

# Red Cedar Canyon Townhouse Association

June 3, 2026 • Hudson, WI

RESERVE STUDY



Red Cedar Canyon Townhouse Association  
Hudson, Wisconsin

Dear Board of Directors of Red Cedar Canyon Townhouse Association:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Reserve Study* of Red Cedar Canyon Townhouse Association in Hudson, Wisconsin and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, June 3, 2026.

This *Reserve Study* exceeds the Association of Professional Reserve Analysts (APRA) standards fulfilling the requirements of a "Level II 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. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. We look forward to continuing to help Red Cedar Canyon Townhouse Association 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 June 29, 2026 by

*Reserve Advisors, LLC*

Visual Inspection and Report by: Thomas Woods, Engineer

Review by: Alan M. Ebert, RS<sup>1</sup>, PRA<sup>2</sup>, Director of Quality Assurance



<sup>1</sup> 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.

<sup>2</sup> 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:** Red Cedar Canyon Townhouse Association (Red Cedar Canyon)

**Location:** Hudson, Wisconsin

**Reference:** 071179

**Property Basics:** Red Cedar Canyon Townhouse Association is a townhome-style development which consists of 112 units in 29 buildings. The community was built from 2000 to 2012.

**Reserve Components Identified:** 15 Reserve Components.

**Inspection Date:** June 3, 2026. We conducted previous inspections in 2008, 2010, 2013, 2015 and 2023.

**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 2047 due to the replacement of the asphalt shingle roofs. In addition, the Reserve Funding Plan recommends 2056 year end accumulated reserves of approximately \$1,684,500. We judge this amount of accumulated reserves in 2056 necessary to fund the likely subsequent repaving of the driveways after 2056. These future needs, although beyond the limit of the Cash Flow Analysis of this Reserve Study, are reflected in the amount of accumulated 2056 year end reserves.

**Methodology:** 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
- 2.6% anticipated annual rate of return on invested reserves
- 3.2% 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:**

- \$586,608 as of February 28, 2026
- 2026 budgeted Reserve Contributions of \$140,400

**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:

- Landscaping renovations
- Crack repair, patch and seal coating of the driveways
- Replacement of the sealants at the windows and doors
- Replacement of concrete sidewalks, approaches and stoops
- Replacement of the irrigation systems controllers, pumps and backflow preventers
- Replacement of the exterior light fixtures
- Replacement of the retaining walls at the driveways

