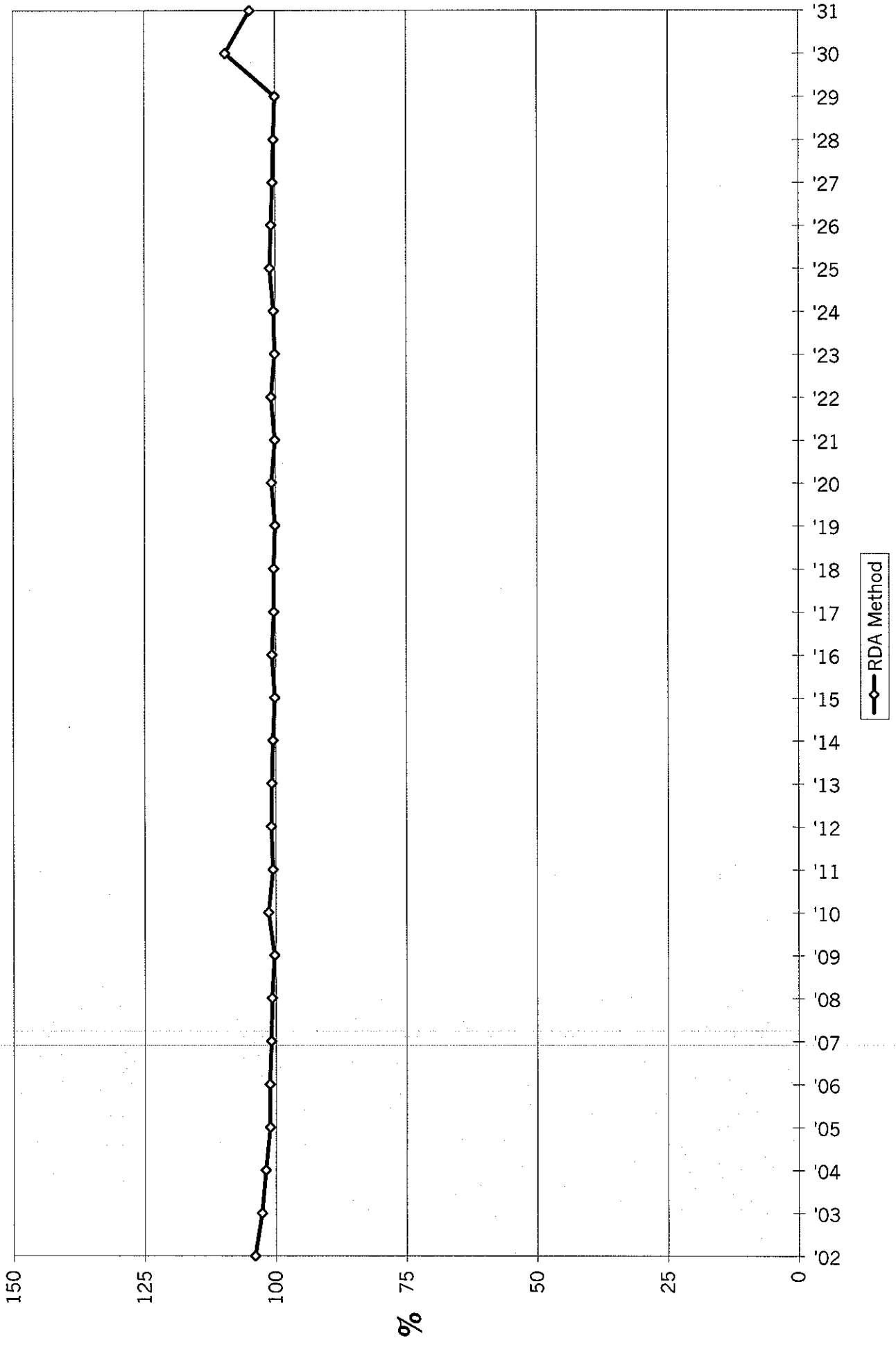
YEAR	CURRENT REPLACEMENT COST	ANNUAL CONTRBTN	ANNUAL INTEREST CONTRBTN	ANNUAL EXPENDTRS	PROJECTED ENDING RESERVES	FULLY FUNDED RESERVES	PERCENT FULLY FUNDED
'02	142,846	7,597	556	0	23,119	22,235	104%
'03	147,489	7,737	804	0	31,660	30,829	103%
'04	152,282	7,987	1,050	459	40,238	39,467	102%
'05	157,231	8,140	1,326	0	49,704	49,138	101%
'06	162,341	8,684	1,554	2,149	57,793	57,105	101%
'07	167,617	8,848	1,865	0	68,506	67,898	101%
'08	173,065	9,199	2,162	1,006	78,862	78,262	101%
'09	178,690	9,206	2,505	0	90,573	90,332	100%
'10	184,497	9,994	2,188	22,570	80,185	79,081	101%
'11	190,493	9,564	2,550	0	92,299	91,786	101%
'12	196,684	10,651	2,752	5,892	99,811	98,967	101%
'13	203,077	10,844	3,159	0	113,814	112,986	101%
'14	209,677	11,069	3,585	0	128,468	127,812	101%
'15	216,491	11,196	4,029	0	143,692	143,482	100%
'16	223,527	12,135	3,896	20,058	139,664	138,698	101%
'17	230,792	11,956	4,377	0	155,996	155,476	100%
'18	238,292	12,783	4,785	3,154	170,411	169,844	100%
'19	246,037	12,894	5,316	0	188,621	188,445	100%
'20	254,033	13,820	4,889	32,807	174,523	173,185	101%
'21	262,289	13,000	5,442	0	192,966	192,759	100%
'22	270,813	14,718	4,964	35,081	177,567	176,107	101%
'23	279,615	13,820	5,545	0	196,932	196,690	100%
'24	288,702	15,554	5,731	14,004	204,212	203,531	100%
'25	298,085	16,080	5,241	37,776	187,757	185,807	101%
'26	307,773	16,222	5,886	0	209,865	208,195	101%
'27	317,776	16,652	6,558	0	233,075	231,842	101%
'28	328,103	17,321	7,238	989	256,645	255,754	100%
'29	338,767	17,623	7,982	0	282,250	282,062	100%
'30	349,777	19,050	2,226	217,119	86,407	78,892	110%
'31	361,144	16,317	2,830	0	105,554	100,623	105%

NOTE: In some cases, the projected ending reserves may exceed the fully funded reserves during years following high expenditures. This is a result of the provision for a contingency in the report, which in the projections, is never expended. The contingency is continually adjusted according to present needs and any excess is redistributed among all assets considered.



