Revised
FULL RESERVE STUDY
Sunset Lakes
Homeowners' Association, Inc.

Merritt Island, Florida

Inspected - February 23, 2021
Revised - October 15, 2021

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Corporate Office
Reserve Advisors, LLC
735 N. Water Street, Suite 175
Milwaukee, WI 53202

Sunset Lakes Homeowners' Association, Inc.
Merritt Island, Florida

Dear Board of Directors of Sunset Lakes Homeowners' Association, Inc.:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of Sunset Lakes Homeowners' Association, Inc. in Merritt Island, Florida and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, February 23, 2021.

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 Sunset Lakes Homeowners' 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 October 15, 2021 by

Reserve Advisors, LLC

Visual Inspection and Report by: Nicole L. Lowery, RS[1], PRA[2]
Review by: Alan M. Ebert, RS, PRA, 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.

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1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Sunset Lakes Homeowners' Association, Inc. (Sunset Lakes)
Location: Merritt Island, Florida
Reference: 170990

Property Basics: Sunset Lakes Homeowners' Association, Inc. is responsible for the common elements shared by 469 single family homes. The community was built from 1992 to 2002.

Reserve Components Identified: 25 Reserve Components.

Inspection Date: February 23, 2021.

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 2027 due to repaving of the asphalt pavement. In addition, the Reserve Funding Plan recommends 2051 year end accumulated reserves of approximately $1,125,900. We judge this amount of accumulated reserves in 2051 necessary to fund the continued replacement of the geotubes at the pond shorelines after 2051. Future replacement costs beyond the next 30 years for the replacement of the geotubes at the pond shorelines are likely to more than double the current cost of replacement. These future needs, although beyond the limit of the Cash Flow Analysis of this Reserve Study, are reflected in the amount of accumulated 2051 year end reserves.

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
- 0.9% anticipated annual rate of return on invested reserves
- 2.1% 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.

Unaudited Cash Status of Reserve Fund:

- $435,681 as of January 1, 2021
- 2021 budgeted Reserve Contributions of $114,736
- A potential deficit in reserves might occur by 2026 based upon continuation of the most recent annual reserve contribution of $114,736 and the identified Reserve Expenditures.

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:

- Replacement of the wood bridges, docks and piers
- Replacement of the tennis court
- Begin to repave the remaining asphalt pavement

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

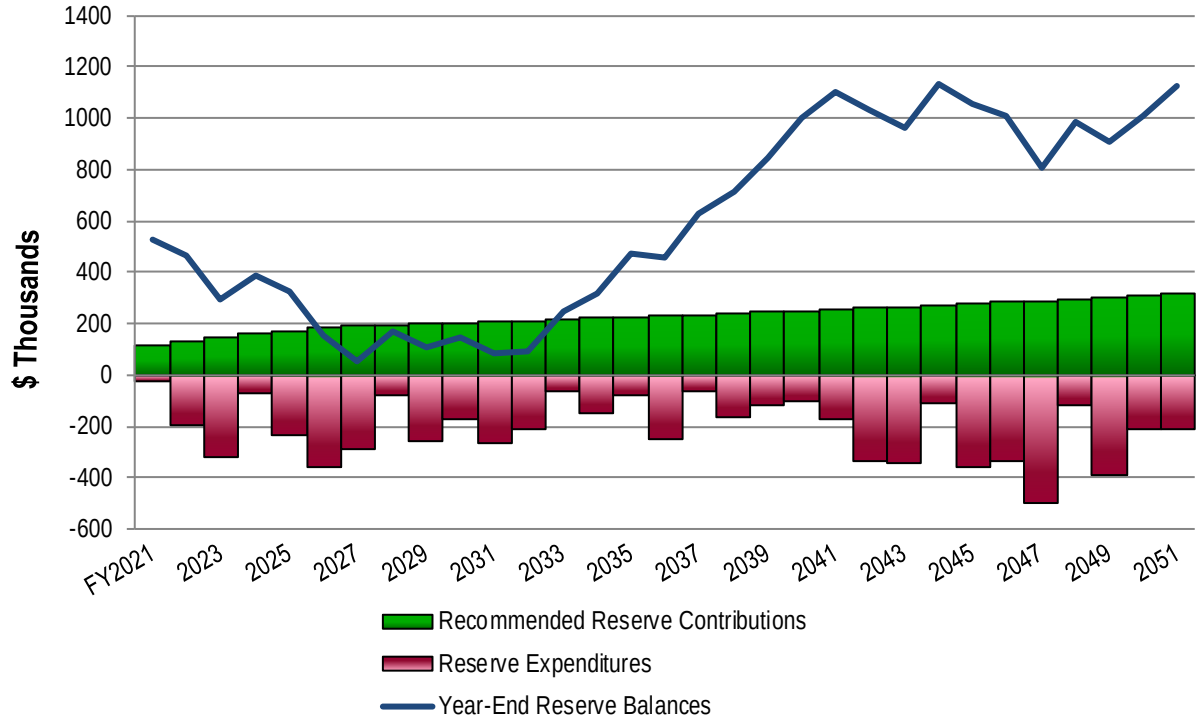
- Phased increases of approximately $14,500 from 2022 through 2026
- Inflationary increases through 2051, the limit of this study's Cash Flow Analysis
- Initial adjustment in Reserve Contributions of $14,464 represents an average monthly increase of $2.57 per homeowner and about a four percent (4.3%) adjustment in the 2021 total Operating Budget of $337,680.

Component Method Funding: In addition to the Reserve Funding Plan, we have included a Component Method Reserve Analysis in the Reserve Funding Plan at the request of the Board. This method applies the concept of simple straight line depreciation to determine an annual provision of reserve funding for each common element segregated into separate Reserve Accounts. Simply, the annual provision for reserve funding is the replacement cost of a common element (less any existing reserves) divided by its remaining useful life. Using the same physical data as in the Cash Flow Analysis, the Component Method Reserve Analysis for Sunset Lakes results in a 2022 recommended Reserve Contribution of $284,888. This difference emphasizes our recommendation to fund the Reserve Account using the Cash Flow or “Threshold” method of Reserve Analysis.

If the Association currently calculates reserves based on the Component Method and allocates funds to individual line items, the reclassification of existing funds as pooled reserves would not be allowed unless approved by a majority vote of the owners at a duly called meeting of the Association. In lieu of obtaining a vote of the owners, a Board may vote to fund future reserves based on a pooled analysis. The Association then simply spends the funds in their existing segregated accounts on the initial repair or replacement project for that item. When all of the existing segregated funds in an account are expended, the account is eliminated thus eliminating the need to get an owner vote to reallocate.

