

# SOMERSET CREEK

Bellevue, WA

## RESERVE STUDY UPDATE

February, 2006

USE IN CONJUNCTION WITH THE RESERVE STUDY FROM 2000

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SOMERSET CREEK  
RESERVE STUDY UPDATE

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## INTRODUCTION

Attached are updated spreadsheets and graphs for the Somerset Creek condominium. Figures are expressed in 2006 constant dollars.

### WHAT IS AN UPDATE

An update of a reserve study brings the previous report up to date to allow the association to properly set aside the funds needed to provide for replacement and repair of major building components as they fail.

The update of a reserve study relies on much of the information contained in the original reserve study, such as the cost estimates and quantities for each building component.

A new inspection of the building is completed by the same inspectors who compiled the original reserve study, to compare the current condition with the past. The building components are inspected to see how they are surviving compared to the expectations from the earlier inspection.

Repair records are examined to determine if there are patterns of failures becoming apparent with any components.

Previous cost estimates and projections of useful lives are examined to see if they are still appropriate. These are adjusted to new frequencies and costs as are appropriate to the new circumstances.

All repair costs are adjusted for inflation from the prior report, actual repair costs and bids from contractors are used to adjust cost estimates.

The reserve balances are adjusted to reflect actual contributions by the association, and actual expenditures. The new recommendations are based on starting anew with the current balance and funding future repair needs.

In order to provide the best reserve update possible, many sources have been used in compiling this report. These include:

1. Site visit and inspection of facilities.
2. Conference with management personnel.
3. Review of all expenditures for maintenance and repair since the original study.
4. Generally accepted construction, maintenance and repair guidelines.

It is important to note that the long term nature of this study requires that certain assumptions and predictions be made about future events. Since there can be no guarantees that these future events will actually occur as assumed, it is important that this analysis be viewed in light of the

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circumstances under which it was conducted. Every reasonable effort has been made to insure that the conclusions of this report are based on reliable information and sound reasoning.

This report should be updated annually with actual repair costs , reserve balances etc. Every two to four years it should be updated with a physical inspection and professional review. Regular updating will allow changes based on actual occurrences and adjustments for the cost of repairs to be incorporated into the annual reserve contributions. This will allow any savings or additional costs to be properly allocated among unit owners.

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## **ASSOCIATION OVERVIEW**

Somerset Creek was originally constructed between 1985 -1987. The condominium consists of 12 buildings with a total of 51 units. Nine buildings contain four (4) units each, and three buildings have five (5) units each.

The typical building construction consists of reinforced concrete foundations and footings with a wood framed structure. The building exteriors feature vinyl siding; building roofs are asphalt shingles. Replacement of the building roofing will be required soon as roof leaks are becoming more regular. Many units feature exterior wood decks, some and units include concrete patios. The units have garages with double doors.

The site features exterior paving, walks, and drives. The paving is failing in several areas. The condominium includes a perimeter and divider fencing, a sport court, and common park area.

The original reserve study was completed in October, 2000. At the time of the 2001 update, the association had a reserve account balance of approximately \$114,950. Our recommendation for annual reserve contributions was \$65,000 per year.

Since the original study was completed, the condominium has performed only limited maintenance which is enumerated below on a component by component basis in the section that follows.

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## **COMMENTS ON EACH COMPONENT FOR REVISED COSTS**

2.6.1 Asphalt Paving – The paving is in need of repairs and seal coating soon; it does not appear as though scheduled repairs and seal coating have been completed since the 2000 study was completed. Repair cycles are scheduled in years 2, 8, 14, and 20 (2008, 2014, 2020, and 2026). Costs are revised 15% from the 2000 study to new totals - \$17,260.35 in year 2; \$13,403.25 in year 8; and \$9,546.15 in years 14 and 20 (2020 and 2026).

2.6.2 Sport Court – No work has been completed since the 2000 study; funds are included in years 3 and 15 (2009 and 2021) for the sports court; new totals are estimated at \$3,450.00 per cycle (escalated 15% from 2000 study totals).