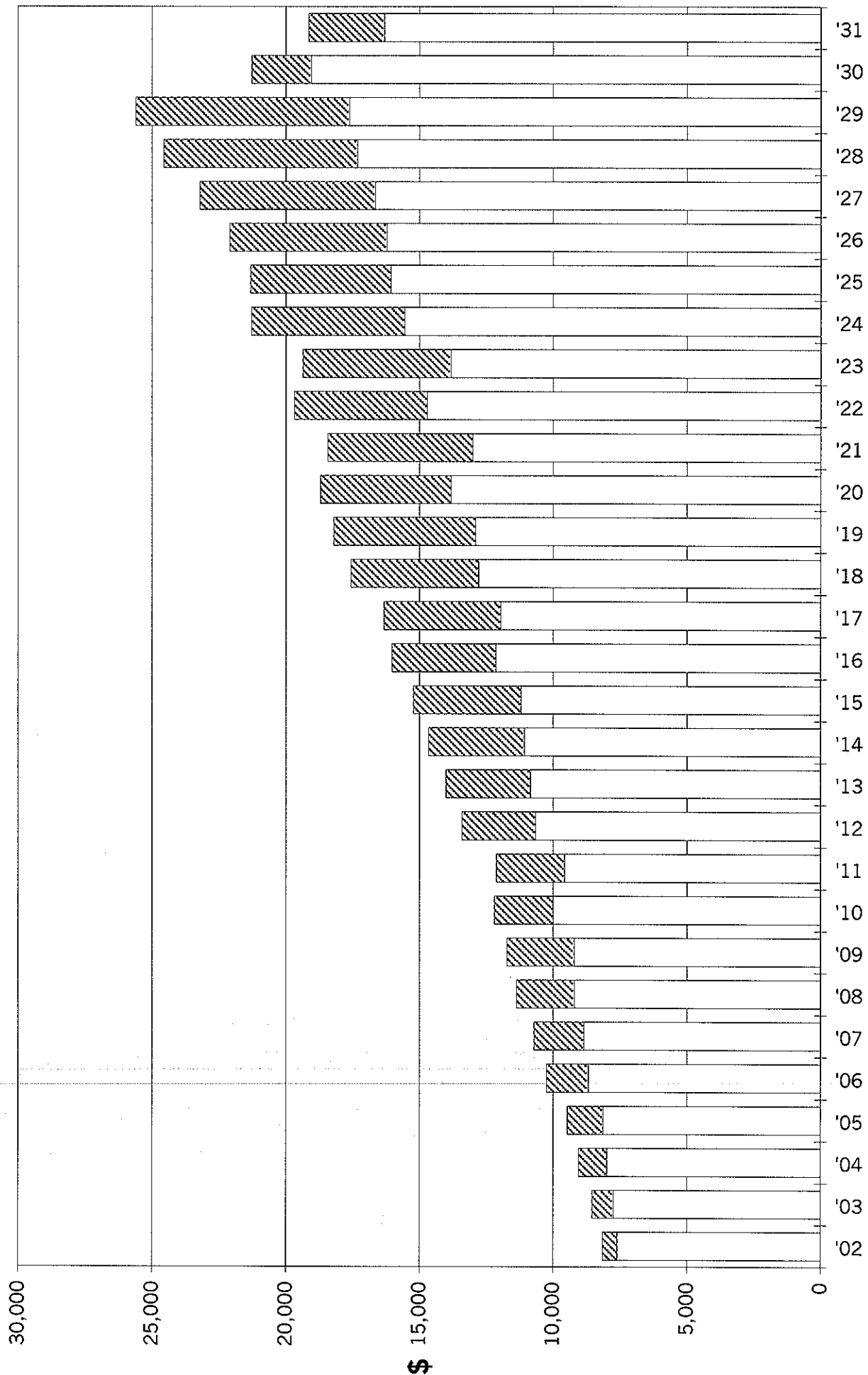
Reserve Data Analysis, Inc.

Year End Reserve Balances



Reserve Data Analysis, Inc.

