

Revised **FULL RESERVE STUDY**

**Sweet Brier
Condominium Unit Owners Association, Inc.**



**Madison, Ohio
Inspected - June 25, 2020
Revised - February 8, 2021**



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Sweet Brier Condominium Unit Owners Association, Inc.
Madison, Ohio

Dear Board of Directors of Sweet Brier Condominium Unit Owners Association, Inc.:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of Sweet Brier Condominium Unit Owners Association, Inc. in Madison, Ohio and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, June 25, 2020.

This *Full Reserve Study* exceeds the Association of Professional Reserve Analysts (APRA) standards fulfilling the requirements of a "Level I Full Reserve Study."

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. We look forward to continuing to help Sweet Brier Condominium Unit Owners Association, Inc. plan for a successful future.

As part of our long-term thinking and everyday commitment to our clients, we are available to answer any questions you may have regarding this study.

Respectfully submitted on February 8, 2021 by

Reserve Advisors, LLC

Visual Inspection and Report by: Timothy J. Matthiesen, RS¹ and Jorge Maya
Review by: Alan M. Ebert, RS, PRA², Director of Quality Assurance



¹ RS (Reserve Specialist) is the reserve provider professional designation of the Community Associations Institute (CAI) representing America's more than 300,000 condominium, cooperative and homeowners associations.

² PRA (Professional Reserve Analyst) is the professional designation of the Association of Professional Reserve Analysts. Learn more about APRA at <http://www.apra-usa.com>.



Long-term thinking. Everyday commitment.

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1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Sweet Brier Condominium Unit Owners Association, Inc. (Sweet Brier)

Location: Madison, Ohio

Reference: 050946

Property Basics: Sweet Brier Condominium Unit Owners Association, Inc. is a homeowners association which is responsible for the common elements shared by 113 single family homes. The community was built in 1997.

Reserve Components Identified: 13 Reserve Components.

Inspection Date: June 25, 2020. An additional visit to the community and meeting with Management and the Board occurred on November 4, 2020.

Funding Goal: The Funding Goal of this Reserve Study is to maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures. Our recommended Funding Plan recognizes this threshold funding year in 2050 due to partial replacement of the streets and erosion control measures necessary at the pond.

Cash Flow Method: We use the Cash Flow Method to compute the Reserve Funding Plan. This method offsets future variable Reserve Expenditures with existing and future stable levels of reserve funding. Our application of this method also considers:

- Current and future local costs of replacement
- 1.0% average current annual rate of return on invested reserves
- 2.9% future Inflation Rate for estimating Future Replacement Costs

Sources for Local Costs of Replacement: Our proprietary database, historical costs and published sources, i.e., R.S. Means, Incorporated.

Cash Status of Reserve Fund:

- \$439,627 as of October 31, 2020
- 2020 budgeted Reserve Contributions of \$30,422
- 2021 budgeted Reserve Contributions of \$35,680

Project Prioritization: We note anticipated Reserve Expenditures for the next 30 years in the *Reserve Expenditures* tables and include a *Five-Year Outlook* table following the *Reserve Funding Plan* in Section 3. We recommend the Association prioritize the following projects in the next five years based on the conditions identified:

- Partial replacement of the concrete streets as necessary
- Installation of storm sewer pipes to remediate drainage issues as necessary
- Completion of a bathymetric survey and drainage study followed by repairs to the pond shorelines due to erosion

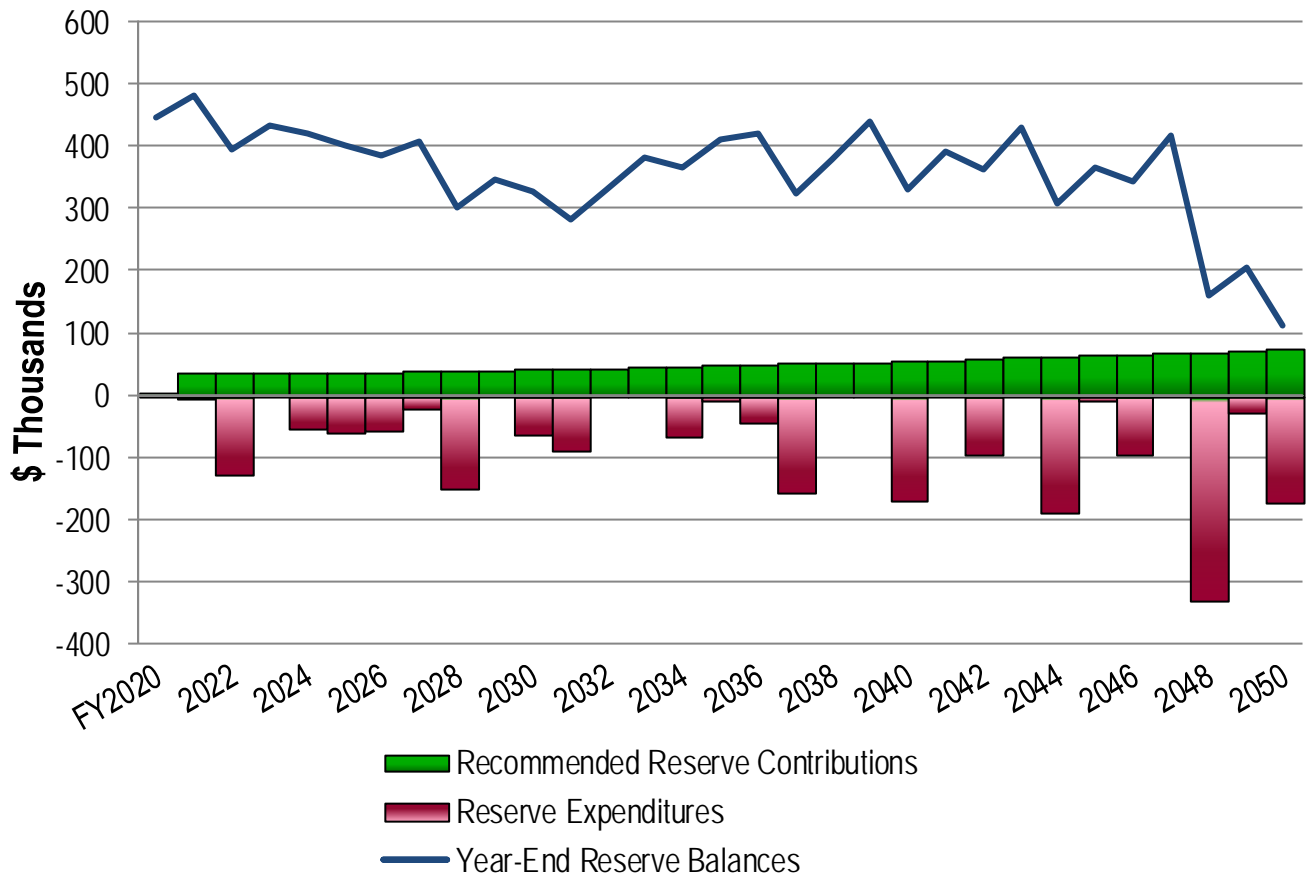
Recommended Reserve Funding: We recommend the following in order to achieve a stable and equitable Funding Plan:

- Stable reserve contributions of \$35,700 from 2022 through 2024
- Beginning in 2025, annual inflationary increases through 2050, the limit of this study's Cash Flow Analysis
- 2022 Reserve Contribution of \$35,700 is equivalent to an average monthly contribution of \$26.33 per homeowner.