2.7.1 Fencing – The fencing will require replacement soon; only minor fence repairs have been completed since the 2000 study. Major replacement is included in years 1 and 2 (2007 and 2008); costs are escalated 15% to new totals of \$22,468.70 each cycle; a second cycle of fence replacement is included in the study later on in years 13 and 14 (2019 and 2020).

2.9.1 Landscaping – This item is normally maintained with operating budget funds, no reserve funds are included.

3.3.1 Exterior Walkways – Funds are included in years 2, 8, 14, and 20 (2008, 2014, 2020, and 2026) for concrete repairs. Costs are escalated 15% from 2000 study \$4,371.15.

6.1.1 Decks – The decks are not an association maintenance responsibility; the cost for deck maintenance are a unit owner expense.

6.2.1 Exterior Siding – The vinyl siding is generally serviceable and should last for the duration of the study; funds are included to coincide with exterior painting to allow for minor repairs to the siding and trim that may be required as the building ages. Extent of wood rot and other more major repairs may cost significantly more than our estimates if significant problems are found under the siding, or previously indicated problems were not fixed. Repair costs are escalated 15% to new totals of \$29,973.60 in years 3, 10, and 17 (2009, 2016, and 2024). The association might consider initiating a savings to program to replace the vinyl siding. Although this cost is beyond the end of the study, it is a significant expense of the magnitude that will result in a special assessment if not properly planned for. We recommend to start saving for siding replacement at the time of your next study update in 2-4 years.

7.4.1 Roofing – Roof replacement is planned for 2006 and 2007. Costs are escalated by 35% from 2000 reserve study to account for increases in roofing costs. Costs in years 0 and 1 (2006 and 2007) are revised to new totals of \$155,113.65. Repairs are included in year 15 (2021) at 5% of the total roofing

cost; or \$15,511.36. A second cycle of roof replacement is included in year 20 (2026) at 20/25 total cost, or \$248,181.84

7.5.1 Gutters and Downspouts (formerly 7.3.1) – Replacement time frame and is modified for replacement to occur in years 0 and 1 (2006 and 2007). Replacement costs are increased 25% for inflation and other cost increases; new totals in years 0 and 1 are \$26,820.63 each occurrence. A second cycle of replacement is pro-rated to year 20 (2026) at 20/25 of the total cost. \$42,913.01 is included in year 20 (2026).

7.6.1 Chimneys (formerly 10.3.1) – 10.3.1 Chimneys – Replacement of chimney caps and chase covers is included in years 0 and 1 (2006 and 2007) to coincide with roof replacement; costs are revised 15% from 2000 study to new total cost of \$23,089.70. A second cycle of replacement is pro-rated to year 20 (2026) at 20/25 of the total cost. \$36,943.52 is included in year 20 (2026).

8.3.1 Garage Doors – Costs and schedule remain as originally projected in the 2000 study with a 15% cost escalation to account for inflation. Revised total cost in years 4, 11, and 18 (2010, 2017, and 2024) is \$7,742.95.

8.5.1 Windows – As mentioned in the 2000 reserve study, if the cost of the exterior windows is assigned to the individual homeowners, this cost can be removed from the association's responsibility. Window replacement is scheduled in year 15 (2021); we have estimated \$6,000.00 per unit x \$51 units = \$306,000 + tax = \$332,928.00; this cost is included in year 15 (2021) of the study.

9.8.1 Exterior Painting – Exterior trim painting is scheduled at regular intervals throughout the study period with painting included in years 3, 10, and 17 (2009, 2016, 2023) with increased costs from 2000 study by 15% to account for inflation. New totals at these intervals are \$15,924.05.

10.5.1 Mailboxes – Mailboxes appear to continue to be functioning and serviceable; schedule for replacement of mailboxes from 2000 study has been changed to included mailbox replacement in year 10 (2016); cost has been escalated 15% to account for inflation to revised total of \$3,184.35.