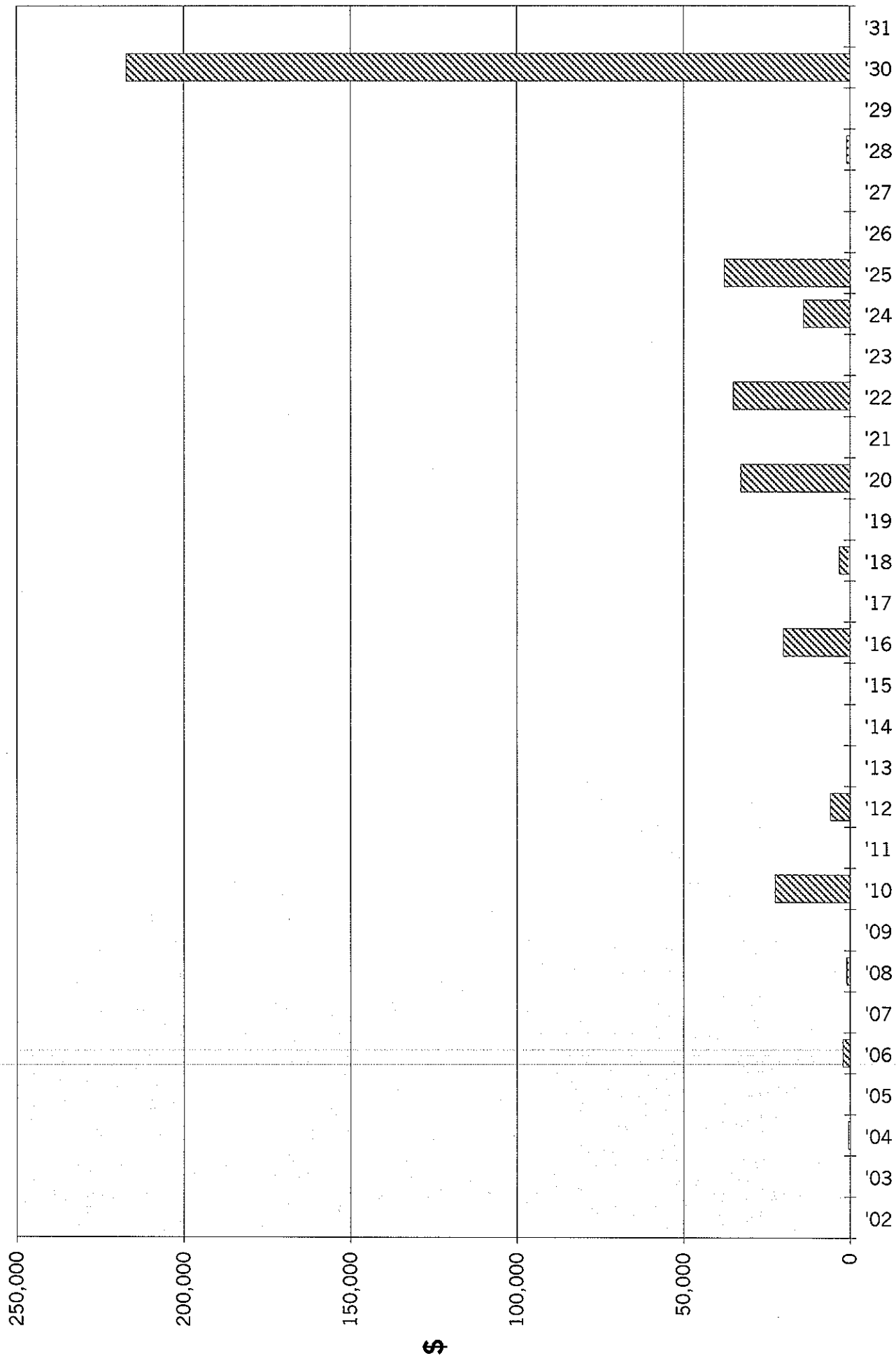
Percentage Ideally Funded



□ RDA Method :: Members Interest

Reserve Data Analysis, Inc.

Annual Reserve Contributions



Reserve Data Analysis, Inc.

Annual Reserve Expenditures

\$

Windmill Ranch Community Association
Annual Expenditure Detail

REPORT DATE: May 28, 2002
 VERSION: 001
 ACCOUNT NUMBER: 1756

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2002	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2003	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2004	
Paint - Wrought Iron	458.92
*** ANNUAL TOTAL:	458.92
REPLACEMENT YEAR 2005	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2006	
Tot Turf - Replace	2,148.51
*** ANNUAL TOTAL:	2,148.51
REPLACEMENT YEAR 2007	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2008	
Paint - Ramada Support Structures	484.61
Paint - Wrought Iron	521.55
*** ANNUAL TOTAL:	1,006.16
REPLACEMENT YEAR 2009	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2010	
Paint - Block Walls	22,401.11
Sand Replenishment	168.61
*** ANNUAL TOTAL:	22,569.72

Windmill Ranch Community Association
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2011	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2012	
BBQ Grills - Replace	355.25
Irrigation Controllers - Replace	2,340.72
Paint - Wrought Iron	592.73
Tot Turf - Replace	2,603.04
*** ANNUAL TOTAL:	5,891.74
REPLACEMENT YEAR 2013	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2014	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2015	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2016	
Paint - Ramada Support Structures	625.91
Paint - Wrought Iron	673.62
Park Equipment - Replace	3,110.84
Playstructure - Replace	15,648.05
*** ANNUAL TOTAL:	20,058.42
REPLACEMENT YEAR 2017	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2018	
Tot Turf - Replace	3,153.71
*** ANNUAL TOTAL:	3,153.71
REPLACEMENT YEAR 2019	
*** ANNUAL TOTAL:	0.00

Windmill Ranch Community Association
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2020	
Basketball Backboard - Replace	965.65
Paint - Block Walls	30,843.99
Paint - Wrought Iron	765.55
Sand Replenishment	232.16
*** ANNUAL TOTAL:	32,807.35
REPLACEMENT YEAR 2021	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2022	
Bollard Light Fixtures - Replace	35,080.57
*** ANNUAL TOTAL:	35,080.57
REPLACEMENT YEAR 2023	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2024	
BBQ Grills - Replace	521.46
Irrigation Controllers - Replace	3,435.84
Light Fixtures - Replace	4,547.46
Paint - Ramada Support Structures	808.42
Paint - Wrought Iron	870.03
Tot Turf - Replace	3,820.88
*** ANNUAL TOTAL:	14,004.09
REPLACEMENT YEAR 2025	
Walls - Block, Repairs	37,776.08
*** ANNUAL TOTAL:	37,776.08
REPLACEMENT YEAR 2026	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2027	
*** ANNUAL TOTAL:	0.00

Windmill Ranch Community Association
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2028	
Paint - Wrought Iron	988.77
*** ANNUAL TOTAL:	<hr/> 988.77
REPLACEMENT YEAR 2029	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2030	
Dry Wells - Replace	159,160.42
Fencing - Wrought Iron, Replace	10,541.29
Paint - Block Walls	42,468.92
Sand Replenishment	319.67
Tot Turf - Replace	4,629.17
*** ANNUAL TOTAL:	<hr/> 217,119.47
REPLACEMENT YEAR 2031	
*** ANNUAL TOTAL:	0.00

Windmill Ranch Community Association
Detail Report by Category

REPORT DATE: May 28, 2002
 VERSION: 001
 ACCOUNT NUMBER: 1756

Concrete Components - Unfunded

ASSET ID	1012	QUANTITY	1 comment
GROUP/FACILITY	0	UNIT COST	0.000
CATEGORY	10	PERCENT REPL	0.00%
		CURRENT COST	0.00
		FUTURE COST	0.00
PLACED IN SERVICE	0 / 0	ASSIGNED RESERVES	0.00
0 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	0.00
REPLACEMENT YEAR 2002		INTEREST	0.00
0 YEAR REM LIFE		MONTHLY ALLOCTN	0.00

REMARKS:

The following comment also applies to the 50' x 56' concrete basketball court:

It is normally a standard policy not to fund for concrete deck, sidewalk, or driveway repairs as a reserve component. It is anticipated that any repairs required will be addressed immediately due to safety concerns. Good maintenance practice would not allow the need for repairs to accumulate to a point that they would become a major expense. Minor repairs, as needed, may be covered by the operational budget, operational contingency or reserve contingency. Should the client feel otherwise, we would be happy to incorporate this element into our analysis.