Sweet Brier
Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2021	35,680	480,576	2031	43,600	283,221	2041	58,000	392,465
2022	35,700	393,352	2032	44,900	331,178	2042	59,700	362,705
2023	35,700	433,164	2033	46,200	380,921	2043	61,400	428,039
2024	35,700	419,290	2034	47,500	365,434	2044	63,200	306,825
2025	36,700	400,424	2035	48,900	410,517	2045	65,000	366,285
2026	37,800	385,151	2036	50,300	421,507	2046	66,900	342,716
2027	38,900	407,288	2037	51,800	322,724	2047	68,800	415,287
2028	40,000	300,034	2038	53,300	379,518	2048	70,800	158,412
2029	41,200	344,440	2039	54,800	438,387	2049	72,900	205,629
2030	42,400	326,293	2040	56,400	330,866	2050	75,000	111,993





2. RESERVE STUDY REPORT

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of

Sweet Brier Condominium Unit Owners Association, Inc.

Madison, Ohio

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, June 25, 2020.

We present our findings and recommendations in the following report sections and spreadsheets:

- **Identification of Property** - Segregates all property into several areas of responsibility for repair or replacement
- **Reserve Expenditures** - Identifies reserve components and related quantities, useful lives, remaining useful lives and future reserve expenditures during the next 30 years
- **Reserve Funding Plan** - Presents the recommended Reserve Contributions and year-end Reserve Balances for the next 30 years
- **Five-Year Outlook** - Identifies reserve components and anticipated reserve expenditures during the first five years
- **Reserve Component Detail** - Describes the reserve components, includes photographic documentation of the condition of various property elements, describes our recommendations for repairs or replacement, and includes detailed solutions and procedures for replacements for the benefit of current and future board members
- **Methodology** - Lists the national standards, methods and procedures used to develop the Reserve Study
- **Definitions** - Contains definitions of terms used in the Reserve Study, consistent with national standards
- **Professional Service Conditions** - Describes Assumptions and Professional Service Conditions
- **Credentials and Resources**

IDENTIFICATION OF PROPERTY



Our investigation includes Reserve Components or property elements as set forth in your Declaration. The Expenditure tables in Section 3 list the elements contained in this study. Our analysis begins by segregating the property elements into several areas of responsibility for repair and replacement.

Our process of identification helps assure that future boards and the management team understand whether reserves, the operating budget or Homeowners fund certain replacements and assists in preparation of the annual budget. We derive these segregated classes of property from our review of the information provided by the Association and through conversations with Management. These classes of property include:

- Reserve Components
- Long-Lived Property Elements
- Operating Budget Funded Repairs and Replacements
- Property Maintained by Homeowners
- Property Maintained by Others

We advise the Board conduct an annual review of these classes of property to confirm its policy concerning the manner of funding, i.e., from reserves or the operating budget. The Reserve Study identifies Reserve Components as set forth in your Declaration or which were identified as part of your request for proposed services. Reserve Components are defined by CAI as property elements with:

- Sweet Brier responsibility
- Limited useful life expectancies
- Predictable remaining useful life expectancies
- Replacement cost above a minimum threshold

Long-Lived Property Elements may not have predictable Remaining Useful Lives or their replacement may occur beyond the 30-year scope of the study. The operating budget should fund infrequent repairs. Funding untimely or unexpected replacements from reserves will necessitate increases to Reserve Contributions. Periodic updates of this Reserve Study will help determine the merits of adjusting the Reserve Funding Plan. We identify the following Long-Lived Property Elements as excluded from reserve funding at this time:

- Bridge, Abutments, Structure and Deck Walls (A portion of the private streets comprises a precast concrete bridge structure over a ravine. This structure has an indefinite useful life with periodic repairs performed to the top deck including joint sealing and the concrete abutments, which were found to be in good condition. Our inspection of the underside structure indicates no visual signs of deterioration.)



Concrete bridge abutment in good condition



Underside of precast

- Electrical System, Common
- Inlet/Outlet Structures, Concrete, Storm Water Management System



Pond outlet structure in good condition



- Pipes, Subsurface Utilities
- Structural Frame and Foundation, Pavilion

The operating budget provides money for the repair and replacement of certain Reserve Components. The Association may develop independent criteria for use of operating and reserve funds. For purposes of calculating appropriate Reserve Contributions, we identify the following list of Operating Budget Funded Repairs and Replacements:

- General Maintenance to the Common Elements
- Expenditures less than \$2,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Concrete Streets, Joint Sealant (We recommend the Association complete sealing of the street joints every four years. The Association could complete this project by funding a portion of the streets annually to ensure it remains a relatively fixed expense and that all unsealed joints are sealed before the winter season.)
- Flag Pole and Flag
- Irrigation System
- Landscape
- Landscape Light Fixtures
- Pavilion, Interim Masonry Repairs, Interim Site Furniture Replacements and Paint Finishes to the Wood Elements
- Pond, Chemical Treatments and Minor Debris Removal
- Other Repairs normally funded through the Operating Budget

Certain items have been designated as the responsibility of the homeowners to repair or replace at their cost. Property Maintained by Homeowners, including items billed back to Homeowners, relates to:

- Driveways
- Homes and Lots

Certain items have been designated as the responsibility of others to repair or replace. Property Maintained by Others relates to:

- Creek (Lake County Land and Soil) (Management and the Board inform us of erosion at the creek embankments. Should the Association find that the creek and embankments belong to the Association, future updates of this Reserve Study can include erosion remediation as a reserve expense.)
- Light Poles and Fixtures (Illuminating Company)
- Street System, Lexington Boulevard (Municipality)

3. RESERVE EXPENDITURES and FUNDING PLAN

The tables following this introduction present:

Reserve Expenditures

- Line item numbers
- Total quantities
- Quantities replaced per phase (in a single year)
- Reserve component inventory
- Estimated first year of event (i.e., replacement, application, etc.)
- Life analysis showing
 - useful life
 - remaining useful life
- 2020 local cost of replacement
 - Per unit
 - Per phase
 - Replacement of total quantity
- Percentage of future expenditures anticipated during the next 30 years
- Schedule of estimated future costs for each reserve component including inflation

Reserve Funding Plan

- Reserves at the beginning of each year
- Total recommended reserve contributions
- Estimated interest earned from invested reserves
- Anticipated expenditures by year
- Anticipated reserves at year end

Five-Year Outlook

- Line item numbers
- Reserve component inventory of only the expenditures anticipated to occur within the first five years
- Schedule of estimated future costs for each reserve component anticipated to occur within the first five years

The purpose of a Reserve Study is to provide an opinion of reasonable annual Reserve Contributions. Prediction of exact timing and costs of minor Reserve Expenditures typically will not significantly affect the 30-year cash flow analysis. Adjustments to the times and/or costs of expenditures may not always result in an adjustment in the recommended Reserve Contributions.