15.2.1 Plumbing – Plumbing piping is copper and should generally continue to remain serviceable; we have revised the study to include funds for limited plumbing and water line repairs in years 5, 10, 15, and 20 (2011, 2016, 2021, and 2026); amounts included are \$5,000 + tax = \$5,440 in years 5 and 10 (2011 and 2016); \$7,500 + tax = \$8,160 in years 15 and 20 (2021 and 2026).

15.4.1 Storm Drains – Storm drainage work is included in the study to repair drain piping below settled asphalt areas and other storm drainage problems; we have included funds in the study for investigations and repairs; repairs are

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recommended in years 2, 8, 14 and 20 (2008, 2014, 2020, and 2026) lump sum amounts of \$10,000 + tax = \$10,880 are included at each interval.

16.3.1 Electrical – An electrical inspection is included in years 4, 10 and 16 (2010, 2016, and 2022). Cost for this work is estimated at approximately \$3,500.00 + tax = \$3,808.00 We have also included funds for electrical equipment repairs; costs for major electrical maintenance and component replacement is included in the study in 2010 (year 4), 2016 (year 10), and 2022 (year 16). Costs remain as projected in the 2000 study, with 1/3 of repairs at each interval, and with a 15% escalation for inflation. Repairs total \$28,662.60; 1/3 total = 9,554.20 + \$3,808.00 = \$13,362.20 at each cycle.

16.6.1 Lighting – Costs for building lighting fixture replacement has been included in years 4, 10, and 16; we have allowed \$125/ fixture x 4 fixtures/ unit = 204 fixtures x \$125 = \$25,500 + tax = \$27,744 total cost. 1/3 of the total is included at each cycle; costs at those intervals are \$9,248 in 2010, 2016, and 2022.

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## **BUDGET RECOMMENDATIONS**

For budgeting purposes, we recommend that the Somerset Creek Condominium Association set aside a typical amount of at least **\$59,000 annually** for major maintenance and repair reserves starting in 2008, and continuing through the end of the study. We have allowed for a one-time increased contribution amount of **\$248,000** for the 2007 calendar year. These figures are in 2006 dollars and should be increased to account for inflation.

The analysis is based on a reserve balance at the end of December, 2005 of \$216,702.28, and a planned contribution for the 2006 calendar year in the amount of \$47,290.

A typical total annual contribution of \$59,000 works out to about **\$97 per unit per month**. Based on an average unit value of approximately \$150,000, this represents slightly more than 7/10s of 1% (0.7%) of the unit value per year for major repairs and replacement. This compares favorably with the 1% -2% expected for repairs to an average single family house.

The above analysis is done in constant dollars for clarity. In actual practice, the annual reserve contribution must be increased annually to account for inflation as shown on the '20 year spread sheet allowing for inflation'.

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## **Graphs and Spread Sheets**

The following pages include the graphs and spread sheets which illustrate our findings and were used to determine the optimum annual contribution to the reserve account. It is important to realize that some of these items have large unknowns for both time and price. The estimates are based on experience, industry averages and apparent component condition.

### **Annual Expenses and Balance Growth**

This graph illustrates in bar form, the anticipated total annual expenses by year over the next twenty years. Superimposed, in line form, is the estimated annual ending balance in the reserve account. Amounts shown are in constant 2006 dollars. No allowance has been made for either inflation or interest earned.

A second graph allows for a 5% inflation factor and 4% interest earned on reserve balances.

### **Spread Sheets**

The spread sheets itemize the components and the anticipated annual expense associated with each. The first set shows all amounts in constant 2006 dollars. The second set shows all amounts in inflated dollars and allows for interest earned on the reserve balance.