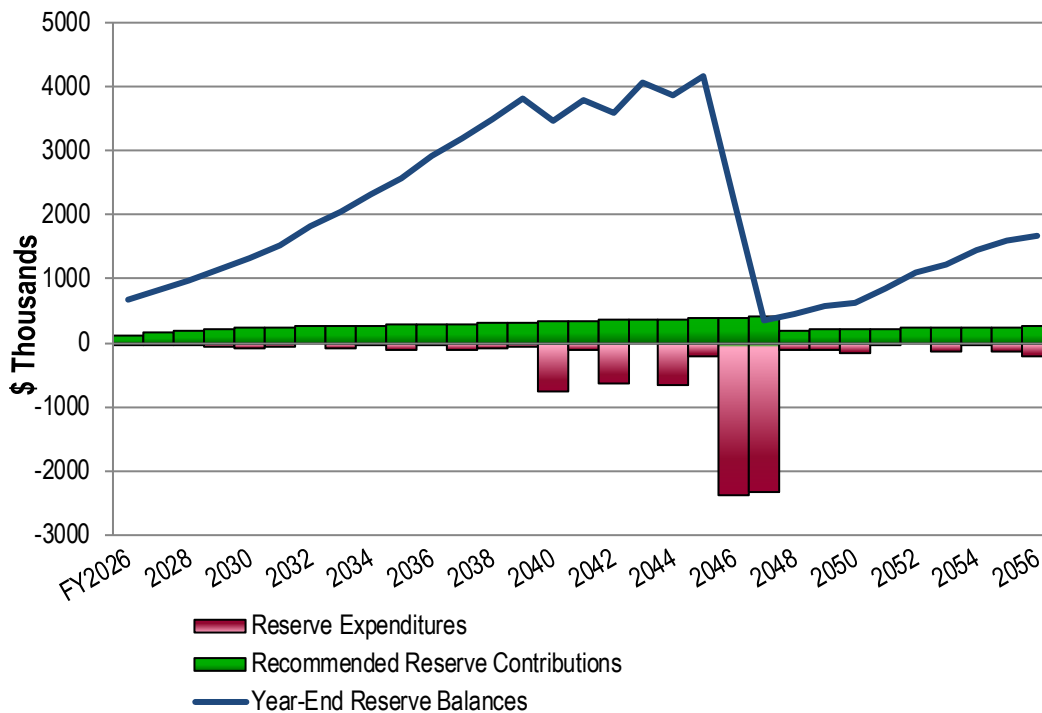


**Recommended Reserve Funding:** We recommend the following in order to achieve a stable and equitable Cash Flow Methodology Funding Plan:

- Phased increases of \$21,400 each year, from 2027 through 2031
- Inflationary increases from 2032 through 2047
- Decrease to \$199,100 by 2048 due to fully funding for replacement of the asphalt shingle roofs
- Inflationary increases thereafter through 2056, the limit of this study's Cash Flow Analysis
- Initial adjustment in Reserve Contributions of \$21,400 represents an average monthly increase of \$15.92 per owner and about a five percent (4.5%) adjustment in the 2026 Total Budget of \$470,520.

### Red Cedar Canyon Recommended Reserve Funding Table and Graph

| Year | Reserve Contributions (\$) | Reserve Balances (\$) | Year | Reserve Contributions (\$) | Reserve Balances (\$) | Year | Reserve Contributions (\$) | Reserve Balances (\$) |
|------|----------------------------|-----------------------|------|----------------------------|-----------------------|------|----------------------------|-----------------------|
| 2027 | 161,800                    | 812,679               | 2037 | 298,900                    | 3,185,197             | 2047 | 409,700                    | 359,318               |
| 2028 | 183,200                    | 974,078               | 2038 | 308,500                    | 3,482,372             | 2048 | 199,100                    | 460,559               |
| 2029 | 204,600                    | 1,143,501             | 2039 | 318,400                    | 3,824,969             | 2049 | 205,500                    | 562,113               |
| 2030 | 226,000                    | 1,312,409             | 2040 | 328,600                    | 3,481,171             | 2050 | 212,100                    | 623,054               |
| 2031 | 247,400                    | 1,534,532             | 2041 | 339,100                    | 3,805,141             | 2051 | 218,900                    | 836,509               |
| 2032 | 255,300                    | 1,833,049             | 2042 | 350,000                    | 3,601,826             | 2052 | 225,900                    | 1,087,095             |
| 2033 | 263,500                    | 2,053,005             | 2043 | 361,200                    | 4,061,369             | 2053 | 233,100                    | 1,216,973             |
| 2034 | 271,900                    | 2,332,918             | 2044 | 372,800                    | 3,881,170             | 2054 | 240,600                    | 1,442,926             |
| 2035 | 280,600                    | 2,567,900             | 2045 | 384,700                    | 4,160,473             | 2055 | 248,300                    | 1,585,689             |
| 2036 | 289,600                    | 2,912,762             | 2046 | 397,000                    | 2,251,056             | 2056 | 256,200                    | 1,684,523             |





## 2. RESERVE STUDY REPORT

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

**Red Cedar Canyon Townhouse Association**

**Hudson, Wisconsin**

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, June 3, 2026. We conducted previous inspections in 2008, 2010, 2013, 2015 and 2023.

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 or which were identified as part of your request for proposed services. 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 Owners 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 Owners
- Property Maintained by Others

We advise the Board to 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. Reserve Components are defined by CAI as property elements with:

- Red Cedar Canyon responsibility
- Limited useful life expectancies
- Predictable remaining useful life expectancies
- Replacement cost above a minimum threshold

The following tables depict the items excluded from the Reserve Expenditure plan:

## **Excluded Components**

for  
**Red Cedar Canyon**  
**Townhouse Association**  
Hudson, Wisconsin

### **Operating Budget Components**

Repairs normally funded through the Operating Budget and Expenditures less than \$5,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)

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.