Sunset Lakes
Recommended Reserve Funding Table and Graph

Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)
2022	129,200	468,834	2032	212,100	88,977	2042	260,900	1,031,782
2023	143,700	297,618	2033	216,600	246,924	2043	266,400	960,934
2024	158,200	384,827	2034	221,100	319,903	2044	272,000	1,130,092
2025	172,700	322,556	2035	225,700	471,562	2045	277,700	1,056,721
2026	187,200	152,799	2036	230,400	457,483	2046	283,500	1,009,778
2027	191,100	53,851	2037	235,200	631,379	2047	289,500	805,085
2028	195,100	169,485	2038	240,100	713,784	2048	295,600	986,776
2029	199,200	111,159	2039	245,100	849,887	2049	301,800	904,902
2030	203,400	143,904	2040	250,200	1,005,138	2050	308,100	1,011,493
2031	207,700	85,752	2041	255,500	1,099,627	2051	314,600	1,125,857



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

Sunset Lakes Homeowners' Association, Inc.

Merritt Island, Florida

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, February 23, 2021.

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 and the Board. 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:

- Sunset Lakes 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 the 30-year Reserve Expenditures at this time:

- Electrical Systems, Common
- Inlet/Outlet Structures, Concrete, Storm Water Management System
- Pipes, Subsurface Utilities, Storm Water Management System

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 $4,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Basketball Goal
- Catch Basins, Landscape
- Dock, Bridges and Piers, Interim Repairs and Paint Finish Applications
- Gate House, Interior Renovations
- Gate House, Metal Roof
- Gate House, Paint Finishes
- Gate House, Windows and Doors
- Irrigation System, Controls and Maintenance
- Landscape
- Light Fixtures and Poles, Main Entrance
- Nets and Posts, Tennis Courts
- Paint Finishes, Touch Up
- Signage, Street and Traffic
- Timber Border, Playground, Interim Replacements
- 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:

- Homes and Lots (Including Fences and Driveways)

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

- Light Poles and Fixtures (Leased)
- Mailboxes (United States Postal Service)
- Pipes, Subsurface Utilities, Water and Sewer (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
- 2021 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
- Predicted reserves based on current funding level

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***.

Years 2021 to 2036

RESERVE EXPENDITURES

Sunset Lakes
Homeowners' Association, Inc.
Merritt Island, Florida

Explanatory Notes:

1) 2.1% is the estimated Inflation Rate for estimating Future Replacement Costs.

2) FY2021 is Fiscal Year beginning January 1, 2021 and ending December 31, 2021.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years Useful	Remaining	Costs, $ Unit (2021)	Per Phase (2021)	Total (2021)	Percentage of Future Expenditures	RUL = 0 FY2021	1 2022	2 2023	3 2024	4 2025	5 2026	6 2027	7 2028	8 2029	9 2030	10 2031	11 2032	12 2033	13 2034	14 2035	15 2036
				Property Site Elements																							
4.020	64,884	64,884	Square Yards	Asphalt Pavement, Patch	2030	3 to 5	9	0.70	45,419	45,419	5.0%										54,760				59,507		
4.040	5,700	5,700	Square Yards	Asphalt Pavement, Mill and Overlay, 2019	2039	15 to 20	18	14.00	79,800	79,800	1.8%																
4.045	59,184	14,796	Square Yards	Asphalt Pavement, Mill and Overlay, Original, Phased	2023	15 to 20	2 to 8	14.00	207,144	828,576	35.2%			215,935		225,100		234,653		244,612							
4.091	1,400	1,400	Square Feet	Bridges, Wood	2023	25 to 30	2	59.00	82,600	82,600	1.3%			86,106													
4.100	64	16	Each	Catch Basins, Inspections and Capital Repairs, Phased	2023	15 to 20	2 to 8	750.00	12,000	48,000	2.0%			12,509		13,040		13,594		14,171							
4.108	59,100	985	Square Feet	Concrete Aprons, Partial	2022	to 65	1 to 30+	12.00	11,820	709,200	3.7%		12,068		12,580		13,114		13,671		14,251		14,856		15,486		16,144
4.110	47,800	635	Linear Feet	Concrete Gutters, Partial (2021 is Planned)	2021	to 65	0 to 30+	28.50	18,098	1,362,300	6.1%	24,000	18,478		19,262		20,079		20,931		21,820		22,746		23,711		24,718
4.140	216,400	3,605	Square Feet	Concrete Sidewalks, Partial	2022	to 65	1 to 30+	11.00	39,655	2,380,400	12.6%		40,488		42,206		43,997		45,865		47,811		49,840		51,956		54,161
4.151	1,900	1,900	Square Feet	Dock and Piers, Wood	2026	25 to 30	5	64.00	121,600	121,600	2.1%						134,916										
4.220	1,020	1,020	Linear Feet	Fence, Chain Link, Offsite Pond	2033	to 30	12	19.00	19,380	19,380	0.4%													24,869			
4.310	1	1	Allowance	Gate Entry Systems	2022	10 to 15	1	32,500.00	32,500	32,500	1.2%		33,182														
4.320	7	7	Each	Gate Operators	2022	to 10	1	4,100.00	28,700	28,700	1.7%		29,303										36,072				
4.330	7	7	Each	Gates	2032	to 20	11	3,900.00	27,300	27,300	0.5%												34,312				
4.360	2	1	Each	Gazebos, Phased	2030	to 25	9 to 12	27,500.00	27,500	55,000	1.0%										33,156			35,289			
4.420	1	1	Allowance	Irrigation System	2042	to 40+	21	60,000.00	60,000	60,000	1.4%																
4.500	1	1	Allowance	Landscape, Partial Replacements	2026	to 20	5	20,000.00	20,000	20,000	0.8%						22,190										
4.630	2	2	Each	Pavilions, Renovation	2027	to 25	6	5,000.00	10,000	10,000	0.2%							11,328									
4.660	1	1	Allowance	Playground Equipment (Includes Site Furniture)	2035	15 to 20	14	58,000.00	58,000	58,000	1.2%														77,587		
4.710	25,560	2,045	Linear Feet	Ponds, Erosion Control, Partial	2026	5 to 10	5	55.00	112,475	1,405,800	15.0%						124,791					138,457					153,618
4.730	139,070	6,955	Square Yards	Ponds, Sediment Removal, Partial	2031	to 30	10	15.00	104,325	2,086,050	2.0%											128,424					
4.800	1	1	Allowance	Signage, Monuments, Renovation (2021 is Partial for Main Ent.)	2021	15 to 20	0	10,000.00	10,000	10,000	0.2%	2,300											12,568				
4.830	1,760	1,760	Square Yards	Sport Courts, Tennis and Basketball, Color Coat	2027	4 to 6	6	8.50	14,960	14,960	1.6%							16,947					18,802				
4.840	440	440	Linear Feet	Sport Courts, Tennis, Fence	2032	to 25	11	37.00	16,280	16,280	0.3%												20,462				
4.860	315	315	Square Yards	Sport Courts, Basketball, Surface Replacement	2027	to 25	6	40.50	12,758	12,758	0.2%							14,452									
4.861	1,445	1,445	Square Yards	Sport Courts, Tennis, Surface Replacement	2022	to 25	1	40.50	58,523	58,523	2.4%		59,751														
		1	Allowance	Reserve Study Update with Site Visit	2023	2	2	3,800.00	3,800	3,800	0.1%			3,800													
				Anticipated Expenditures, By Year ($6,577,964 over 30 years)								26,300	193,270	318,350	74,048	238,140	359,087	290,974	80,467	258,783	171,798	266,881	209,658	60,158	150,660	77,587	248,641

