



October 24, 2013

Dear Association Member:

Under RCW 64.38.065, effective January 10, 2012, homeowner associations of greater than 10 members are required to prepare a reserve study estimating projected maintenance, repair, and replacement costs of association assets expected to occur over the next 30 years. The study is to be updated annually thereafter together with a plan for funding the expected costs. Camaloch Association falls within the guidelines of the Act.

To meet the above requirements, a reserve study has been completed and a funding plan prepared. In addition, the Act requires maintenance of a separate bank account for tracking deposits and withdrawals necessary to meet the needs of the funding plan and ensuring a positive balance at the end of each year without reliance on future special assessments.

The study incorporated all major Association assets including roads, water tanks and distribution system, buildings, golf course and related equipment, swimming pools and any other assets which meet the threshold. A detailed schedule of relevant assets was prepared by Camaloch's general manager with oversight from the Board of Trustees. The next step estimated the useful life of all scheduled items and the approximate time at which time maintenance, repair or replacement would be necessary or appropriate. Given the uncertainty in the economy, it was felt that an inflation factor of 3% per year (beginning in 2014) would assure realistic cost assumptions and a positive account balance throughout the study period.

The Act does provide for annual updates at which time assumptions can be changed and the study period extended for another year. The funding plan was developed based on the annual expected withdrawals from the reserves and the need to meet the year end positive balance requirements. A primary consideration in developing the funding plan was to distribute increased contributions by the members as equitably as possible over the study period.

While it is felt that due diligence was fully employed in selecting all appropriate association assets for the study, RCW 64.38.070 require the following disclosure: "This reserve study should be reviewed carefully. It may not include all common and limited common element components that may require major repair maintenance, repair or replacement in future years, and may not include regular contributions to a reserve account sufficient for such omissions. The failure to include a component in a reserve study, or to provide contributions to a



reserve account for a component, may under some circumstances, require you to pay on demand as a special assessment, your share of common expenses for the cost of such major maintenance, repair or replacement of a reserve component omission!

Because the Reserve Study and funding plan will require periodic dues adjustments to cover the significant annual expenditures going forward, we will be including this as a regular topic of discussion at all informational meetings prior to our annual meetings beginning in 2014.

A copy of the reserve study elements with the supporting funding plan and which meet the requirements of the Act can be found on the Association's website www.camalochgolf.com in the Association documents section. These documents/spread sheets (adjusted annually) show the anticipated replacement dates and cost to replace the Association assets listed (including an adjustment for inflation) as visualized at this current time.

Needless to say, the building of reserve account funds sufficient to support our future capital replacement needs is paramount.

Sincerely,

Mac Macomber
Association Treasurer