CATEGORY SUMMARY:	ASSIGNED RESERVES	0.00
	MONTHLY CNTRBTN	0.00
	INTEREST	0.00
	MONTHLY ALLOCTN	0.00

Windmill Ranch Community Association
Detail Report by Category

Roofs - Ramadas, Metal, Unfunded	QUANTITY	1 comment
	UNIT COST	0.000
ASSET ID 1006	PERCENT REPL	0.00%
GROUP/FACILITY 0	CURRENT COST	0.00
CATEGORY 20	FUTURE COST	0.00
	ASSIGNED RESERVES	0.00
PLACED IN SERVICE 0/ 0	SALVAGE VALUE	0.00
0 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT	MONTHLY CNTRBTN	0.00
REPLACEMENT YEAR 2002	INTEREST	0.00
0 YEAR REM LIFE	MONTHLY ALLOCTN	0.00

REMARKS:

We are not budgeting to replace the metal ramada roof(s) because they have an indefinite life, and should last for the life of the community if properly maintained. Any repairs should be handled on an "as needed" basis, and the expense paid for out of the operating budget.

CATEGORY SUMMARY:	ASSIGNED RESERVES	0.00
	MONTHLY CNTRBTN	0.00
	INTEREST	0.00
	MONTHLY ALLOCTN	0.00

Windmill Ranch Community Association
Detail Report by Category

Paint - Block Walls		QUANTITY	54,200 sq. ft.
		UNIT COST	0.320
ASSET ID	1001	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	17,344.00
CATEGORY	30	FUTURE COST	22,401.12
		ASSIGNED RESERVES	3,352.20
PLACED IN SERVICE	2/00	SALVAGE VALUE	0.00
10 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	151.55
REPLACEMENT YEAR	2010	INTEREST	10.51
8 YEAR REM LIFE		MONTHLY ALLOCTN	162.06

REMARKS:

This component is to paint the perimeter and interior common area block walls, and the painted block ramada supports.

Paint - Ramada Support Structures		QUANTITY	1 total
		UNIT COST	400.000
ASSET ID	1007	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	400.00
CATEGORY	30	FUTURE COST	484.62
		ASSIGNED RESERVES	96.84
PLACED IN SERVICE	2/00	SALVAGE VALUE	0.00
8 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	4.36
REPLACEMENT YEAR	2008	INTEREST	0.30
6 YEAR REM LIFE		MONTHLY ALLOCTN	4.66

REMARKS:

This component is to paint the metal roof support beams for the two ramadas.

Paint - Wrought Iron		QUANTITY	1,285 sq. ft.
		UNIT COST	0.670
ASSET ID	1004	PERCENT REPL	50.00%
GROUP/FACILITY	0	CURRENT COST	430.48
CATEGORY	30	FUTURE COST	458.91
		ASSIGNED RESERVES	430.48
PLACED IN SERVICE	2/00	SALVAGE VALUE	0.00
4 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	0.08
REPLACEMENT YEAR	2004	INTEREST	1.08
2 YEAR REM LIFE		MONTHLY ALLOCTN	1.16

Windmill Ranch Community Association
Detail Report by Category

Paint - Wrought Iron, Continued ...

REMARKS:

This component is to paint the wrought iron view fencing at the following interior locations:

- On the boundary line between lots 48 & 49 and Tract "E"
- On the boundary line between lots 59 - 68 and Tract "G"

The Association is 50% responsible for the maintenance of this wrought iron view fencing. See Section 7.7.2 of the CC&Rs for an explanation of the shared expense between the Owners of the Lots and the Association.

To ensure the longevity of wrought iron, it should be painted as recommended.

CATEGORY SUMMARY:	ASSIGNED RESERVES	3,879.52
	MONTHLY CNTRBTN	155.99
	INTEREST	11.89
	MONTHLY ALLOCTN	167.88

Windmill Ranch Community Association
Detail Report by Category

Fencing - Split Rail, Unfunded

ASSET ID	1014	QUANTITY	1 comment
GROUP/FACILITY	0	UNIT COST	0.000
CATEGORY	40	PERCENT REPL	0.00%
		CURRENT COST	0.00
		FUTURE COST	0.00
PLACED IN SERVICE	0 / 0	ASSIGNED RESERVES	0.00
0 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	0.00
REPLACEMENT YEAR	2002	INTEREST	0.00
0 YEAR REM LIFE		MONTHLY ALLOCTN	0.00

REMARKS:

We are not budgeting to replace the high-impact plastic split rail fencing located along the perimeter of the community because it has an indefinite life, and should last for the life of the community if properly maintained. Any repairs should be handled on an "as needed" basis, and the expense paid for out of the operating budget.

Fencing - Wrought Iron, Replace

ASSET ID	1005	QUANTITY	1 total
GROUP/FACILITY	0	UNIT COST	8,610.000
CATEGORY	40	PERCENT REPL	50.00%
		CURRENT COST	4,305.00
		FUTURE COST	10,541.32
PLACED IN SERVICE	2/00	ASSIGNED RESERVES	275.81
30 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	13.07
REPLACEMENT YEAR	2030	INTEREST	0.87
28 YEAR REM LIFE		MONTHLY ALLOCTN	13.94

REMARKS:

700 - lin. ft. of 1'10" fencing @ \$ 12.30 = \$ 8,610.00

TOTAL = \$ 8,610.00

See Asset ID #1004 for the location of this wrought iron view fencing.

The Association is 50% responsible for the maintenance of this wrought iron view fencing. See Section 7.7.2 of the CC&Rs for an explanation of the shared expense between the Owners of the Lots and the Association.

Windmill Ranch Community Association
Detail Report by Category

Walls - Block, Repairs	QUANTITY	54,200 sq. ft.
	UNIT COST	6.680
ASSET ID 1002	PERCENT REPL	5.00%
GROUP/FACILITY 0	CURRENT COST	18,102.80
CATEGORY 40	FUTURE COST	37,776.10
	ASSIGNED RESERVES	1,392.52
PLACED IN SERVICE 2/00	SALVAGE VALUE	0.00
25 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT	MONTHLY CNTRBTN	65.21
REPLACEMENT YEAR 2025	INTEREST	4.40
23 YEAR REM LIFE	MONTHLY ALLOCTN	69.61

REMARKS:

See Asset ID #1001 for a description of these block walls.

It is estimated that a percentage of the block walls will require repair or replacement. The actual condition of the block walls should be monitored through time and the estimates adjusted accordingly.

CATEGORY SUMMARY:	ASSIGNED RESERVES	1,668.33
	MONTHLY CNTRBTN	78.28
	INTEREST	5.27
	MONTHLY ALLOCTN	83.55

Windmill Ranch Community Association
Detail Report by Category

Bollard Light Fixtures - Replace

	QUANTITY	36 fixtures
ASSET ID 1016	UNIT COST	514.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 50	CURRENT COST	18,504.00
	FUTURE COST	35,080.58
PLACED IN SERVICE 2/00	ASSIGNED RESERVES	1,618.22
22 YEAR USEFUL LIFE	SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT	MONTHLY CNTRBTN	75.25
REPLACEMENT YEAR 2022	INTEREST	5.10
20 YEAR REM LIFE	MONTHLY ALLOCTN	80.35

REMARKS:

These are metal bollard light fixtures located along the north and east perimeters of the community, and at the basketball court play area.