RESERVE EXPENDITURES

Sunset Lakes
Homeowners' Association, Inc.
Merritt Island, Florida

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years Useful	Remaining	Costs, $ Unit (2021)	Per Phase (2021)	Total (2021)	Percentage of Future Expenditures	16 2037	17 2038	18 2039	19 2040	20 2041	21 2042	22 2043	23 2044	24 2045	25 2046	26 2047	27 2048	28 2049	29 2050	30 2051
				Property Site Elements																						
4.020	64,884	64,884	Square Yards	Asphalt Pavement, Patch	2030	3 to 5	9	0.70	45,419	45,419	5.0%		64,666				70,271								82,982	
4.040	5,700	5,700	Square Yards	Asphalt Pavement, Mill and Overlay, 2019	2039	15 to 20	18	14.00	79,800	79,800	1.8%			116,002												
4.045	59,184	14,796	Square Yards	Asphalt Pavement, Mill and Overlay, Original, Phased	2023	15 to 20	2 to 8	14.00	207,144	828,576	35.2%							327,219		341,107		355,584		370,675		
4.091	1,400	1,400	Square Feet	Bridges, Wood	2023	25 to 30	2	59.00	82,600	82,600	1.3%															
4.100	64	16	Each	Catch Basins, Inspections and Capital Repairs, Phased	2023	15 to 20	2 to 8	750.00	12,000	48,000	2.0%							18,956		19,761		20,599		21,473		
4.108	59,100	985	Square Feet	Concrete Aprons, Partial	2022	to 65	1 to 30+	12.00	11,820	709,200	3.7%		16,829		17,543		18,288		19,064		19,873		20,716		21,596	
4.110	47,800	635	Linear Feet	Concrete Gutters, Partial (2021 is Planned)	2021	to 65	0 to 30+	28.50	18,098	1,362,300	6.1%		25,767		26,860		28,000		29,188		30,427		31,719		33,065	
4.140	216,400	3,605	Square Feet	Concrete Sidewalks, Partial	2022	to 65	1 to 30+	11.00	39,655	2,380,400	12.6%		56,459		58,856		61,353		63,957		66,672		69,501		72,451	
4.151	1,900	1,900	Square Feet	Dock and Piers, Wood	2026	25 to 30	5	64.00	121,600	121,600	2.1%															
4.220	1,020	1,020	Linear Feet	Fence, Chain Link, Offsite Pond	2033	to 30	12	19.00	19,380	19,380	0.4%															
4.310	1	1	Allowance	Gate Entry Systems	2022	10 to 15	1	32,500.00	32,500	32,500	1.2%	45,321														
4.320	7	7	Each	Gate Operators	2022	to 10	1	4,100.00	28,700	28,700	1.7%						44,404									
4.330	7	7	Each	Gates	2032	to 20	11	3,900.00	27,300	27,300	0.5%															
4.360	2	1	Each	Gazebos, Phased	2030	to 25	9 to 12	27,500.00	27,500	55,000	1.0%															
4.420	1	1	Allowance	Irrigation System	2042	to 40+	21	60,000.00	60,000	60,000	1.4%						92,831									
4.500	1	1	Allowance	Landscape, Partial Replacements	2026	to 20	5	20,000.00	20,000	20,000	0.8%										33,626					
4.630	2	2	Each	Pavilions, Renovation	2027	to 25	6	5,000.00	10,000	10,000	0.2%															
4.660	1	1	Allowance	Playground Equipment (Includes Site Furniture)	2035	15 to 20	14	58,000.00	58,000	58,000	1.2%															
4.710	25,560	2,045	Linear Feet	Ponds, Erosion Control, Partial	2026	5 to 10	5	55.00	112,475	1,405,800	15.0%					170,440					189,103					209,811
4.730	139,070	6,955	Square Yards	Ponds, Sediment Removal, Partial	2031	to 30	10	15.00	104,325	2,086,050	2.0%															
4.800	1	1	Allowance	Signage, Monuments, Renovation (2021 is Partial for Main Ent.)	2021	15 to 20	0	10,000.00	10,000	10,000	0.2%															
4.830	1,760	1,760	Square Yards	Sport Courts, Tennis and Basketball, Color Coat	2027	4 to 6	6	8.50	14,960	14,960	1.6%	20,861					23,146					25,680				
4.840	440	440	Linear Feet	Sport Courts, Tennis, Fence	2032	to 25	11	37.00	16,280	16,280	0.3%															
4.860	315	315	Square Yards	Sport Courts, Basketball, Surface Replacement	2027	to 25	6	40.50	12,758	12,758	0.2%															
4.861	1,445	1,445	Square Yards	Sport Courts, Tennis, Surface Replacement	2022	to 25	1	40.50	58,523	58,523	2.4%											100,460				
		1	Allowance	Reserve Study Update with Site Visit	2023	2	2	3,800.00	3,800	3,800	0.1%															
				Anticipated Expenditures, By Year ($6,577,964 over 30 years)								66,182	163,721	116,002	103,259	170,440	338,293	346,175	112,209	360,868	339,701	502,323	121,936	392,148	210,094	209,811