Financial statements prepared by your association, by you or others might rely in part on information contained in this section. For your convenience, we have provided an electronic data file containing the tables of ***Reserve Expenditures*** and ***Reserve Funding Plan***.

RESERVE EXPENDITURES

Sweet Brier
Condominium Unit Owners Association, Inc.
Madison, Ohio

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$			Percentage of Future Expenditures	16 2036	17 2037	18 2038	19 2039	20 2040	21 2041	22 2042	23 2043	24 2044	25 2045	26 2046	27 2047	28 2048	29 2049	30 2050		
						Useful	Remaining	Unit (2020)	Per Phase (2020)	Total (2020)																		
4.100	25	25	Each	Catch Basins, Inspections and Capital Repairs	2028	15 to 20	8	650.00	16,250	16,250	2.9%																36,181	
4.180	99,350	3,725	Square Feet	Concrete Streets, Partial	2022	to 55	2 to 30+	12.00	44,700	1,192,200	45.8%		72,672		79,180		83,839		88,772		93,996				99,526		105,383	
4.290	10	10	Each	Fire Hydrants	2048	to 50	28	3,750.00	37,500	37,500	4.2%																83,495	
4.600	113	113	Each	Mailboxes	2027	to 30	7	150.00	16,950	16,950	1.0%																	
4.630	1	1	Allowance	Pavilion, Roof, Cedar Shake (Incl. Sidewalk Replacement)	2045	to 25	25	4,350.00	4,350	4,350	0.4%										8,889							
4.649	1,800	360	Linear Feet	Pipes, Storm Sewer (Proposed), Phased	2022	n/a	2 to 10	133.33	48,000	240,000	14.4%																	
4.650	18	1	Allowance	Pipes, Subsurface Utilities, Partial (Incl. Manhole Covers)	2040	to 50	20 to 30+	50,000.00	50,000	900,000	15.1%					88,568				99,298							111,327	
4.700	1	1	Each	Pond, Aerator	2025	10 to 15	5	7,000.00	7,000	7,000	1.8%		11,380														16,038	
4.709	1	1	Allowance	Pond, Bathymetric Survey/Drainage Study	2021	5 to 10	1	5,000.00	5,000	5,000	2.0%							9,378									11,456	
4.710	1,100	1,100	Linear Feet	Pond, Erosion Control, Inspections and Partial Regrading	2022	to 15	2	25.00	27,500	27,500	6.9%	43,449															64,833	
4.730	5,760	1,440	Square Yards	Pond, Sediment Removal, Partial	2037	to 40	17	30.00	43,200	172,800	3.5%		70,234															
4.800	1	1	Allowance	Signage, Entrance Monument	2028	to 30	8	6,000.00	6,000	6,000	0.4%																	
4.810	16	16	Each	Signage, Traffic and Street Identification	2031	to 35	11	1,300.00	20,800	20,800	1.4%																	
Anticipated Expenditures, By Year (\$1,980,194 over 30 years)												43,449	154,286	0	0	167,748	0	93,217	0	188,070	8,889	93,996	0	330,529	27,494	170,216		

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS

Sweet Brier

Condominium Unit Owners Association, Inc.

Madison, Ohio

Individual Reserve Budgets & Cash Flows for the Next 30 Years

	FY2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Reserves at Beginning of Year (Note 1)	439,627	445,434	480,576	393,352	433,164	419,290	400,424	385,151	407,288	300,034	344,440	326,293	283,221	331,178	380,921	365,434
Total Recommended Reserve Contributions (Note 2)	5,070	35,680	35,700	35,700	35,700	36,700	37,800	38,900	40,000	41,200	42,400	43,600	44,900	46,200	47,500	48,900
Plus Estimated Interest Earned, During Year (Note 3)	737	4,607	4,348	4,112	4,241	4,078	3,908	3,942	3,519	3,206	3,337	3,032	3,057	3,543	3,713	3,860
Less Anticipated Expenditures, By Year	0	(5,145)	(127,272)	0	(53,815)	(59,644)	(56,981)	(20,705)	(150,773)	0	(63,884)	(89,704)	0	0	(66,700)	(7,677)
Anticipated Reserves at Year End	<u>\$445,434</u>	<u>\$480,576</u>	<u>\$393,352</u>	<u>\$433,164</u>	<u>\$419,290</u>	<u>\$400,424</u>	<u>\$385,151</u>	<u>\$407,288</u>	<u>\$300,034</u>	<u>\$344,440</u>	<u>\$326,293</u>	<u>\$283,221</u>	<u>\$331,178</u>	<u>\$380,921</u>	<u>\$365,434</u>	<u>\$410,517</u>

(continued)

Individual Reserve Budgets & Cash Flows for the Next 30 Years, Continued

	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Reserves at Beginning of Year	410,517	421,507	322,724	379,518	438,387	330,866	392,465	362,705	428,039	306,825	366,285	342,716	415,287	158,412	205,629
Total Recommended Reserve Contributions	50,300	51,800	53,300	54,800	56,400	58,000	59,700	61,400	63,200	65,000	66,900	68,800	70,800	72,900	75,000
Plus Estimated Interest Earned, During Year	4,139	3,703	3,494	4,069	3,827	3,599	3,757	3,934	3,656	3,349	3,527	3,771	2,854	1,811	1,580
Less Anticipated Expenditures, By Year	(43,449)	(154,286)	0	0	(167,748)	0	(93,217)	0	(188,070)	(8,889)	(93,996)	0	(330,529)	(27,494)	(170,216)
Anticipated Reserves at Year End	<u>\$421,507</u>	<u>\$322,724</u>	<u>\$379,518</u>	<u>\$438,387</u>	<u>\$330,866</u>	<u>\$392,465</u>	<u>\$362,705</u>	<u>\$428,039</u>	<u>\$306,825</u>	<u>\$366,285</u>	<u>\$342,716</u>	<u>\$415,287</u>	<u>\$158,412</u>	<u>\$205,629</u>	<u>\$111,993</u>

(NOTES 4&5)

Explanatory Notes:

- 1) Year 2020 starting reserves are as of October 31, 2020; FY2020 starts January 1, 2020 and ends December 31, 2020.
- 2) Reserve Contributions for 2020 are the remaining budgeted 2 months; 2021 is budgeted; 2022 is the first year of recommended contributions.
- 3) 1.0% is the estimated annual rate of return on invested reserves; 2020 is a partial year of interest earned.
- 4) Accumulated year 2050 ending reserves consider the need to fund for ongoing replacement of the concrete flatwork after 2050 and the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Year (reserve balance at critical point).