Light Fixtures - Replace

	QUANTITY	5 fixtures
ASSET ID 1017	UNIT COST	450.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 50	CURRENT COST	2,250.00
	FUTURE COST	4,547.41
PLACED IN SERVICE 2/00	ASSIGNED RESERVES	180.31
24 YEAR USEFUL LIFE	SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT	MONTHLY CNTRBTN	8.42
REPLACEMENT YEAR 2024	INTEREST	0.57
22 YEAR REM LIFE	MONTHLY ALLOCTN	8.99

REMARKS:

This component is to replace the 10' high pole light fixtures located at the basketball court and tot lot play areas.

The cost is based on a box style, 400 watt vapor light fixture. The poles and mounting brackets are not included.

Windmill Ranch Community Association
Detail Report by Category

Light Fixtures - Unfunded

	QUANTITY	1 comment
	UNIT COST	0.000
ASSET ID 1013	PERCENT REPL	0.00%
GROUP/FACILITY 0	CURRENT COST	0.00
CATEGORY 50	FUTURE COST	0.00
	ASSIGNED RESERVES	0.00
PLACED IN SERVICE 0/ 0	SALVAGE VALUE	0.00
0 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT	MONTHLY CNTRBTN	0.00
REPLACEMENT YEAR 2002	INTEREST	0.00
0 YEAR REM LIFE	MONTHLY ALLOCTN	0.00

REMARKS:

We are not budgeting to replace the ground level spotlight fixtures located at the monument sign because the cost to do so is most often considered an operating expense. Any repairs and/or replacements should be handled on an "as needed" basis, and the expense paid for out of the operating budget.

CATEGORY SUMMARY:	ASSIGNED RESERVES	1,798.53
	MONTHLY CNTRBTN	83.67
	INTEREST	5.67
	MONTHLY ALLOCTN	89.34

Windmill Ranch Community Association
Detail Report by Category

Basketball Backboard - Replace

	QUANTITY	1 backboard
ASSET ID 1010	UNIT COST	543.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 60	CURRENT COST	543.00
	FUTURE COST	965.65
	ASSIGNED RESERVES	52.26
PLACED IN SERVICE 2/00	SALVAGE VALUE	0.00
20 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT	MONTHLY CNTRBTN	2.42
REPLACEMENT YEAR 2020	INTEREST	0.16
18 YEAR REM LIFE	MONTHLY ALLOCTN	2.58

REMARKS:

This is a metal basketball backboard.

BBQ Grills - Replace

	QUANTITY	2 BBQ Grills
ASSET ID 1023	UNIT COST	129.000
GROUP/FACILITY 0	PERCENT REPL	100.00%
CATEGORY 60	CURRENT COST	258.00
	FUTURE COST	355.24
	ASSIGNED RESERVES	41.50
PLACED IN SERVICE 2/00	SALVAGE VALUE	0.00
12 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT	MONTHLY CNTRBTN	1.88
REPLACEMENT YEAR 2012	INTEREST	0.13
10 YEAR REM LIFE	MONTHLY ALLOCTN	2.01

REMARKS:

These are pedestal mounted, charcoal BBQ grills, one located at each of the two ramadas.

Fitness Course - Unfunded

	QUANTITY	1 comment
ASSET ID 1008	UNIT COST	0.000
GROUP/FACILITY 0	PERCENT REPL	0.00%
CATEGORY 60	CURRENT COST	0.00
	FUTURE COST	0.00
	ASSIGNED RESERVES	0.00
PLACED IN SERVICE 0/ 0	SALVAGE VALUE	0.00
0 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT	MONTHLY CNTRBTN	0.00
REPLACEMENT YEAR 2002	INTEREST	0.00
0 YEAR REM LIFE	MONTHLY ALLOCTN	0.00

Windmill Ranch Community Association
Detail Report by Category

Fitness Course - Unfunded, Continued ...

REMARKS:

This is a Playworld Systems, World Trail Fitness Course located along the east perimeter. It is made up of the following three stations:

- Step Up Routine & Sign
- Inclined Body Curl & Sign
- Chin Up & Sign

We are not budgeting to replace the steel components making up these stations because they have an indefinite life, and should last for the life of the community if properly maintained. Any repairs should be handled on an "as needed" basis, and the expense paid for out of the operating budget.

Park Equipment - Replace		QUANTITY	1 total
ASSET ID	1022	UNIT COST	1,988.000
GROUP/FACILITY	0	PERCENT REPL	100.00%
CATEGORY	60	CURRENT COST	1,988.00
		FUTURE COST	3,110.84
		ASSIGNED RESERVES	239.39
PLACED IN SERVICE	2/00	SALVAGE VALUE	0.00
16 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	10.98
REPLACEMENT YEAR 2016		INTEREST	0.75
14 YEAR REM LIFE		MONTHLY ALLOCTN	11.73

REMARKS:

2 - 6' benches, inground	@	\$ 314.00	=	\$ 628.00
2 - 46" sq. picnic tables	@	469.00	=	938.00
2 - trash receptacles w/dome lids	@	211.00	=	422.00

		TOTAL	=	\$ 1,988.00

This is vinyl coated park equipment located at the play areas.

Windmill Ranch Community Association
Detail Report by Category

Playstructure - Replace

	QUANTITY	1 total
	UNIT COST	10,000.000
ASSET ID 1019	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	10,000.00
CATEGORY 60	FUTURE COST	15,648.07
	ASSIGNED RESERVES	1,204.19
PLACED IN SERVICE 2/00	SALVAGE VALUE	0.00
16 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT	MONTHLY CNTRBTN	55.21
REPLACEMENT YEAR 2016	INTEREST	3.79
14 YEAR REM LIFE	MONTHLY ALLOCTN	59.00

REMARKS:

The playstructure is made up of the following components: 1 - spiral slide, 1 - ladder, 1 - straight slide, 1 - stairway, & 6 - platforms.

This playstructure is located in the play area next to Lots 59 - 68.