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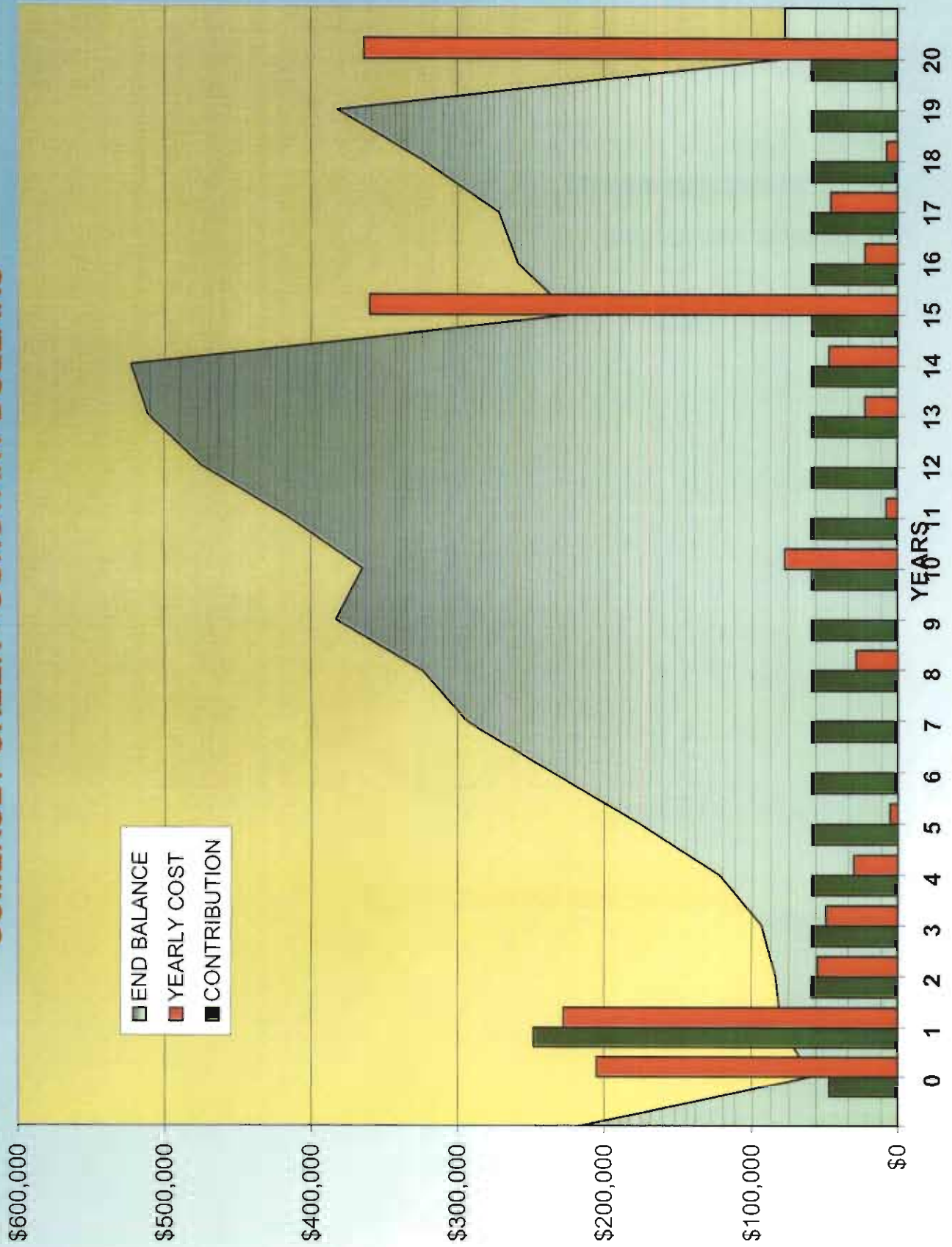
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**SOMERSET CREEK** Reserve Study Projections Reserve Consultants, Ltd.  
**SOMERSET CREEK** Reserve Consultants, Ltd.  
 20 YEAR SPREAD SHEET WITH CONSTANT DOLLARS