FIVE-YEAR OUTLOOK

**Sweet Brier
Condominium Unit Owners Association, Inc.
Madison, Ohio**

Line Item	Reserve Component Inventory	RUL = 0 FY2020	1 2021	2 2022	3 2023	4 2024	5 2025
4.180	Concrete Streets, Partial			47,330			51,568
4.649	Pipes, Storm Sewer (Proposed), Phased			50,824		53,815	
4.700	Pond, Aerator						8,076
4.709	Pond, Bathymetric Survey/Drainage Study		5,145				
4.710	Pond, Erosion Control, Inspections and Partial Regrading			29,118			
Anticipated Expenditures, By Year (\$1,980,194 over 30 years)		0	5,145	127,272	0	53,815	59,644

4. RESERVE COMPONENT DETAIL

The Reserve Component Detail of this *Full Reserve Study* includes enhanced solutions and procedures for select significant components. This section describes the Reserve Components, documents specific problems and condition assessments, and may include detailed solutions and procedures for necessary capital repairs and replacements for the benefit of current and future board members. We advise the Board use this information to help define the scope and procedures for repair or replacement when soliciting bids or proposals from contractors. *However, the Report in whole or part is not and should not be used as a design specification or design engineering service.*

Catch Basins

Line Item: 4.100

Quantity: 25 each

History: Original

Condition: Good overall without settlement visually apparent



Concrete catch basin with metal grate

Useful Life: The useful life of catch basins is up to 65 years. However, achieving this useful life usually requires capital repairs or partial replacements every 15- to 20-years.

Component Detail Notes: Erosion causes settlement around the collar of catch basins. Left unrepaired, the entire catch basin will shift and need replacement.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association plan for inspections and repairs to the catch basins in conjunction with partial replacements of the streets.

Concrete Streets

Line Item: 4.180

Quantity: 99,350 square feet of streets throughout the development

Condition: The streets are in good to fair overall condition with isolated sections of spall and repaired/unrepaired cracks located mostly at the main intersections. Our inspection also notes isolated cracks and chips at the edges of the streets. A majority of the deterioration was found at the main loop of Lavender Lane/Jasmine Lane/Jonquil Lane/Coralberry Lane/Cornflower Lane. The cul-de-sacs that branch off of the main loop and Brier Patch Lane streets exhibited less instances of deterioration.



Concrete street overview



Concrete street and control joints in good condition



High frequency of repaired cracks at intersection



Repaired cracks at intersection near catch basin



Unrepaired crack



Unrepaired crack



Cracks and chips at intersection



Previous repairs



Isolated section of severe spall



Isolated section of minor spall



**Cracks and spall at residential driveway
(Homeowner responsibility for replacement)**



**Deterioration at intersection of street and
driveway**



Chip at edge of street



Large chip at street edge near catch basin

Useful Life: Up to 55 years. Heavy traffic from vehicles reduces this useful life from longer projections for other flatwork not subject to regular vehicular traffic. Despite this long useful life, interim deterioration of areas is common for concrete flatwork, resulting in the need to plan for periodic partial replacements as necessary.

Component Detail Notes: During cold weather, concrete streets contract causing joints to widen which allows for the accumulation of debris. During warm weather, the pavement expands and the joints narrow. Accumulated incompressible debris in the joints produces high compressive stresses at the adjoining faces of the joints. These compressive stresses can cause spalling of the concrete along the joints. In addition, coarse aggregates used in concrete pavement are susceptible to disintegration ("D" cracking) from repeated freeze and thaw cycles. The disintegration and spalling associated with these stresses typically occurs at open, unsealed pavement joints due to moisture and debris accumulation in the joints. For these reasons, we recommend the Association seal all concrete street joints to maximize the useful life of the concrete. The Association should fund these expenses through the operating budget.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We estimate that up to 44,700 square feet of concrete streets, or forty-five percent (45%) of the total, will require replacement during the next 30 years. For all concrete flatwork, we recommend the Association anticipate an increased rate of replacement as the concrete ages.

Fire Hydrants

Line Item: 4.290

Quantity: 10 each

History: Original

Condition: Good overall

Useful Life: Up to 50 years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Mailboxes

Line Item: 4.600

Quantity: 113 metal mailboxes

History: Original

Condition: Good overall



Metal mailboxes in good condition

Useful Life: Up to 30 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Pavilion

Line Item: 4.630

History: The pavilion is original; the roof and sidewalks are to be replaced in 2020 at a combined cost of \$4,350

Condition: Following completion of the roof and sidewalk replacements, we assume good overall condition



Masonry pavilion with cedar shake roof



Cedar shake roof in fair condition

Useful Life: The pavilion structure has an indefinite useful life with renovations performed every 25 years. Renovations should include replacement of the cedar shake roof and concrete flatwork.

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association budget for paint applications to the wood elements, interim repairs to the masonry and replacement of the site furniture through the operating budget.

Pipes, Storm Sewer and Subsurface Utilities

Line Items: 4.649 and 4.650

Quantity, History and Condition: The Association recently installed 600 linear feet of storm sewer pipes along South Coralberry at a cost of \$80,000. Management and the Board inform us additional storm sewers are needed at the north and west perimeters of the community (along North Coralberry and Jonquil) in the near term and we estimate the linear footage at 1,800 linear feet. Quantities on proposals for this work may differ from our quantity once an invasive investigation of the drainage needs of these areas is performed. Additionally, the Association maintains the subsurface utility pipes serving the homes throughout the community. The subsurface utility pipes are original and reported in satisfactory condition.

Useful Life: The subsurface utility pipes (including the recently installed storm water pipes) have a useful life of up to and likely beyond 85 years. However, interim deterioration of the pipes is common resulting in the need to plan for periodic partial replacements as the pipes age.