CATEGORY SUMMARY:

ASSIGNED RESERVES	1,537.34
MONTHLY CNTRBTN	70.49
INTEREST	4.83
MONTHLY ALLOCTN	75.32

Windmill Ranch Community Association
Detail Report by Category

Dry Wells - Replace

ASSET ID	1018	QUANTITY	10 wells
GROUP/FACILITY	0	UNIT COST	6,500.000
CATEGORY	100	PERCENT REPL	100.00%
		CURRENT COST	65,000.00
		FUTURE COST	159,160.41
PLACED IN SERVICE	2/00	ASSIGNED RESERVES	4,164.35
30 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	197.30
REPLACEMENT YEAR 2030		INTEREST	13.18
28 YEAR REM LIFE		MONTHLY ALLOCTN	210.48

REMARKS:

There are 10, Type IV dry wells, located along the perimeter of the community in greenbelt/water retention areas.

Dry wells should be inspected annually and cleaned out every 3 - 5 years at a cost ranging from \$400 - \$1,200 per well (volume pricing applies), at today's cost. This cost has not been reserved for at this time, and should be considered an operating expense.

For budgeting purposes we have used 30 years as the useful life for all dry wells. It should be noted, however, that the useful life can be extended if the dry wells are properly maintained and cleaned out as recommended. Adjustments to the useful life can be made in a future update to this report following verification of the clean out schedule.

Information and costs concerning these assets was provided with the assistance of McGuckin Drilling, Inc.

Granite Replenishment - Unfunded

ASSET ID	1011	QUANTITY	1 comment
GROUP/FACILITY	0	UNIT COST	0.000
CATEGORY	100	PERCENT REPL	0.00%
		CURRENT COST	0.00
		FUTURE COST	0.00
PLACED IN SERVICE	0/ 0	ASSIGNED RESERVES	0.00
0 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	0.00
REPLACEMENT YEAR 2002		INTEREST	0.00
0 YEAR REM LIFE		MONTHLY ALLOCTN	0.00

REMARKS:

There are substantial quantities of granite located throughout the community. We are not budgeting to replenish this granite because the cost to do so is most often considered an operating expense. We recommend that a line item be set up in the operating budget to account for this asset, that

Windmill Ranch Community Association
Detail Report by Category

Granite Replenishment - Unfunded, Continued ...

it be monitored over time, and adjusted as experience dictates.

Irrigation Controllers - Replace

ASSET ID	1003	QUANTITY	1 total
GROUP/FACILITY	0	UNIT COST	1,700.000
CATEGORY	100	PERCENT REPL	100.00%
		CURRENT COST	1,700.00
		FUTURE COST	2,340.72
PLACED IN SERVICE	2/00	ASSIGNED RESERVES	273.43
12 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	12.42
REPLACEMENT YEAR 2012		INTEREST	0.86
10 YEAR REM LIFE		MONTHLY ALLOCTN	13.28

REMARKS:

2 - 24 station controllers @ \$ 850.00 = \$ 1,700.00

TOTAL = \$ 1,700.00

These are Rainmaster time clocks.

Information and costs concerning these time clocks was provided with the assistance of Cleancut Lawns.

Monument Sign - Letters, Unfunded

ASSET ID	1015	QUANTITY	1 comment
GROUP/FACILITY	0	UNIT COST	0.000
CATEGORY	100	PERCENT REPL	0.00%
		CURRENT COST	0.00
		FUTURE COST	0.00
PLACED IN SERVICE	0/ 0	ASSIGNED RESERVES	0.00
0 YEAR USEFUL LIFE		SALVAGE VALUE	0.00
+0 YEAR ADJUSTMENT		MONTHLY CNTRBTN	0.00
REPLACEMENT YEAR 2002		INTEREST	0.00
0 YEAR REM LIFE		MONTHLY ALLOCTN	0.00

REMARKS:

The following comment applies to the monument sign that indicates "WINDMILL RANCH"

We are not budgeting to replace the solid steel letters making up the monument sign(s) because they have an indefinite life, and should last for the life of the community if properly maintained. Any repairs and/or re-

Windmill Ranch Community Association
Detail Report by Category

Monument Sign - Letters, Unfunded, Continued ...

placements should be handled on an "as needed" basis, and the expense paid for out of the operating budget.

Sand Replenishment	QUANTITY	5 cubic yds
	UNIT COST	26.110
ASSET ID 1020	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	130.55
CATEGORY 100	FUTURE COST	168.62
	ASSIGNED RESERVES	25.23
PLACED IN SERVICE 2/00	SALVAGE VALUE	0.00
10 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT	MONTHLY CNTRBTN	1.14
REPLACEMENT YEAR 2010	INTEREST	0.08
8 YEAR REM LIFE	MONTHLY ALLOCTN	1.22

REMARKS:

There is approximately 825 sq. ft. of sand at the playstructure play area. We are budgeting to replenish this sand by adding a 2" layer of new sand to the existing base.

Delivery over 5 miles one way @ \$ 2.78 per additional mile.
 Subtract per cubic yard over 18 cubic yards (24 tons) @ \$ 6.66.

There is approximately 1.35 tons of sand per cubic yard.

Tot Turf - Replace	QUANTITY	190 sq. ft.
	UNIT COST	9.950
ASSET ID 1021	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	1,890.50
CATEGORY 100	FUTURE COST	2,148.51
	ASSIGNED RESERVES	1,183.71
PLACED IN SERVICE 2/00	SALVAGE VALUE	0.00
6 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT	MONTHLY CNTRBTN	15.33
REPLACEMENT YEAR 2006	INTEREST	3.19
4 YEAR REM LIFE	MONTHLY ALLOCTN	18.52

REMARKS:

This Tot Turf is located at the playstructure play area.

Windmill Ranch Community Association
Detail Report by Category

CATEGORY SUMMARY:

ASSIGNED RESERVES	5,646.72
MONTHLY CNTRBTN	226.19
INTEREST	17.31
MONTHLY ALLOCTN	243.50

Windmill Ranch Community Association
Detail Report by Category

TOTAL ALL ASSETS:	ASSIGNED RESERVES	14,530.44
	MONTHLY CNTRBTN	614.62
	INTEREST	44.97
	MONTHLY ALLOCTN	659.59

CONTINGENCY @ 3.00%:	ASSIGNED RESERVES	435.91
	MONTHLY CNTRBTN	18.44
	INTEREST	1.35
	MONTHLY ALLOCTN	19.79

GRAND TOTALS:	ASSIGNED RESERVES	14,966.35
	MONTHLY CNTRBTN	633.06
	INTEREST	46.32
	MONTHLY ALLOCTN	679.38

DETAIL REPORT INDEX

ASSET	DESCRIPTION	PAGE
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1023	BBQ Grills - Replace	2-18
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1012	Concrete Components - Unfunded	2-10
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1014	Fencing - Split Rail, Unfunded	2-14
1005	Fencing - Wrought Iron, Replace	2-14
1008	Fitness Course - Unfunded	2-18
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1017	Light Fixtures - Replace	2-16
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1001	Paint - Block Walls	2-12
1007	Paint - Ramada Support Structures	2-12
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1006	Roofs - Ramadas, Metal, Unfunded	2-11
1020	Sand Replenishment	2-23
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1002	Walls - Block, Repairs	2-15

TOTAL ASSET LINES INCLUDED: 22

RESERVE DATA ANALYSIS, INC.