DATE: 13-Feb-06		20 YEAR SPREAD SHEET WITH CONSTANT DOLLARS																				
PER YEAR EXPENSES IN 2006 DOLLARS		PER YEAR EXPENSES IN 2006 DOLLARS																				
COMPONENT NAME	TYPICAL LIFE	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
COMPONENT NAME	NEXT LIFE EXP.	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
2.6.1 ASPHALT PAVING	15			\$17,260		\$13,403										\$9,546						\$9,546
2.6.2 SPORT COURT	20				\$3,450												\$3,450					
2.7.1 FENCING	12		\$22,469	\$22,469											\$22,469	\$22,469						
2.9.1 LANDSCAPING	INDEF.																					
3.3.1 EXTERIOR WALKWAYS	20			\$4,371		\$4,371										\$4,371						\$4,371
6.1.1 DECKS	15																					
6.2.1 EXTERIOR SIDING	50				\$29,974							\$29,974					\$15,511		\$29,974			\$248,182
7.4.1 ROOFING	25		\$155,114																			
7.5.1 GUTTERS/DOWNSPOUTS	25		\$26,821	\$26,821																		\$42,913
7.6.1 CHIMNEYS	25		\$23,090	\$23,090																		\$36,944
8.3.1 GARAGE DOORS	15					\$7,743							\$7,743									\$7,743
8.5.1 EXTERIOR WINDOWS	35																\$332,928					
9.8.1 EXTERIOR PAINT	7				\$15,924							\$15,924										\$15,924
10.5.1 MAILBOXES	20											\$3,184										
15.2.1 PLUMBING	30						\$5,440					\$5,440										\$10,880
15.4.1 STORM DRAINS	50			\$10,880		\$10,880										\$10,880						\$10,880
16.3.1 ELECTRICAL	20					\$13,362						\$13,362						\$13,362				\$13,362
16.6.1 LIGHTING	15				\$9,248							\$9,248										\$9,248
<b>TOTAL EXPENDITURES BY YEAR</b>		\$205,025	\$227,494	\$54,980	\$49,348	\$30,353	\$5,440	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654
<b>CARRY OVER RESERVE BALANCE</b>		\$216,702	\$58,967	\$79,473	\$83,403	\$93,145	\$121,792	\$175,352	\$234,352	\$293,352	\$352,352	\$411,352	\$470,352	\$529,352	\$588,352	\$647,352	\$706,352	\$765,352	\$824,352	\$883,352	\$942,352	\$1,001,352
<b>ANNUAL RESERVE CONTRIBUTION</b>		\$47,200	\$248,000	\$59,000	\$59,000	\$59,000	\$59,000	\$59,000	\$59,000	\$59,000	\$59,000	\$59,000	\$59,000	\$59,000	\$59,000	\$59,000	\$59,000	\$59,000	\$59,000	\$59,000	\$59,000	\$59,000
<b>RESERVE EXPENDITURES</b>		\$209,025	\$227,494	\$54,980	\$49,348	\$30,353	\$5,440	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654	\$28,654
<b>ACCUMULATED RESERVE FUNDS INTEREST EARNED</b>		\$68,967	\$79,473	\$83,403	\$93,145	\$121,792	\$175,352	\$234,352	\$293,352	\$352,352	\$411,352	\$470,352	\$529,352	\$588,352	\$647,352	\$706,352	\$765,352	\$824,352	\$883,352	\$942,352	\$1,001,352	\$1,060,352
<b>YEAR END RESERVE BALANCE</b>		\$58,967	\$79,473	\$83,403	\$93,145	\$121,792	\$175,352	\$234,352	\$293,352	\$352,352	\$411,352	\$470,352	\$529,352	\$588,352	\$647,352	\$706,352	\$765,352	\$824,352	\$883,352	\$942,352	\$1,001,352	\$1,060,352