Component Detail Notes: The Association maintains the subsurface utility pipes throughout the property. The exact amounts and locations of the subsurface utility pipes were not ascertained due to the nature of the underground construction and the non-invasive nature of the inspection.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. At this time we do not anticipate replacement of continuous lengths of subsurface utility pipes. Rather we recommend the Association budget for repairs to isolated occurrences of breached utilities. Although it is likely that the times of replacement and extent of repair costs may vary from the budgetary allowance, Sweet Brier could budget sufficient reserves for these utility repairs and have the opportunity to adjust its future reserves up or down to meet any changes to these budgetary estimates. Updates of this Reserve Study would incorporate changes to budgetary costs through a continued historical analysis of the rate of deterioration and actual repairs to budget sufficient reserves. Our cost estimate for replacement of the subsurface utility pipes includes replacement of homeowner maintained driveways if necessary for access (manhole covers were located on certain driveways).

Pond, Aerator

Line Item: 4.700

History: Unknown age

Condition: Reported in good condition

Useful Life: 10- to 15-years

Component Detail Notes: The use of small pumps, motors and aerators circulates pond water and increases the amount of entrained oxygen in the water, increasing water quality and reducing algae growths.



Fountain style pond aerator

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Pond, Bathymetric Survey/Drainage Study

Line Item: 4.709

Useful Life: To ascertain the condition of the pond below the surface, we recommend the use of bathymetric surveys every 5- to 10-years. Additionally, we recommend the Association incorporate drainage studies of the creek and surrounding area to determine potential erosion control measures.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Pond, Erosion Control

Line Item: 4.710

Quantity: 1,100 linear feet of natural vegetation

History: The shorelines are primarily original and we are not informed of significant repairs or erosion control measures performed beyond routine maintenance

Condition: The shorelines are in fair overall condition and we note erosion and loss of ground cover at the east and west banks of the pond, particularly near the concrete inlet/outlet structures



Shoreline and sloped embankment at north bank of pond



Minor erosion and loss of ground cover at west shoreline



Shoreline erosion at east shoreline



Shoreline erosion at east end of pond

Useful Life: Shorelines are subject to fluctuations in water levels, increased plant growth and migrating storm and ground water resulting in the need for erosion control measures up to every 15 years.

Component Detail Notes: The steep shoreline embankments are likely to exacerbate soil movement and erosion. The use and maintenance of landscape, natural vegetation and/or stone rip rap along the pond shoreline will help maintain an attractive appearance and prevent soil erosion. Based on the observed visual condition, we recommend re-grading of the shorelines as the most cost effective solution for near term repairs. However, the Association may consider the installation of buffer zone plantings or stone rip-rap. These alternative measures, while initially more expensive, provide similar costs of ownership but require ongoing maintenance practices (the plantings will require partial replacement as needed and the rip-rap will require

augmentation as needed). We describe these costs of installation, maintenance and annual ownership in the table below:

Erosion Control Measures	Re-grade 50%	Plantings	Rip-Rap
Cost in 2020 Dollars	\$27,500	\$50,600	\$77,000
Divided by its Useful Life (Years)	15	30	45
Equals Cost of Ownership ¹ Relating to Eventual Replacement, in 2020 Dollars	\$1,833	\$1,687	\$1,711
Total Life-Cycle Maintenance Costs, in 2020 Dollars	\$0	\$2,530	\$3,850
Divided by Life-Cycle of Each Maintenance Event (Years)	N/A	15	15
Cost of Ownership for Maintenance During Remaining Useful Life, in 2020 Dollars	\$0	\$169	\$257
Total Annual Cost of Ownership (2020 dollars)	\$1,833	\$1,856	\$1,968

¹ Cost of Ownership is a method to describe the direct and indirect costs to purchase and maintain an element through its entire useful life.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association plan for a complete inspection of the shorelines and regrading of approximately fifty percent (50%), of the shoreline per event.

Pond, Sediment Removal

Line Item: 4.730

Quantity: Approximately 5,760 square yards of water surface area

Condition: Good overall. Management does not inform us of a history of sediment buildup, sediment removal or algae blooms. Our inspection notes debris accumulation at the shallow sections, particularly the far east end of the pond.

Useful Life: Based on the visual condition, construction, adjacent deciduous trees and visibly apparent erosion, we recommend the Association anticipate the need to remove pond sediment up to every 40 years.

Component Detail Notes: The gradual build-up of natural debris, including tree leaves, branches and silt, may eventually change the topography of areas of the pond. Silt typically accumulates at inlets, outlets and areas of shoreline erosion. Sediment removal of ponds becomes necessary if this accumulation alters the quality of pond water or the functionality of the ponds as storm water management structures. Sediment removal is the optimal but also the most capital intensive method of pond management.



Pond, viewing east



Pond, viewing west; note debris buildup in foreground

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. For reserve budgeting purposes, we estimate the need to remove an average depth of one yard from approximately twenty-five percent (25%) of the surface area. However, the actual volume of material to remove may vary dependent upon an invasive analysis at the time of removal. A visual inspection of a body of water cannot reveal the amount of accumulated silt. This is especially true on larger bodies of water. It is therefore inaccurate to assume an entire body of water will require sediment removal. It is more cost effective to spot remove in areas of intense silt accumulation as noted through bathymetric surveys. The amount or depth of silt is determined through prodding into the silt until a relatively solid base is found or through bathymetric surveys. A bathymetric survey establishes a base of data about the depth of the body of water over many locations against which the data of future surveys is compared. These invasive procedures are beyond the scope of a Reserve Study and require multiple visits to the site. We recommend Sweet Brier contract with a local engineer for periodic bathymetric surveys. Future updates of the Reserve Study can incorporate future anticipated expenditures based on the results of the bathymetric surveys.

Unit costs per cubic yard to remove can vary significantly based on the type of equipment used, quantity of removed material and disposal of removed material. Sediment removal costs must also include mobilization, or getting the equipment to and from the site. Also, the portion of the overall cost to remove associated with mobilization varies based on the volume removed. Costs for sediment disposal also vary depending on the site. Compact sites will require hauling and in some cases disposal fees.

Signage, Entrance Monument

Line Item: 4.800

History: Original

Condition: Good overall



Entrance monument sign

Useful Life: Up to 30 years

Component Detail Notes: The community signs contribute to the overall aesthetic appearance of the property to owners and potential buyers. Replacement of community signs is often predicated upon the desire to "update" the perceived identity of the community rather than for utilitarian concerns. Therefore, the specific time for replacement of the signs is discretionary.