May 28, 2002

6510 South Hazelton Lane, #119
Tempe, Arizona 85283
Office (480) 473-7643
Fax (480) 473-7658

Ms. Vicki Sears
Windmill Ranch Community Association
c/o Associated Asset Management
2400 East Arizona Biltmore Circle, #1300
Phoenix, Arizona 85016

RECEIVED

MAY 30 2002

Dear Ms. Sears:

Enclosed is the completed reserve analysis study for Windmill Ranch Community Association for the fiscal year beginning January 1, 2002. Your RDA REPORT is presented in two parts:

Part 1 offers an easy-to-understand introduction to reserve budgeting and terminology along with a Users' Guide to your reserve analysis study.

Part 2 is your reserve analysis study, including a report summary, a distribution of accumulated reserves, an asset listing/summary, detail reports for each asset, 30-year projections with graphs, and an alphabetical detail report index.

We hope that you find our report format both informative and useful. Should you desire, any or all of the parameters and data used in your reserve study may be changed and a revised study prepared. All of us at RDA have enjoyed serving you and providing Windmill Ranch Community Association with the most detailed, comprehensive and useful reserve analysis study available. If you have any additional questions or comments, please feel free to call us.

Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Karl Thompson".

Karl Thompson
Senior Consultant

RESERVE DATA ANALYSIS, INC.



May 8, 2002

6510 South Hazelton Lane, #119
Tempe, Arizona 85283
Office (480) 473-7643
Fax (480) 473-7658

Ms. Vicki Sears
Windmill Ranch Community Association
c/o Associated Asset Management
2400 East Arizona Biltmore Circle, #1300
Phoenix, Arizona 85016

RECEIVED

MAY 10 2002

Dear Ms. Sears:

Thank you for your interest in the services of Reserve Data Analysis, Inc. for Windmill Ranch Community Association. Enclosed is an information booklet describing our company and services. We have become the largest reserve analysis company in the United States and the leading authority on reserve budgeting and long-term planning by providing the most detailed, comprehensive reserve studies available.

On the basis of the information you have provided us, we estimate our fee for your reserve analysis study to be \$920.00. This fee includes a complete on-site inspection, a thorough evaluation of your existing financial and maintenance records, a detailed reserve analysis study with 30-year projections and recommendations, an on-site meeting with the Board or manager to discuss the results of the analysis, and one free revision once you have had an opportunity to review the report. The details of our analysis are described in the information booklet and listed in the enclosed contracts.

Understanding the importance of continuity and consistency of your reserve budgets through the years, RDA is committed to a long-term business relationship with you. The association can anticipate most updates to be a quarter to a third of the original report cost.

If all terms and conditions meet your approval, please complete both copies of the enclosed contract and return one to us. To serve you in a quick and efficient manner, we have also enclosed a client check list of items that we need before preparation of your reserve study can begin. Please forward all applicable information as well.

Since 1983, thousands of satisfied clients who have worked with us year after year have depended on our professional reports and unmatched customer service. We look forward to serving you too, and providing Windmill Ranch Community Association with our high quality studies that have become the standard in the industry. If you have any additional questions or comments, please feel free to call us.

Thank you.

Sincerely,

A handwritten signature in black ink that reads "Tom Thompson". The signature is written in a cursive, slightly slanted style.

Tom Thompson, RS
President



RICHMOND
AMERICAN HOMES

You Dream. We Build.

A Subsidiary of
 MDC Holdings, Inc.
 a New York
 Stock Exchange
 Company

3010 E. Camelback Road, Suite 200
 Phoenix, Arizona 85016
 602/956-4100
 FAX 602/955-8770

FACSIMILE TRANSMITTAL

TO: Ms. Vicki Sears **From:** M. Flynn
COMPANY: Associated Asset Management **DATE:** May 23, 2002
FAX #: 602-957-8802 **PAGES SENT:** 2

- Per Your Request
- For Your Interest
- For Your Records
- For Review and Comment
- For Approval
- Return With Signatures(s)
- Call Me To Discuss
- Hard Copy to Follow
- For Your ACTION !

MESSAGE

Reserve Proposal - Windmill Ranch

Important Notice: This information is intended to be for the individual or entity named on this transmittal sheet. If you are not intended recipient, be aware that any disclosure, copying, distribution or use of the contents of this faxed information is prohibited. If you have received this facsimile in error, please notify the sender by telephone immediately so that arrangements can be made for the original document.

RESERVE DATA ANALYSIS, INC.
6510 S. Hazelton Ln., #119
Tempe, Arizona 85283-3278
Agreement for Reserve Analysis

This Agreement is entered into by and between Reserve Data Analysis, Inc., hereinafter referred to as RDA, and the following Client:

Client Name: Windmill Ranch Community Association
Client Address: c/o Associated Asset Management
 2400 East Arizona Billmore Circle, #1000
 Phoenix, Arizona 85018

PURPOSE: This Agreement sets forth those services which RDA shall provide to Client in connection with an analysis of the reserves maintained by Client to defray the future repair or replacement of, or additions to, those major components which Client is obligated to maintain as a part of the Property described below. This Agreement also sets forth the respective responsibilities of Client and RDA in connection with the services to be performed by RDA pursuant to this Agreement.