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS
Sunset Lakes
Homeowners' Association, Inc.
Merritt Island, Florida

Individual Reserve Budgets & Cash Flows for the Next 30 Years

		FY2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Reserves at Beginning of Year	*(Note 1)*	435,681	528,436	468,834	297,618	384,827	322,556	152,799	53,851	169,485	111,159	143,904	85,752	88,977	246,924	319,903	471,562
Total Recommended Reserve Contributions	*(Note 2)*	114,736	129,200	143,700	158,200	172,700	187,200	191,100	195,100	199,200	203,400	207,700	212,100	216,600	221,100	225,700	230,400
Estimated Interest Earned, During Year	*(Note 3)*	4,319	4,468	3,434	3,057	3,169	2,130	926	1,001	1,257	1,143	1,029	783	1,505	2,539	3,546	4,162
Anticipated Expenditures, By Year		(26,300)	(193,270)	(318,350)	(74,048)	(238,140)	(359,087)	(290,974)	(80,467)	(258,783)	(171,798)	(266,881)	(209,658)	(60,158)	(150,660)	(77,587)	(248,641)
Anticipated Reserves at Year End		$528,436	$468,834	$297,618	$384,827	$322,556	$152,799	$53,851 *(NOTE 5)*	$169,485	$111,159	$143,904	$85,752	$88,977	$246,924	$319,903	$471,562	$457,483
Predicted Reserves based on 2021 funding level of:	$114,736	528,436	454,305	253,863	297,019	175,733	(68,136)	(245,780)									

(continued)

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

	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051
Reserves at Beginning of Year	457,483	631,379	713,784	849,887	1,005,138	1,099,627	1,031,782	960,934	1,130,092	1,056,721	1,009,778	805,085	986,776	904,902	1,011,493
Total Recommended Reserve Contributions	235,200	240,100	245,100	250,200	255,500	260,900	266,400	272,000	277,700	283,500	289,500	295,600	301,800	308,100	314,600
Estimated Interest Earned, During Year	4,878	6,026	7,005	8,310	9,429	9,548	8,927	9,367	9,797	9,258	8,130	8,027	8,474	8,585	9,575
Anticipated Expenditures, By Year	(66,182)	(163,721)	(116,002)	(103,259)	(170,440)	(338,293)	(346,175)	(112,209)	(360,868)	(339,701)	(502,323)	(121,936)	(392,148)	(210,094)	(209,811)
Anticipated Reserves at Year End	$631,379	$713,784	$849,887	$1,005,138	$1,099,627	$1,031,782	$960,934	$1,130,092	$1,056,721	$1,009,778	$805,085	$986,776	$904,902	$1,011,493	$1,125,857 *(NOTE 4)*

Explanatory Notes:

1) Year 2021 starting reserves are as of January 1, 2021; FY2021 starts January 1, 2021 and ends December 31, 2021.

2) Reserve Contributions for 2021 are budgeted; 2022 is the first year of recommended contributions.

3) 0.9% is the estimated annual rate of return on invested reserves.

4) Accumulated year 2051 ending reserves consider the need to fund for continued replacement of the geotubes at the pond shorelines shortly after 2051, and the age, size, overall condition and complexity of the property.

5) Threshold Funding Year (reserve balance at critical point).

*Refer to the Reserve Expenditures pages for the full list of reserve elements

FIVE-YEAR OUTLOOK

Sunset Lakes
Homeowners' Association, Inc.
Merritt Island, Florida

Line Item	Reserve Component Inventory	RUL = 0 FY2021	1 2022	2 2023	3 2024	4 2025	5 2026
	Property Site Elements						
4.045	Asphalt Pavement, Mill and Overlay, Original, Phased			215,935		225,100	
4.091	Bridges, Wood			86,106			
4.100	Catch Basins, Inspections and Capital Repairs, Phased			12,509		13,040	
4.108	Concrete Aprons, Partial		12,068		12,580		13,114
4.110	Concrete Gutters, Partial (2021 is Planned)	24,000	18,478		19,262		20,079
4.140	Concrete Sidewalks, Partial		40,488		42,206		43,997
4.151	Dock and Piers, Wood						134,916
4.310	Gate Entry Systems		33,182				
4.320	Gate Operators		29,303				
4.500	Landscape, Partial Replacements						22,190
4.710	Ponds, Erosion Control, Partial						124,791
4.800	Signage, Monuments, Renovation (2021 is Partial for Main Ent.)	2,300					
4.861	Sport Courts, Tennis, Surface Replacement		59,751				
	Reserve Study Update with Site Visit			3,800			
	Anticipated Expenditures, By Year ($6,577,964 over 30 years)	26,300	193,270	318,350	74,048	238,140	359,087

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*.

Property Site Elements

Asphalt Pavement, Patch

Line Item: 4.020

Quantity and History: Approximately 5,700 square yards were repaved in 2019. The remaining original pavement consists of approximately 59,184 square yards.

Condition: The section of pavement that was repaved in 2019 is in good condition. The remaining original pavement is in fair condition overall.

Useful Life: Three- to five-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our cost includes an allowance for patching of up to two percent (2%) of the pavement.

Asphalt Pavement, Repaving

Line Items: 4.040 and 4.045

Quantity and History: Approximately 5,700 square yards were repaved in 2019. The remaining original pavement consists of approximately 59,184 square yards.

Condition: The section of pavement that was repaved in 2019 is in good condition. The remaining original pavement is in fair condition overall with settlement, longitudinal cracks, surface cracks, centerline cracks, slippage cracks, deterioration, potholes and raveling evident.