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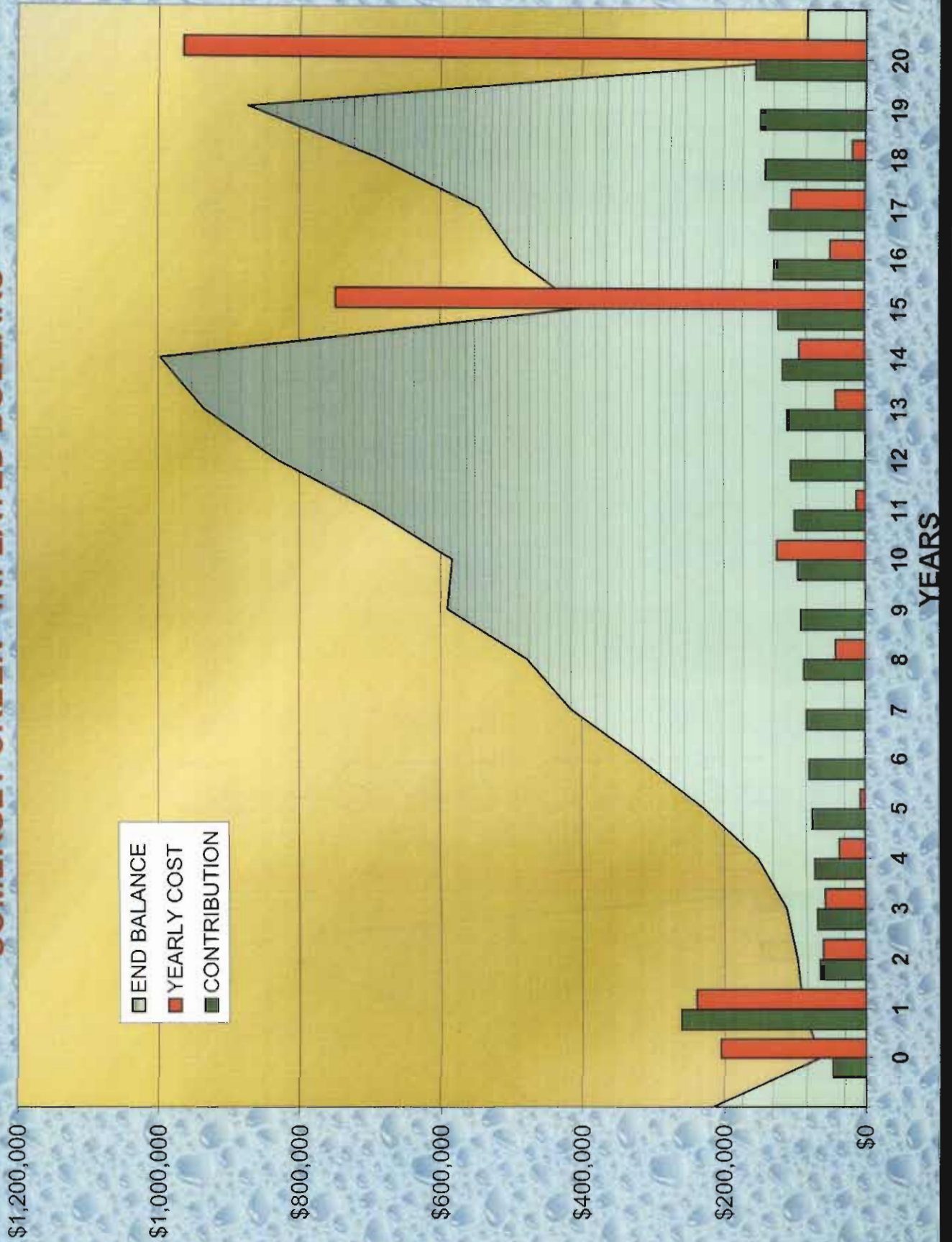
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**SOMERSET CREEK** Reserve Study Projections **SOMERSET CREEK**  
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20 YEAR SPREAD SHEET ALLOWING FOR INFLATION PER YEAR EXPENSES (adjusted for inflation\*)

#	COMPONENT NAME	TYPICAL LIFE	NEXT EXP.	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	2026		
2.6.1	ASPHALT PAVING	15	2			\$19,029						\$19,802						\$18,900								\$25,328	
2.6.2	SPORT COURT	20	3			\$3,994																					
2.7.1	FENCING	12	1		\$23,592	\$24,772						\$42,369						\$44,487									
2.9.1	LANDSCAPING	INDEF.	-																								
3.3.1	EXTERIOR WALKWAYS	20	2			\$4,819						\$6,458						\$8,654									\$11,598
6.1.1	DECKS	15	-																								
6.2.1	EXTERIOR SIDING	50	3			\$34,699																					\$68,701
7.4.1	ROOFING	25	0	\$155,114	\$162,870															\$32,246						\$658,501	
7.5.1	GUTTERS/DOWNSPOUTS	25	0	\$26,821	\$28,162																						\$113,861
7.6.1	CHIMNEYS	25	0	\$23,090	\$24,245																						\$98,023
8.3.1	GARAGE DOORS	15	4					\$9,412							\$13,243												\$18,634
8.5.1	EXTERIOR WINDOWS	35	15																								\$692,133
9.8.1	EXTERIOR PAINT	7	3			\$18,434																					\$36,498
10.5.1	MAILBOXES	20	10																								
15.2.1	PLUMBING	30	5						\$6,943																		\$16,964
15.4.1	STORM DRAINS	50	2			\$11,995						\$16,075															\$28,868
16.3.1	ELECTRICAL	20	4					\$16,242																			\$28,868
16.6.1	LIGHTING	15	4			\$11,241																					\$20,187
<b>TOTAL EXPENDITURES BY YEAR</b>				\$205,025	\$238,869	\$60,615	\$57,126	\$36,994	\$6,943	\$228,217	\$317,993	\$415,392	\$42,335	\$125,840	\$13,243	\$696,458	\$42,369	\$93,583	\$748,516	\$49,355	\$105,199	\$18,634					\$965,047
<b>CARRY OVER RESERVE BALANCE</b>				\$216,702	\$64,480	\$89,022	\$97,103	\$112,384	\$152,396	\$228,217	\$317,993	\$415,392	\$42,335	\$590,207	\$683,690	\$696,458	\$832,391	\$935,949	\$997,084	\$997,084	\$495,558	\$546,011	\$693,674	\$873,493			\$873,493
<b>ANNUAL RESERVE CONTRIBUTION</b>				\$47,290	\$290,400	\$65,049	\$68,300	\$71,715	\$75,301	\$79,095	\$83,019	\$87,170	\$91,520	\$96,105	\$100,910	\$105,955	\$111,253	\$116,816	\$122,657	\$128,790	\$135,229	\$141,991	\$149,090	\$156,545			\$156,545
<b>RESERVE EXPENDITURES</b>				\$205,025	\$238,869	\$60,615	\$57,126	\$36,994	\$6,943	\$228,217	\$317,993	\$415,392	\$42,335	\$125,840	\$13,243	\$696,458	\$42,369	\$93,583	\$748,516	\$49,355	\$105,199	\$18,634					\$965,047
<b>ACCUMULATED RESERVE FUNDS</b>				\$58,967	\$86,012	\$108,276	\$147,205	\$197,205	\$220,754	\$307,283	\$401,012	\$460,227	\$569,267	\$660,872	\$771,357	\$802,413	\$901,275	\$959,181	\$999,181	\$999,181	\$525,588	\$525,588	\$666,367	\$642,764	\$64,991		\$64,991
<b>INTEREST EARNED</b>				\$5,513	\$3,010	\$3,650	\$4,108	\$5,192	\$7,463	\$10,710	\$14,380	\$17,512	\$20,940	\$23,018	\$25,101	\$29,977	\$34,873	\$37,903	\$37,903	\$17,532	\$17,532	\$24,308	\$30,729	\$30,729			\$18,770
<b>YEAR END RESERVE BALANCE</b>				\$64,480	\$89,022	\$97,103	\$112,384	\$152,396	\$228,217	\$317,993	\$415,392	\$42,335	\$42,335	\$590,207	\$683,690	\$696,458	\$832,391	\$935,949	\$997,084	\$997,084	\$495,558	\$546,011	\$693,674	\$873,493			\$873,493
<b>INFLATION MULTIPLIER</b>				1.00	1.05	1.10	1.16	1.22	1.28	1.34	1.41	1.48	1.55	1.63	1.71	1.80	1.89	1.98	2.08	2.18	2.29	2.41	2.53			2.53	
<b>INTEREST RATE MULTIPLIER</b>																											

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