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Signage, Traffic and Street Identification

Line Item: 4.810

Quantity: 16 each

History: Original

Condition: Good overall

Useful Life: Up to 35 years



Street identification signage



Traffic management signage

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Reserve Study Update

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. Many variables change after the study is conducted that may result in significant overfunding or underfunding the reserve account. Variables that may affect the Reserve Funding Plan include, but are not limited to:

- Deferred or accelerated capital projects based on Board discretion
- Changes in the interest rates on reserve investments
- Changes in the *local* construction inflation rate
- Additions and deletions to the Reserve Component Inventory
- The presence or absence of maintenance programs
- Unusually mild or extreme weather conditions
- Technological advancements

Periodic updates incorporate these variable changes since the last Reserve Study or Update. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. Budgeting for an Update demonstrates the Board's objective to continue fulfilling its fiduciary responsibility to maintain the commonly owned property and to fund reserves appropriately.

5.METHODOLOGY

Reserves for replacement are the amounts of money required for future expenditures to repair or replace Reserve Components that wear out before the entire facility or project wears out. Reserving funds for future repair or replacement of the Reserve Components is also one of the most reliable ways of protecting the value of the property's infrastructure and marketability.

Sweet Brier can fund capital repairs and replacements in any combination of the following:

1. Increases in the operating budget during years when the shortages occur
2. Loans using borrowed capital for major replacement projects
3. Level monthly reserve assessments annually adjusted upward for inflation to increase reserves to fund the expected major future expenditures
4. Special assessments

We do not advocate special assessments or loans unless near term circumstances dictate otherwise. Although loans provide a gradual method of funding a replacement, the costs are higher than if the Association were to accumulate reserves ahead of the actual replacement. Interest earnings on reserves also accumulate in this process of saving or reserving for future replacements, thereby defraying the amount of gradual reserve collections. We advocate the third method of *Level Monthly Reserve Assessments* with relatively minor annual adjustments. The method ensures that Homeowners pay their "fair share" of the weathering and aging of the commonly owned property each year. Level reserve assessments preserve the property and enhance the resale value of the homes.

This Reserve Study is in compliance with and exceeds the National standards¹ set forth by the Association of Professional Reserve Analysts (APRA) fulfilling the requirements of a "Level I Full Reserve Study." These standards require a Reserve Component to have a "predictable remaining Useful Life." Estimating Remaining Useful Lives and Reserve Expenditures beyond 30 years is often indeterminate. Long-Lived Property Elements are necessarily excluded from this analysis. We considered the following factors in our analysis:

- The Cash Flow Method to compute, project and illustrate the 30-year Reserve Funding Plan
- Local² costs of material, equipment and labor
- Current and future costs of replacement for the Reserve Components
- Costs of demolition as part of the cost of replacement
- Local economic conditions and a historical perspective to arrive at our estimate of long-term future inflation for construction costs in Madison,

¹ Identified in the APRA "Standards - Terms and Definitions" and the CAI "Terms and Definitions".

² See Credentials for additional information on our use of published sources of cost data.

Ohio at an annual inflation rate³. Isolated or regional markets of greater construction (development) activity may experience slightly greater rates of inflation for both construction materials and labor.

- The past and current maintenance practices of Sweet Brier and their effects on remaining useful lives
- Financial information provided by the Association pertaining to the cash status of the reserve fund and budgeted reserve contribution
- The anticipated effects of appreciation of the reserves over time in accord with a return or yield on investment of your cash equivalent assets. (We did not consider the costs, if any, of Federal and State Taxes on income derived from interest and/or dividend income).
- The Funding Plan excludes necessary operating budget expenditures. It is our understanding that future operating budgets will provide for the ongoing normal maintenance of Reserve Components.

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

³ Derived from Marshall & Swift, historical costs and the Bureau of Labor Statistics.



6. CREDENTIALS

HISTORY AND DEPTH OF SERVICE

Founded in 1991, Reserve Advisors is the leading provider of reserve studies, insurance appraisals, developer turnover transition studies, expert witness services, and other engineering consulting services. Clients include community associations, resort properties, hotels, clubs, non-profit organizations, apartment building owners, religious and educational institutions, and office/commercial building owners in 48 states, Canada and throughout the world.

The **architectural engineering consulting firm** was formed to take a leadership role in helping fiduciaries, boards, and property managers manage their property like a business with a long-range master plan known as a Reserve Study.

Reserve Advisors employs the **largest staff of Reserve Specialists** with bachelor's degrees in engineering dedicated to Reserve Study services. Our principals are founders of Community Associations Institute's (CAI) Reserve Committee that developed national standards for reserve study providers. One of our principals is a Past President of the Association of Professional Reserve Analysts (APRA). Our vast experience with a variety of building types and ages, on-site examination and historical analyses are keys to determining accurate remaining useful life estimates of building components.

No Conflict of Interest - As consulting specialists, our **independent opinion** eliminates any real or perceived conflict of interest because we do not conduct or manage capital projects.

TOTAL STAFF INVOLVEMENT

Several staff members participate in each assignment. The responsible advisor involves the staff through a Team Review, exclusive to Reserve Advisors, and by utilizing the experience of other staff members, each of whom has served hundreds of clients. We conduct Team Reviews, an internal quality assurance review of each assignment, including: the inspection; building component costing; lifing; and technical report phases of the assignment. Due to our extensive experience with building components, we do not have a need to utilize subcontractors.

OUR GOAL

To help our clients fulfill their fiduciary responsibilities to maintain property in good condition.

VAST EXPERIENCE WITH A VARIETY OF BUILDINGS

Reserve Advisors has conducted reserve studies for a multitude of different communities and building types. We've analyzed thousands of buildings, from as small as a 3,500-square foot day care center to the 2,600,000-square foot 98-story Trump International Hotel and Tower in Chicago. We also routinely inspect buildings with various types of mechanical systems such as simple electric heat, to complex systems with air handlers, chillers, boilers, elevators, and life safety and security systems.

We're familiar with all types of building exteriors as well. Our well-versed staff regularly identifies optimal repair and replacement solutions for such building exterior surfaces such as adobe, brick, stone, concrete, stucco, EIFS, wood products, stained glass and aluminum siding, and window wall systems.

OLD TO NEW

Reserve Advisors' experience includes ornate and vintage buildings as well as modern structures. Our specialists are no strangers to older buildings. We're accustomed to addressing the unique challenges posed by buildings that date to the 1800's. We recognize and consider the methods of construction employed into our analysis. We recommend appropriate replacement programs that apply cost effective technologies while maintaining a building's character and appeal.



TIMOTHY J. MATTHIESEN, RS
Responsible Advisor



CURRENT CLIENT SERVICES

Timothy J. Matthiesen, a Civil Engineer, is an Advisor for Reserve Advisors, which is dedicated to serving community associations, religious organizations, educational facilities, and public and private entities throughout the United States. Mr. Matthiesen is responsible for the inspection and analysis of the property's current condition, recommending engineering solutions to prolong the lives of building components, forecasting capital expenditures for the repair and/or replacement of the property components, and technical report preparation on assignments. He is responsible for conducting Life Cycle Cost Analysis and Capital Replacement Forecast Services on townhomes, homeowners associations and planned unit developments.

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

The Walnuts - Three high rises comprised of masonry built in 1929 near the plaza in Kansas City.

Riverstone Homeowners Association - 3,000 acre planned unit development outside of Houston area with over 6,000 homes, multiple clubhouse and pool facilities and 23 miles of common area fencing.

Four Seasons Resorts Colorado - State of the art 45-story high rise hotel and condominium in downtown Denver and ski lodge destination resort in Vail.

Glenhaven Lakes Club - Homeowners association of over 1,000 homes set in the mountains north of Seattle. The community is responsible for its extensive private water system and maintenance equipment.

Museum Tower - Residential tower that rises 50 stories over downtown Dallas.

Lake Monticello - 3,500 acre development in Central Virginia with 4,500+ single family homes, 18 hole golf course, 62 miles of private streets, 400 acres of private lakes and extensive maintenance and security facilities.

Montgomery Plaza - Constructed in 1927 as a regional retail and mail order warehouse for the Montgomery Ward company, this art-deco style high rise now comprises a shopping mall and luxury condominium development in Fort Worth.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Mr. Matthiesen was working with a consulting firm to assess school facility capabilities in southeastern Wisconsin. He was responsible for the inspection and condition assessment of school facilities which included conducting on-site meetings with school personnel, completing technical inspections and creating a database of photographs and building condition information.

Mr. Matthiesen also worked for the county parks department near his hometown as a Civil Engineer. He was responsible for the design of park facilities including roadways and parking lots, picnic shelters and recreational trails along with the inspection of current facilities including historic structures maintained by the County.

EDUCATION

Marquette University - B.S. Civil Engineering

PROFESSIONAL AFFILIATIONS

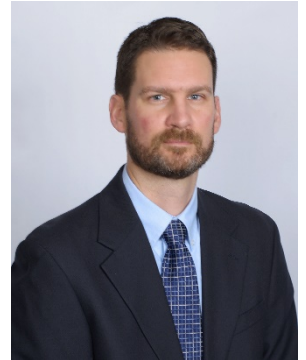
Reserve Specialist (RS) - Community Associations Institute

ALAN M. EBERT, P.E., PRA, RS
Director of Quality Assurance

CURRENT CLIENT SERVICES

Alan M. Ebert, a Professional Engineer, is the Director of Quality Assurance for Reserve Advisors. Mr. Ebert is responsible for the management, review and quality assurance of reserve studies. In this role, he assumes the responsibility of stringent report review analysis to assure report accuracy and the best solution for Reserve Advisors' clients.

Mr. Ebert has been involved with thousands of Reserve Study assignments. The following is a partial list of clients served by Alan Ebert demonstrating his breadth of experiential knowledge of community associations in construction and related buildings systems.



Brownsville Winter Haven Located in Brownsville, Texas, this unique homeowners association contains 525 units. The Association maintains three pools and pool houses, a community and management office, landscape and maintenance equipment, and nine irrigation canals with associated infrastructure.

Rosemont Condominiums This unique condominium is located in Alexandria, Virginia and dates to the 1940's. The two mid-rise buildings utilize decorative stone and brick masonry. The development features common interior spaces, multi-level wood balconies and common asphalt parking areas.

Stillwater Homeowners Association Located in Naperville, Illinois, Stillwater Homeowners Association maintains four tennis courts, an Olympic sized pool and an upscale ballroom with commercial-grade kitchen. The community also maintains three storm water retention ponds and a detention basin.

Birchfield Community Services Association This extensive Association comprises seven separate parcels which include 505 townhome and single family homes. This Community Services Association is located in Mt. Laurel, New Jersey. Three lakes, a pool, a clubhouse and management office, wood carports, aluminum siding, and asphalt shingle roofs are a few of the elements maintained by the Association.

Oakridge Manor Condominium Association Located in Londonderry, New Hampshire, this Association includes 104 units at 13 buildings. In addition to extensive roads and parking areas, the Association maintains a large septic system and significant concrete retaining walls.

Memorial Lofts Homeowners Association This upscale high rise is located in Houston, Texas. The 20 luxury units include large balconies and decorative interior hallways. The 10-story building utilizes a painted stucco facade and TPO roof, while an on-grade garage serves residents and guests.

PRIOR RELEVANT EXPERIENCE

Mr. Ebert earned his Bachelor of Science degree in Geological Engineering from the University of Wisconsin-Madison. His relevant course work includes foundations, retaining walls, and slope stability. Before joining Reserve Advisors, Mr. Ebert was an oilfield engineer and tested and evaluated hundreds of oil and gas wells throughout North America.

EDUCATION

University of Wisconsin-Madison - B.S. Geological Engineering

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

Professional Engineering License – Wisconsin, North Carolina, Illinois, Colorado

Reserve Specialist (RS) - Community Associations Institute

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



RESOURCES

Reserve Advisors utilizes numerous resources of national and local data to conduct its Professional Services. A concise list of several of these resources follows:

Association of Construction Inspectors, (ACI) the largest professional organization for those involved in construction inspection and construction project management. ACI is also the leading association providing standards, guidelines, regulations, education, training, and professional recognition in a field that has quickly become important procedure for both residential and commercial construction, found on the web at www.iami.org.

American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc., (ASHRAE) the American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc., devoted to the arts and sciences of heating, ventilation, air conditioning and refrigeration; recognized as the foremost, authoritative, timely and responsive source of technical and educational information, standards and guidelines, found on the web at www.ashrae.org. Reserve Advisors actively participates in its local chapter and holds individual memberships.

Community Associations Institute, (CAI) America's leading advocate for responsible communities noted as the only national organization dedicated to fostering vibrant, responsive, competent community associations. Their mission is to assist community associations in promoting harmony, community, and responsible leadership.

Marshall & Swift / Boeckh, (MS/B) the worldwide provider of building cost data, co-sourcing solutions, and estimating technology for the property and casualty insurance industry found on the web at www.marshallswift.com.

R.S. Means CostWorks, North America's leading supplier of construction cost information. As a member of the Construction Market Data Group, Means provides accurate and up-to-date cost information that helps owners, developers, architects, engineers, contractors and others to carefully and precisely project and control the cost of both new building construction and renovation projects found on the web at www.rsmeans.com.

Reserve Advisors' library of numerous periodicals relating to reserve studies, condition analyses, chapter community associations, and historical costs from thousands of capital repair and replacement projects, and product literature from manufacturers of building products and building systems.

7. DEFINITIONS

Definitions are derived from the standards set forth by the Community Associations Institute (CAI) representing America's 305,000 condominium and homeowners associations and cooperatives, and the Association of Professional Reserve Analysts, setting the standards of care for reserve study practitioners.

Cash Flow Method - A method of calculating Reserve Contributions where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

Component Method - A method of developing a Reserve Funding Plan with the total contribution is based on the sum of the contributions for individual components.

Current Cost of Replacement - That amount required today derived from the quantity of a *Reserve Component* and its unit cost to replace or repair a Reserve Component using the most current technology and construction materials, duplicating the productive utility of the existing property at current *local* market prices for *materials, labor* and manufactured equipment, contractors' overhead, profit and fees, but without provisions for building permits, overtime, bonuses for labor or premiums for material and equipment. We include removal and disposal costs where applicable.

Fully Funded Balance - The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost similar to Total Accrued Depreciation.

Funding Goal (Threshold) - The stated purpose of this Reserve Study is to determine the adequate, not excessive, minimal threshold reserve balances.

Future Cost of Replacement - *Reserve Expenditure* derived from the inflated current cost of replacement or current cost of replacement as defined above, with consideration given to the effects of inflation on local market rates for materials, labor and equipment.

Long-Lived Property Component - Property component of Sweet Brier responsibility not likely to require capital repair or replacement during the next 30 years with an unpredictable remaining Useful Life beyond the next 30 years.

Percent Funded - The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.

Remaining Useful Life - The estimated remaining functional or useful time in years of a *Reserve Component* based on its age, condition and maintenance.

Reserve Component - Property elements with: 1) Sweet Brier responsibility; 2) limited Useful Life expectancies; 3) predictable Remaining Useful Life expectancies; and 4) a replacement cost above a minimum threshold.

Reserve Component Inventory - Line Items in *Reserve Expenditures* that identify a *Reserve Component*.

Reserve Contribution - An amount of money set aside or *Reserve Assessment* contributed to a *Reserve Fund* for future *Reserve Expenditures* to repair or replace *Reserve Components*.

Reserve Expenditure - Future Cost of Replacement of a Reserve Component.

Reserve Fund Status - The accumulated amount of reserves in dollars at a given point in time, i.e., at year end.

Reserve Funding Plan - The portion of the Reserve Study identifying the *Cash Flow Analysis* and containing the recommended Reserve Contributions and projected annual expenditures, interest earned and reserve balances.

Reserve Study - A budget planning tool that identifies the current status of the reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures.

Useful Life - The anticipated total time in years that a *Reserve Component* is expected to serve its intended function in its present application or installation.



8. PROFESSIONAL SERVICE CONDITIONS

Our Services - Reserve Advisors, LLC (RA) performs its services as an independent contractor in accordance with our professional practice standards and its compensation is not contingent upon our conclusions. The purpose of our reserve study is to provide a budget planning tool that identifies the current status of the reserve fund, and an opinion recommending an annual funding plan to create reserves for anticipated future replacement expenditures of the property.

Our inspection and analysis of the subject property is limited to visual observations, is noninvasive and is not meant to nor does it include investigation into statutory, regulatory or code compliance. RA inspects sloped roofs from the ground and inspects flat roofs where safe access (stairs or ladder permanently attached to the structure) is available. The report is based upon a "snapshot in time" at the moment of inspection. RA may note visible physical defects in our report. The inspection is made by employees generally familiar with real estate and building construction but in the absence of invasive testing RA cannot opine on, nor is RA responsible for, the structural integrity of the property including its conformity to specific governmental code requirements for fire, building, earthquake, and occupancy, or any physical defects that were not readily apparent during the inspection.

RA is not responsible for conditions that have changed between the time of inspection and the issuance of the report. RA does not investigate, nor assume any responsibility for any existence or impact of any hazardous materials, such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, environmental mold or other potentially hazardous materials or structural defects that are latent or hidden defects which may or may not be present on or within the property. RA does not make any soil analysis or geological study as part of its services; nor does RA investigate water, oil, gas, coal, or other subsurface mineral and use rights or such hidden conditions. RA assumes no responsibility for any such conditions. The Report contains opinions of estimated costs and remaining useful lives which are neither a guarantee of the actual costs of replacement nor a guarantee of remaining useful lives of any property element.

RA assumes, without independent verification, the accuracy of all data provided to it. You agree to indemnify and hold RA harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement, because of any false, misleading or incomplete information which we have relied upon supplied by you or others under your direction, or which may result from any improper use or reliance on the Report by you or third parties under your control or direction. Your obligation for indemnification and reimbursement shall extend to any director, officer, employee, affiliate, or agent of RA. Liability of RA and its employees, affiliates, and agents for errors and omissions, if any, in this work is limited to the amount of its compensation for the work performed in this engagement.

Report - RA completes the services in accordance with the Proposal. The Report represents a valid opinion of RA's findings and recommendations and is deemed complete. RA, however, considers any additional information made available to us within 6 months of issuing the Report if a timely request for a revised Report is made. RA retains the right to withhold a revised Report if payment for services was not tendered in a timely manner. All information received by RA and all files, work papers or documents developed by RA during the course of the engagement shall remain the property of RA and may be used for whatever purpose it sees fit.

Your Obligations - You agree to provide us access to the subject property for an on-site visual inspection. You agree to provide RA all available, historical and budgetary information, the governing documents, and other information that we request and deem necessary to complete the Report. You agree to pay actual attorneys' fees and any other costs incurred to collect on any unpaid balance for RA's services.

Use of Our Report and Your Name - Use of this Report is limited to only the purpose stated herein. You hereby acknowledge that any use or reliance by you on the Report for any unauthorized purpose is at your own risk and you shall hold RA harmless from any consequences of such use. Use by any unauthorized third party is unlawful. The Report in whole or in part **is not and cannot be used as a design specification for design engineering purposes or as an appraisal**. You may show our Report in its entirety to the following third parties: members of your organization, your accountant, attorney, financial institution and property manager who need to review the information contained herein. Without the written consent of RA, you shall not disclose the Report to any other third party. The Report contains intellectual property developed by RA and **shall not be reproduced or distributed to any party that conducts reserve studies without the written consent of RA**.

RA will include your name in our client lists. RA reserves the right to use property information to obtain estimates of replacement costs, useful life of property elements or otherwise as RA, in its sole discretion, deems appropriate.

Payment Terms, Due Dates and Interest Charges - Retainer payment is due upon authorization and prior to inspection. The balance is due net 30 days from the report shipment date. Any balance remaining 30 days after delivery of the Report shall accrue an interest charge of 1.5% per month. Any litigation necessary to collect an unpaid balance shall be venued in Milwaukee County Circuit Court for the State of Wisconsin.