Asphalt pavement repaved in 2019 on Sunset Lakes Drive

Asphalt pavement at amenity parking area

Asphalt pavement on Sunward Drive – Note centerline cracks evident

Asphalt pavement on Sunward Drive – Note centerline cracks with pothole evident

Asphalt pavement on Sunward Drive – Note surface cracks evident

Asphalt pavement on Sierra Drive – Note longitudinal cracks evident

Asphalt pavement on Sierra Drive – Note slippage cracks at catch basin evident

Asphalt pavement on Sierra Drive – Note settlement at patch evident

Asphalt pavement on Killarney Court – Note surface cracks evident

Asphalt pavement on Tradewinds Trail

Asphalt pavement on Tradewinds Trail – Note deterioration evident

Asphalt pavement on Windchime Place – Note surface cracks evident

Asphalt pavement on Sierra Drive – Note longitudinal cracks evident

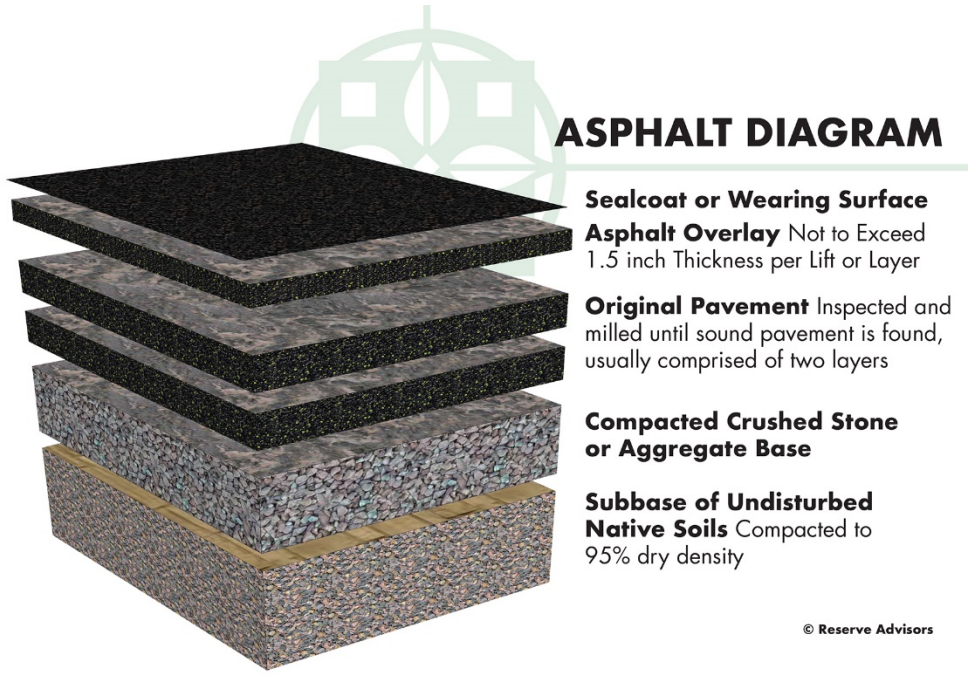
Asphalt pavement on Sunbeam Court – Note raveling and deterioration evident

Asphalt pavement on Tipperary Drive

Asphalt pavement on Limerick Drive

Useful Life: 15- to 20-years with the benefit of timely crack repairs and patching

Component Detail Notes: The initial installation of asphalt uses at least two lifts, or two separate applications of asphalt, over the base course. The first lift is the binder course. The second lift is the wearing course. The wearing course comprises a finer aggregate for a smoother more watertight finish. The following diagram depicts the typical components although it may not reflect the actual configuration at Sunset Lakes:



The manner of repaving is either a mill and overlay or total replacement. A mill and overlay is a method of repaving where cracked, worn and failed pavement is mechanically removed or milled until sound pavement is found. A new layer of asphalt is overlaid atop the remaining base course of pavement. Total replacement includes the removal of all existing asphalt down to the base course of aggregate and native soil followed by the application of two or more new lifts of asphalt. We recommend mill and overlayment on asphalt pavement that exhibits normal deterioration and wear. We recommend total replacement of asphalt pavement that exhibits severe deterioration, inadequate drainage, pavement that has been overlaid multiple times in the past or where the configuration makes overlayment not possible. Based on the apparent visual condition and configuration of the asphalt pavement, we recommend the mill and overlay method of repaving at Sunset Lakes.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect for settlement, large cracks and trip hazards, and ensure proper drainage
    - Repair areas which could cause vehicular damage such as potholes
- As needed:
    - Perform patching

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. Our cost for milling and overlayment includes area patching of up to ten percent (10%).

Bridges, Wood

Line Item: 4.091

Quantity: Approximately 1,400 square feet of wood bridges atop wood pilings in the amenity area on Sunflower Circle

History: Original; with a history of repairs and paint finishes, funded through the operating budget

Condition: Fair to poor overall condition with deterioration of railing components and wood deterioration evident.

Bridge overview

Bridge with wood deterioration evident

Bridge with wood deterioration at piling evident

Bridge with rust and deterioration evident at railing wire mesh

Bridge with wood deterioration evident

Useful Life: 25- to 30-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. Our estimate of cost includes replacement of the wood decking, framing and railings, and up to twenty-five percent (25%) of the wood pilings. We suggest the Association fund interim repairs and paint finish applications through the operating budget as necessary.

The Association may consider composite decking at the time of replacement. The composition of composite materials typically includes a combination of wood waste material, plastic and recycled materials. These composite materials are low maintenance and do not split, cup or splinter. Composite materials do not require periodic stain or sealer applications.

Composite materials are not structural components and therefore require traditional framing members, such as wood. In addition, some manufacturers require closer spacing of framing components to minimize sagging. In addition to the added cost of framing, composite decking materials can cost up to twice as much as natural wood. We provide the following cost analysis for the comparison of wood versus composite bridges.

Bridge Material	Wood	Composite
Cost in 2021 Dollars	$82,600	$101,600
Divided by its Useful Life (Years)	25	25
Equals Cost of Ownership[1] Relating to Eventual Replacement, in 2021 Dollars	$3,304	$4,064
Total Life-Cycle Maintenance Costs, in 2021 Dollars	$5,500	$0
Divided by Life-Cycle of Each Maintenance Event (Years)	4	0
Cost of Ownership for Maintenance During Remaining Useful Life, in 2021 Dollars	$1,375	$0
Total Annual Cost of Ownership (2021 dollars)	**$4,679**	**$4,064**

[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.

Catch Basins

Line Item: 4.100

Quantity: 64 catch basins[1]

History: Original

Condition: Fair overall with widespread settlement visually apparent

Catch basin with settlement evident on Sunward Drive

Catch basin with settlement evident on Sierra Drive

[1] We utilize the terminology catch basin to refer to all storm water collection structures including curb inlets.