In consideration of the mutual promises and conditions set forth in this Agreement, RDA and Client agree as follows:

1. RESPONSIBILITIES OF RDA

Description of Reserve Assets:

RDA shall prepare a listing of the major components which Client is obligated to maintain as a part of the Property. Such major components are referred to in this Agreement as "reserve assets." The listing of reserve assets shall be based upon a review by RDA of Client's current schedule of reserve assets for the property, Client's budget for the Property, property declaration and/or other documents detailing maintenance responsibilities of Client for the Property and upon such site inspection as may be necessary or desirable, in the opinion of RDA, to verify the existence and/or condition of reserve assets. Each reserve asset listed will then be separated by development phase, when appropriate, and the following information will be identified:

- Quantity
- Useful and Remaining Life
- Percentage of Replacement
- Salvage Value (if Applicable)
- Current Replacement Cost
- Accumulated Reserves to Date

Site and Report of Reserve Assets:

Based upon assumptions determined and agreed upon by RDA and Client regarding cost inflation, scheduled future assessment increases, investment yields and taxes paid on those yields, RDA will determine and provide to Client a report regarding the following:

- Replacement Year
- Future Replacement Cost
- Monthly Contribution to Reserves Required
- Anticipated Interest Contribution Based Upon the Accumulated Reserves and Monthly Contributions for One Year

2. FEE FOR SERVICES OF RDA

The fee to be paid to RDA for its services pursuant to this Agreement shall be \$920.00 payable by Client 50% upon RDA's acceptance of this Agreement and 50% upon initial delivery to Client of RDA's report.

All billings are payable in full upon presentation. Amounts remaining unpaid 45 days after the invoice date will be subject to a monthly finance charge of 1.5% (18% APR) or \$5.00 whichever is greater.

3. RESPONSIBILITIES OF CLIENT

Client shall provide to RDA a current schedule of reserve assets for the Property, Client's current budget for the property, all laws, rules, regulations and/or declarations defining Client's reserve and/or maintenance responsibilities relating to the Property and such other information as may be necessary to RDA in the performance of its services under this Agreement. Client shall provide to RDA and its personnel access to the property at all reasonable times. RDA shall not be responsible for, and Client will indemnify RDA against, any claims or liability arising from any inaccurate information furnished to RDA by Client or any other negligent act or omission on the part of Client, its agents, employees or other consultants employed by Client.

4. SCOPE AND LIMITATIONS OF SERVICES

RDA will assume, unless otherwise advised by Client, that all reserve assets have been designed and constructed properly and each estimated useful life will approximate that of or conform to industry standards and/or manufacturer specifications used by RDA. RDA shall not be responsible for estimates used for reserve assets that, in RDA's judgment, have been designed, constructed or maintained improperly. In connection with reserve assets which, by their nature, condition, or as a result of lack of information, possess an indeterminate status, RDA may use arbitrary estimates based upon past history, direction from the Client, and RDA's own experience. The decision whether or not to include such indeterminate assets in the reserve analysis shall be made by Client.

If, as a result of the services or reports furnished by RDA pursuant to this Agreement, it is determined by Client that an independent consultant is necessary for the proper determination of the present condition of a reserve asset and/or the future reserve liability of Client for that asset, then it shall be the responsibility of Client to make all necessary arrangements for the hiring, supervision and compensation of such consultant.

It is the intention of RDA that its reports to Client meet the requirements of all applicable laws, regulations, or regulatory agencies applicable to the property and made known to RDA by Client. However, RDA neither guarantees nor warrants the acceptability of its reports by third parties but, instead, RDA will work in cooperation with the Client and applicable regulatory agencies to provide any additional information, contemplated by the scope of services offered pursuant to this Agreement, designed to meet objections or requirements of such agencies, provided that such efforts do not alter the technical meaning of, or create misinformation in, any report provided by RDA pursuant to this Agreement. Except for minor revisions or corrections, RDA shall bill for additional time and expenses associated with revisions to its reports or with on-site meetings or presentations to Client in accordance with RDA's current fee schedule. The fee quoted by RDA for such additional work shall be payable to RDA by Client 50% upon commencement of the work by RDA and 50% upon delivery of the work to Client. RDA shall bill Client for all time and expenses incurred due to litigation of other activities in which RDA is involved as a result of services rendered by RDA to Client, including but not limited to time and expenses incurred for depositions, participatory witness testimony, expert witness testimony, travel and preparation, regardless of whether such litigation or other activity is initiated by Client. Billing shall be in accordance with RDA's current fee schedule for such activities.

5. OWNERSHIP AND USE OF REPORTS AND DATA

All reports and data developed by RDA and the right to reproduce the same are exclusively reserved to RDA until RDA is paid in full for its services under this Agreement. If any services or material provided by RDA to Client pursuant to this Agreement is not paid for in full, then Client agrees upon demand to return to RDA all reports and/or other data or materials furnished to Client pursuant to this Agreement and Client further agrees it shall not use such report data or material for any purpose whatsoever. Any Data Management Software or other proprietary material furnished by RDA to Client shall be used by Client subject to, and in conformity with, all copyrights, licenses or other proprietary rights retained by RDA in such material.

Client shall not release copies of the completed report, or of any of the information contained therein, to third parties without the express written approval of RDA. Client shall have the right to reproduce and distribute copies of the report, or information contained therein, as may be required for Client's compliance with laws, regulations, and requirements made known by Client to RDA. RDA shall have the right to use and disseminate, in connection with other analysis and reports prepared by RDA, the data utilized by RDA in the preparation of any report prepared pursuant to this Agreement.

6. SCOPE OF AGREEMENT

This Agreement is in effect when accepted by RDA. This Agreement constitutes the entire Agreement between RDA and Client concerning the subject matter and supersedes any prior or contemporaneous Agreements between the parties. No party is relying upon any warranties, representations or disclosures not set forth in this Agreement. The term "Client" as used herein includes the agents and employees of Client. This Agreement may be amended only by an instrument in writing executed by both RDA and Client. Any provision of this Agreement that is in violation of any law or ordinance shall be deemed stricken from the Agreement and the remaining provisions of the Agreement shall continue in full force and effect. This Agreement is entered into solely between and for the benefit of Client and RDA and it not in any way intended for the use or benefit of any third party.

7. ENFORCEMENT OF AGREEMENT

Any legal action to interpret or enforce this Agreement shall be governed by the laws of the State of Arizona and the venue for any such action shall be in the County of Maricopa, State of Arizona. The prevailing party in any such action shall be entitled to recover from the other party reasonable attorney's fees and costs of such action.

The undersigned have read and agree to all the terms of this Agreement.

NAME OF CLIENT **WINDMILL RANCH
COMMUNITY ASSOCIATION**
 SIGNATURE OF AUTHORIZED REPRESENTATIVE *Mary A. Flynn*
MARY A. FLYNN
 PRINT NAME AND TITLE **SECRETARY/TREASURER**

This Agreement is authorized by RDA on

at Tempe, Arizona. RESERVE DATA ANALYSIS, INC.

BY: