

February 4, 2019

Dear Homeowners:

The projects we have discussed for the last few years and which were approved by homeowners at our Annual Meeting in September are moving closer to commencement. To remind you, they consist of repairs to the subsurface drainage system, replacement of the failing brick wall on the Broadway side of our property, repaving of the surfaces which will have been damaged by the above work and finally re-landscaping the areas affected by this work. As of this writing, we have still received only one bid for the first three phases of work but we are expecting others in February. The landscaping work (other than required removals) will be bid at a future time once a design and scope have been approved by the Board. Our goal is to have the work commence in the second quarter of the year. Before awarding the contract and receiving a payment and performance bond from surety, it will be necessary for us to have funds in hand. Accordingly, we have determined that the first of the two assessments, which will be half of the total estimated amount due, will be due by April 1, 2019. We anticipate that the second assessment will be due in early 2020. We will not have confirmation of our budget until we receive the other bids but are basing the below numbers on our engineers estimate for the work which is \$1,275,000. The purpose of the timing of this letter without waiting for all of the final bids is to give you time to arrange for financing of your share if you choose to do so.

Based upon the above estimate, the allocated costs of the project will be:

<u>Unit</u>	<u>%</u>	<u>Total</u>	<u>Due April 1 (50%)</u>
1	6.87	\$87,592.50	\$43,796.25
2	7.45	94,987.50	47,493.75
4	4.95	63,112.50	31,556.25
5	4.53	57,757.50	28,878.75
6	4.53	57,757.50	28,878.75
7	4.53	57,757.50	28,878.75
8	4.95	63,112.50	31,556.25
9	5.08	64,770.00	32,385.00
10	4.53	57,757.50	28,878.75
11	4.53	57,757.50	28,878.75
12	4.53	57,757.50	28,878.75
13	5.08	64,770.00	32,385.00

<u>Unit</u>	<u>%</u>	<u>Total</u>	<u>Due April 1 (50%)</u>
14	5.08	64,770.00	32,385.00
15	4.53	57,757.50	28,878.75
16	4.53	57,757.50	28,878.75
17	4.53	57,757.50	28,878.75
18	5.08	64,770.00	32,385.00
19	5.08	64,770.00	32,385.00
20	4.53	57,757.50	28,878.75
21	5.08	64,770.00	32,385.00

We request that you arrange to have funds available up to the amounts shown above. Please note that the above estimates of total cost contain no allowance for contingencies to cover unknown or unforeseen conditions that may arise. Following receipt of all bids a proper contingency will be developed and included in the Budget. Should the budget require an increase the second assessment would have to be adjusted accordingly (or a third assessment added). Upon completion of all work, receipt of signoffs and approvals and final closeout of the contractors, engineers and consultants, a final accounting will be made. It is the intention of the Board to issue updates that will report on the progress of the work.

If you intend to fund the assessment out of available funds, please take whatever steps necessary (e.g. liquidating security holdings) on a timely basis to ensure fund availability on April 1.

A number of you have expressed interest in spreading out the cost over time by financing the assessments via a home equity loan. We are not offering tax advice (you should consult your tax accountant for this) but our understanding is that the interest on such a loan would be tax deductible since it relates to "improvements" in the property. The deductibility would be subject to the current cap on mortgage debt of \$750,000. The timing of this letter without waiting for the final bids and knowing the exact cost is dictated by the desire to give you time to arrange such financing if you so choose. You should talk to your banker but it probably makes sense to arrange a financing for the entire amount of the two assessments. The facility would then allow you to draw funds for the second assessment when needed without needing to apply for a second loan.

Please confirm by email to Margaret Federici by February 15 that you have received this letter and will take the steps necessary to have funds available by April 1, 2019.

Board of Directors

Washington Headquarters Townhouses