Catch basin with settlement evident on Sunflower Court

Catch basin with settlement evident on Killarney Court

Catch basin with settlement evident on Sunset Lakes Drive

Useful Life: The useful life of catch basins is up to 65 years. However, achieving this useful life usually requires interim 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.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair any settlement and collar cracks
    - Ensure proper drainage and inlets are free of debris
    - If property drainage is not adequate in heavy rainfall events, typically bi-annual cleaning of the catch basins is recommended

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 capital repairs to the catch basins in conjunction with repaving.

Concrete Aprons

Line Item: 4.108

Quantity: Approximately 59,100 square feet

Condition: Good overall with minor cracks evident

Concrete apron

Concrete apron with minor cracks

Useful Life: Up to 65 years although interim deterioration of areas is common

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair major cracks, spalls and trip hazards
    - Mark with orange safety paint prior to replacement or repair
    - Repair or perform concrete leveling in areas in immediate need of repair or possible safety hazard

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We estimate that up to 14,775 square feet of concrete aprons, or twenty-five percent (25%) of the total, will require replacement during the next 30 years.

Concrete Gutters

Line Item: 4.110

Quantity: Approximately 47,800 linear feet

Condition: Good to fair overall with cracks and areas of settlement causing ponding water at driveways

Concrete gutters with ponding water evident on Killarney Court

Concrete gutters with ponding water evident on Tipperary Drive

Concrete gutters with cracks evident

Useful Life: Up to 65 years although interim deterioration of areas is common

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair major cracks, spalls and trip hazards
    - Mark with orange safety paint prior to replacement or repair

- Repair or perform concrete leveling in areas in immediate need of repair or possible safety hazard

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Management and the Board inform us they plan to address approximately six locations of ponding water at driveway gutters in 2021 for an approximate cost of $24,000. Following this work, we estimate that up to 9,525 linear feet of gutters, or twenty percent (19.9%) of the total, will require replacement during the next 30 years.

Concrete Sidewalks

Line Item: 4.140

Quantity: Approximately 216,400 square feet

Condition: Good to fair overall with settlement (causing horizontal sloping conditions), trip hazards and cracks evident

Concrete sidewalks with cracks and settlement evident

Concrete sidewalk with trip hazard evident

Concrete sidewalks with settlement evident

Concrete sidewalk with trip hazard evident

Concrete sidewalks with replacements underway

Useful Life: Up to 65 years although interim deterioration of areas is common

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect and repair major cracks, spalls and trip hazards
  - Mark with orange safety paint prior to replacement or repair
  - Repair or perform concrete leveling in areas in immediate need of repair or possible safety hazard

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We estimate that up to 54,075 square feet of concrete sidewalks, or twenty-five percent (25%) of the total, will require replacement during the next 30 years.

Dock and Piers, Wood

Line Item: 4.151

Quantity: Approximately 1,900 square feet of wood decking atop wood pilings. One large pier is located in Island Estates on the Indian River. One small pier is located in a pond behind Sunbeam Court, and a small dock is located in the amenity area on Sunflower Circle.

History: Original

Condition: Fair overall with wood deterioration evident

Wood dock overview

Wood pier overview

Wood piling deterioration evident

Wood pier gazebo

Sitting area under gazebo

Wood deterioration evident

Useful Life: 25- to 30-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. Our estimate of cost includes replacement of the wood decking, framing, railings and gazebo, and up to twenty-five percent (25%) of the wood pilings. We suggest the Association fund interim repairs and paint finish applications through the operating budget as necessary.

As previously noted with the Bridges, the Association may consider composite decking at the time of replacement. We provide the following cost analysis for the comparison of wood versus composite dock and piers.

Dock and Pier Material	Wood	Composite
Cost in 2021 Dollars	$121,600	$148,400
Divided by its Useful Life (Years)	25	25
Equals Cost of Ownership[1] Relating to Eventual Replacement, in 2021 Dollars	$4,864	$5,936
Total Life-Cycle Maintenance Costs, in 2021 Dollars	$7,500	$0
Divided by Life-Cycle of Each Maintenance Event (Years)	4	0
Cost of Ownership for Maintenance During Remaining Useful Life, in 2021 Dollars	$1,875	$0
Total Annual Cost of Ownership (2021 dollars)	**$6,739**	**$5,936**

[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.

Fence, Chain Link

Line Item: 4.220

Quantity: 1,020 linear feet

History: Original

Condition: Fair overall with vegetation cover evident

Chain link fence

Chain link fence with vegetation cover

Useful Life: Up to 30 years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair loose sections, and damage
    - Repair leaning sections and clear vegetation from fence areas which could cause damage

Priority/Criticality: Per Board discretion

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

Gate Entry System

Line Item: 4.310

Quantity: The gate entry systems consist of two intercom panels, camera systems and clicker systems

History: Mostly installed in 2004. The DVR's for the camera systems were replaced in 2019.

Condition: Reported unsatisfactory overall

Intercom panel at Island Estates gate

Intercom panel at main gate

Useful Life: 10- to 15-years

Preventative Maintenance Notes: We recommend the Association obtain and adhere to the manufacturer's recommended maintenance plan. The required preventative maintenance may vary in frequency and scope based on the unit's age, operational condition, or changes in technology. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Monthly:
  - Inspect panel for damage and ensure the panel is mounted securely, tighten or replace any loose or damaged fasteners.
  - Inspect panel for proper operation of buttons, displays, microphone and speaker.
- Annually:
  - Check power connections, and if applicable, functionality of battery power supply systems

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. The estimate of cost includes the initial purchase of two access clickers per homeowner upon replacement of the current system.

Gates and Operators

Line Items: 4.320 and 4.330

Quantity: Seven gates and seven operators

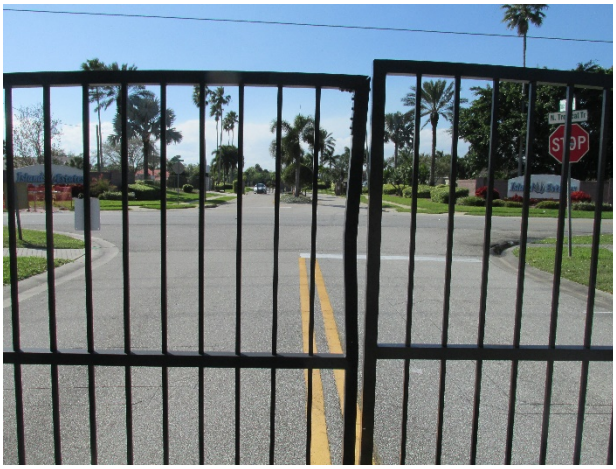
History: Mostly original to 2004

Condition: The gates are in satisfactory condition overall with some finish deterioration and damage evident. The gate operators are reported in unsatisfactory condition with a history of ongoing repairs.

Gate and operator at main gate

Gate and operator at Island Estates

Gates and operators at rear gate



Gates with damage evident

Gate with finish deterioration evident

Useful Life: Up to 10 years for the operators and up to 20 years for the gates

Preventative Maintenance Notes: We recommend the Association obtain and adhere to the manufacturer's recommended maintenance plan. The required preventative maintenance may vary in frequency and scope based on the unit's age, operational condition, or changes in technology. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
    - Ensure gates operate freely
    - Inspect for any wear, rust and loose fasteners
    - Inspect and correct tension in belts and chains, and lubricate hinges and chains as necessary
    - Check alignment of pulleys
    - Check for no oil leakage at the gear box
    - Check the control board for water damage. Clean and remove insects and other pests as needed.
    - Check all wiring for insulation damage and loose connections. If applicable, check functionality of battery power supply systems

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We suggest the Association fund paint finish applications through the operating budget, if desired.

Gazebos

Line Item: 4.360

Quantity: Two each

History: Original with recent repairs completed

Condition: Good overall

Gazebo overview

Gazebo paver deck, railings and soffit

Gazebo overview

Gazebo metal roof

Useful Life: Up to 25 years with periodic maintenance

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 and repairs through the operating budget.

Irrigation System

Line Item: 4.420

Quantity: Common irrigated areas comprise the amenity area on Sunflower Court and the entrances and small parks throughout the community.

History: Original

Condition: Good overall and Management and the Board do not report any deficiencies

Useful Life: Up to 40 years

Component Detail Notes: Irrigation systems typically include the following components:

- Electronic controls (timer)
- Impact rotors
- Network of supply pipes
- Pop-up heads
- Valves

Sunset Lakes should anticipate interim and partial replacements of the system network supply pipes and other components as normal maintenance to maximize the useful life of the irrigation system. The Association should fund these ongoing seasonal repairs through the operating budget.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
    - Conduct seasonal repairs which includes valve repairs, controller repairs, partial head replacements and pipe repairs

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.

Landscape

Line Item: 4.500

Component Detail Notes: The Association contains a large quantity of trees, shrubbery and other landscape elements. Replacement of these elements is an ongoing need. Many associations budget for these replacements as normal maintenance. Other associations fund ongoing replacements from reserves. Large amounts of landscape may need replacement due to disease, drought or other forces of nature. If the cost of removal and replacement is substantial, funding from reserves is logical. The Association may also desire to periodically update the appearance of the community through major improvements to the landscape.

Useful Life: At the request of Management and the Board, we include a landscape allowance for partial replacements every 20 years.

Priority/Criticality: Per Board discretion

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

Pavilions, Renovation

Line Item: 4.630

Quantity: Two each

History: Original

Condition: Fair overall with cracks evident at bases of posts

Pavilion overview

Cracks at bases of posts evident

Pavilion overview

Asphalt shingle roof at pavilion

Useful Life: Renovation up to every 25 years

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 and repairs through the operating budget. Our cost for renovation includes:

- Replacement of the asphalt shingle roofs

- Replacement of the concrete pads
- Partial replacement of deteriorated wood components

Playground Equipment

Line Item: 4.660

Quantity: Playground equipment includes the following elements:

- Swing sets (including swings located at gazebo)
- Playsets
- Border, Timber
- Picnic tables
- Trash receptacles

History: Mostly replaced in 2017, with the exception of the swingset located at the gazebo which was replaced in approximately 2015.

Condition: Good overall

Playground equipment

Timber border

Playground equipment

Playground equipment

Useful Life: 15- to 20-years

Component Detail Notes: Safety is the major purpose for maintaining playground equipment. We recommend an annual inspection of the playground equipment to identify and repair as normal maintenance loose connections and fasteners or damaged elements. We suggest the Association learn more about the specific requirements of playground equipment at PlaygroundSafety.org. We recommend the use of a specialist for the design or replacement of the playground equipment environment.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair loose connections and fasteners or damaged elements
    - Inspect for safety hazards and adequate coverage of ground surface cover

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 include an allowance in the unit cost for replacement of the border.

Ponds, Erosion Control

Line Item: 4.710

Quantity and History: 25,560 linear feet of natural vegetation, including the canal at the east perimeter of the property; Management and the Board inform us that geotubes were added to most shorelines in 2017.

Condition: Good overall condition with isolated soil erosion evident

Pond overview

Pond shorelines with plantings

Pond overview

Pond overview

Pond shorelines with isolated erosion

Pond shorelines with geotubes exposed

Canal at east perimeter of property

Canal at east perimeter of property

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 5- to 10-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 shorelines will help maintain an attractive appearance and prevent soil erosion.

Shoreline plantings are referred to as buffer zones. Buffer zones provide the following advantages:

- Control insects naturally
- Create an aesthetically pleasing shoreline
- Enhance water infiltration and storage
- Filter nutrients and pollutants
- Increase fish and wildlife habitat
- Reduce lawn maintenance
- Stabilize shoreline and reduce erosion
- Trap sediments

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 to install or augment a combination of plantings and geotubes around the ponds along 2,045 linear feet, or approximately eight percent (8%), of the shorelines per event.

Ponds, Sediment Removal

Line Item: 4.730

Quantity: Approximately 139,070 square yards of water surface area, including the canals at the east perimeter of the property

Condition: Reported satisfactory overall

Useful Life: Based on the visual condition, construction, and narrow waterways, we recommend the Association anticipate the need to remove pond sediment up to every 30 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. Excavation equipment used for sediment removal includes clamshells, draglines and suction pipe lines. Sediment removal can also include shoreline regrading. Regrading includes removal of collapsed and eroded soil, and redefining the shoreline.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and remediate shoreline erosion and areas of sediment accumulation
    - Clear and remove debris and vegetation overgrowth at pond edges, and inlet and outlet structures
    - Inspect for algae blooms and remedy as needed through a chemical treatment program or aeration

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 five percent (5%) of the surface area. We anticipate the sediment removal to occur primarily in the canals due to higher potential for sediment buildup. 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 Sunset Lakes 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, Monuments

Line Item: 4.800

Quantity: Three property identification signs, including one monument at the main entrance and two monuments at the Island Estates entrance. The signage includes the following elements:

- Light fixtures
- Letters
- Masonry, Brick
- Tiles

History: The entrance monument at the main entrance is three years of age; however, Management and the Board inform us the monument is in the process of renovation this year. The entrance monuments at Island Estates were renovated approximately seven- to eight-years ago.

Condition: Good overall

Signage

Signage

Signage

Useful Life: 15- to 20-years

Component Detail Notes: Community signage contributes to the overall aesthetic appearance of the property to owners and potential buyers. Renovation or 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 times for replacement or renovation are discretionary.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair damage, vandalism and loose components
    - Verify lighting is working properly
    - Touch-up paint finish applications if applicable

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our cost for renovation includes repointing and repairs to the masonry and replacement of the remaining components listed above. We include a 2021 partial expenditure to replace the missing components on the main entrance sign. Future updates can incorporate the exact materials used.

Sport Courts, Tennis and Basketball, Color Coat

Line Item: 4.830

Quantity: 1,760 square yards comprising two tennis courts and one basketball court

History: The date of the last color coat is unknown. The basketball court was recently painted and repaired.

Condition: The tennis court is in poor overall condition and the basketball court is in good to fair overall condition.

Tennis courts overview

Basketball court overview

Useful Life: Four- to six-years

Component Detail Notes: Prior to the application of the color coat, the Association should require the contractor to rout and fill all cracks with hot emulsion. This deters water infiltration and further deterioration of the asphalt playing surface.

Priority/Criticality: Not recommended to defer

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

Sport Courts, Tennis, Fence

Line Item: 4.840

Quantity: 440 linear feet

History: Original, with the exception of portions of the mesh, which has been replaced in the past

Condition: Good overall

Tennis court fence

Tennis court fence

Useful Life: Up to 25 years

Priority/Criticality: Per Board discretion

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

Sport Courts, Tennis and Basketball, Surface Replacement

Line Items: 4.860 and 4.861

Quantity: 1,445 square yards of asphalt comprising two tennis courts and approximately 315 square yards of asphalt comprising one basketball court

History: Original

Condition: The tennis court is in poor overall condition with cracks and major settlement throughout, and the basketball court is in good to fair overall condition with cracks evident.

Tennis court surface settlement evident

Tennis court surface settlement evident

Tennis court cracks evident

Basketball court cracks evident

Useful Life: Up to 25 years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect and repair large cracks, trip hazards and possibly safety hazards
  - Verify gate and fencing is secure
  - Verify lighting is working properly if applicable
  - Inspect and repair standards and windscreens as needed

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.

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. The Association can expense the fee for an Update with site visit from the reserve account. This fee is included in the Reserve Funding Plan. We base this budgetary amount on updating the same property components and quantities of this Reserve Study report. 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.

Sunset Lakes 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 standards[1] 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
- Local[2] 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 Merritt Island, Florida at an annual inflation rate[3]. Isolated or regional markets of

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

greater construction (development) activity may experience slightly greater rates of inflation for both construction materials and labor.

- The past and current maintenance practices of Sunset Lakes 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.

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 founders are also founders of Community Associations Institute's (CAI) Reserve Committee that developed national standards for reserve study providers. One of our founders 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 a 2,600,000-square foot 98-story highrise. 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.

NICOLE L. LOWERY, PRA, RS
Responsible Advisor

CURRENT CLIENT SERVICES

Nicole L. Lowery, a Civil Engineer, is an Advisor for Reserve Advisors. Ms. Lowery is responsible for the inspection and analysis of the condition of clients' properties, and recommending engineering solutions to prolong the lives of the components. She also forecasts capital expenditures for the repair and/or replacement of the property components and prepares technical reports on assignments. She is responsible for conducting Life Cycle Cost Analyses and Capital Replacement Forecast services and the preparation of Reserve Study Reports for condominiums, townhomes and homeowner associations.

Ms. Lowery has been involved with hundreds of Reserve Study assignments. The following is a partial list of clients served by Nicole Lowery demonstrating her breadth of experiential knowledge of community associations in construction and related buildings systems.

Amelia Surf & Racquet Club This oceanfront condominium community comprises 156 units in three mid rise buildings. This Fernandina Beach, Florida development contains amenities such as clay tennis courts, two pools and boardwalks.

Ten Museum Park This boutique, luxury 50-story high rise building in downtown Miami, Florida consists of 200 condominium units. The amenities comprise six pools including resistance and plunge pools, a full-service spa and a state-of-the-art fitness center. The property contains a multi-level parking garage.

3 Chisolm Street Homeowners Association This historic Charleston, South Carolina community was constructed in 1929 and 1960 and comprises brick and stucco construction. The unique buildings were originally the Murray Vocational School. It was transformed in 2002 to 27 high-end condominiums. The property includes a courtyard and covered parking garage.

Lakes of Pine Run Condominium Association This condominium community comprises 112 units in 41 buildings of stucco construction with asphalt shingle roofs. Located in Ormond Beach, Florida, it has a domestic water treatment plant and wastewater treatment plant for the residents of the property.

Rivertowne on the Wando Homeowners Association This exclusive river front community is located on the Wando River in Mount Pleasant, South Carolina. This unique Association includes private docks along the Wando River, a pool and tennis courts.

Biltmore Estates Homeowners Association This private gated community is located in Miramar, Florida, just northwest of Miami, Florida and consists of 128 single family homes. The lake front property maintains a pool, a pool house and private streets.

Bellavista at Miromar Lakes Condominium Association Located in the residential waterfront resort community of Miromar Lakes Beach & Golf Club in Fort Myers, Florida, this property comprises 60 units in 15 buildings. Amenities include a clubhouse and a pool.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Ms. Lowery was a project manager with Kipcon in New Brunswick, New Jersey and the Washington, D.C. Metro area for eight years, where she was responsible for preparing reserve and transition studies for community associations. Ms. Lowery successfully completed the bachelors program in Civil Engineering from West Virginia University in Morgantown, West Virginia.

EDUCATION

West Virginia University - B.S. Civil Engineering

PROFESSIONAL AFFILIATIONS / DESIGNATIONS

Reserve Specialist (RS) - Community Associations Institute
Professional Reserves Analyst (PRA) - Association of Professional Reserve Analysts

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 Sunset Lakes 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) Sunset Lakes 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.