- Catch Basins, Landscape
- Columns, Decorative, Unit Entrances
- Irrigation System, Maintenance and Minor Repairs
- Landscape, Maintenance
- Paint Finishes, Touch Up
- Retaining Walls, Masonry, Repairs
- Walls, Masonry, Inspections and Repairs<sup>1</sup>
- Walls, Wood Siding and Trim<sup>2</sup>

<sup>1</sup> The Association historically conducts repairs annually through the operating budget

<sup>2</sup> Replacement as-needed in lieu of an aggregate replacement

### **Long-Lived Components**

These elements may not have predictable Remaining Useful Lives or their replacement may occur beyond the scope of this 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.

|                               | <b>Useful Life</b> | <b>Estimated Cost</b> |
|-------------------------------|--------------------|-----------------------|
| • Electrical Systems, Common  | tto 75+            | N/A                   |
| • Foundations                 | Indeterminate      | N/A                   |
| • Pipes, Subsurface Utilities | to 85+             | N/A                   |
| • Structural Frames           | Indeterminate      | N/A                   |

## **Excluded Components**

for  
**Red Cedar Canyon  
Townhouse Association**  
Hudson, Wisconsin

### **Owners Responsibility Components**

Certain items have been designated as the responsibility of the Owners to repair or replace at their cost, including items billed back.

- Electrical Systems (Including Circuit Protection Panels)
- Fences
- Garage Doors
- Heating, Ventilating and Air Conditioning (HVAC) Units
- Interiors
- Patios
- Pipes (Within Units)
- Solar Tubes (Skylights)
- Windows and Doors

### **Others Responsibility Components**

Certain items have been designated as the responsibility of Others to repair or replace.

- Asphalt Walking Paths<sup>1</sup>
- Light Poles and Fixtures<sup>2</sup>
- Mailbox Stations<sup>1</sup>
- Ponds<sup>1</sup>
- Signage, Entrance Monuments<sup>1</sup>
- Street Systems, Deerwood Court and West Canyon Drive<sup>3</sup>

<sup>1</sup> Red Cedar Canyon Homeowners Association

<sup>2</sup> Utility Company

<sup>3</sup> 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
- 2026 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

Red Cedar Canyon  
Townhouse Association  
Hudson, Wisconsin

Explanatory Notes:  
1) 3.2% is the estimated Inflation Rate for estimating Future Replacement Costs.  
2) FY2026 is Fiscal Year beginning January 1, 2026 and ending December 31, 2026.

| Line Item                                                     | Total Quantity | Per Phase Quantity | Units        | Reserve Component Inventory                                                       | Estimated 1st Year of Event | Life Analysis, Years |           | Costs, \$   |                  |              | Percentage of Future Expenditures | RUL = 0 FY2026 | 1 2027 | 2 2028 | 3 2029 | 4 2030 | 5 2031 | 6 2032 | 7 2033 | 8 2034 | 9 2035  | 10 2036 | 11 2037 | 12 2038 | 13 2039 | 14 2040 | 15 2041 |  |
|---------------------------------------------------------------|----------------|--------------------|--------------|-----------------------------------------------------------------------------------|-----------------------------|----------------------|-----------|-------------|------------------|--------------|-----------------------------------|----------------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|---------|--|
|                                                               |                |                    |              |                                                                                   |                             | Useful               | Remaining | Unit (2026) | Per Phase (2026) | Total (2026) |                                   |                |        |        |        |        |        |        |        |        |         |         |         |         |         |         |         |  |
| Exterior Building Elements                                    |                |                    |              |                                                                                   |                             |                      |           |             |                  |              |                                   |                |        |        |        |        |        |        |        |        |         |         |         |         |         |         |         |  |
| 1.240                                                         | 20,240         | 10,120             | Linear Feet  | Gutters and Downspouts, Aluminum, Phased                                          | 2046                        | 20 to 25             | 20 to 21  | 12.00       | 121,440          | 242,880      | 5.2%                              |                |        |        |        |        |        |        |        |        |         |         |         |         |         |         |         |  |
| 1.260                                                         | 136            | 136                | Each         | Light Fixtures                                                                    | 2031                        | to 25                | 5         | 180.00      | 24,480           | 24,480       | 1.0%                              |                |        |        |        |        | 28,656 |        |        |        |         |         |         |         |         |         |         |  |
| 1.280                                                         | 3,440          | 1,720              | Squares      | Roofs, Asphalt Shingles, Phased                                                   | 2046                        | 20 to 25             | 20 to 21  | 630.00      | 1,083,600        | 2,167,200    | 46.3%                             |                |        |        |        |        |        |        |        |        |         |         |         |         |         |         |         |  |
| 1.540                                                         | 26,600         | 6,650              | Linear Feet  | Sealants, Windows and Doors, Phased                                               | 2030                        | to 20                | 4 to 19   | 6.50        | 43,225           | 172,900      | 5.1%                              |                |        |        |        | 49,029 |        |        |        | 57,392 |         |         |         |         |         | 67,182  |         |  |
| 1.620                                                         | 15,400         | 5,133              | Square Feet  | Soffit and Fascia, Aluminum, Phased                                               | 2038                        | 35 to 40             | 12 to 14  | 9.00        | 46,200           | 138,600      | 2.3%                              |                |        |        |        |        |        |        |        |        |         |         | 67,421  | 69,579  | 71,805  |         |         |  |
| Property Site Elements                                        |                |                    |              |                                                                                   |                             |                      |           |             |                  |              |                                   |                |        |        |        |        |        |        |        |        |         |         |         |         |         |         |         |  |
| 4.020                                                         | 18,300         | 18,300             | Square Yards | Asphalt Pavement, Crack Repair, Patch and Seal Coat                               | 2029                        | 3 to 5               | 3         | 3.10        | 56,730           | 56,730       | 7.4%                              |                |        |        | 62,352 |        |        | 70,725 |        |        |         | 80,221  |         |         |         |         | 90,993  |  |
| 4.045                                                         | 18,300         | 6,100              | Square Yards | Asphalt Pavement, Total Replacement, Phased                                       | 2040                        | 15 to 20             | 14 to 18  | 55.00       | 335,500          | 1,006,500    | 18.7%                             |                |        |        |        |        |        |        |        |        |         |         |         |         |         | 521,445 |         |  |
| 4.140                                                         | 24,800         | 1,063              | Square Feet  | Concrete Sidewalks, Approaches and Stoops, Partial                                | 2030                        | to 65                | 4 to 30+  | 19.00       | 20,194           | 471,200      | 2.7%                              |                |        |        |        | 22,906 |        |        | 25,982 |        |         |         | 29,470  |         |         |         |         |  |
| 4.410                                                         | 9              | 3                  | Each         | Irrigation System, Controllers, Pumps and Backflow Preventers, Phased             | 2030                        | to 15                | 4 to 14   | 4,900.00    | 14,700           | 44,100       | 1.7%                              |                |        |        |        | 16,674 |        |        |        | 19,518 |         |         |         |         |         | 22,847  |         |  |
| 4.420                                                         | 72             | 14                 | Zones        | Irrigation System, Phased                                                         | 2040                        | to 40                | 14 to 22  | 2,500.00    | 36,000           | 180,000      | 3.6%                              |                |        |        |        |        |        |        |        |        |         |         |         |         |         | 55,952  |         |  |
| 4.500                                                         | 1              | 1                  | Allowance    | Landscape, Partial Replacements                                                   | 2031                        | to 5                 | 5         | 11,000.00   | 11,000           | 11,000       | 1.3%                              |                |        |        |        |        | 12,876 |        |        |        | 15,073  |         |         |         |         | 17,644  |         |  |
| 4.501                                                         | 3              | 1                  | Allowance    | Landscape, Rock Bed Replenishments, Phased (2026 Budgeted and Near Term Proposed) | 2026                        | to 30                | 0 to 2    | 42,000.00   | 42,000           | 126,000      | 2.7%                              | 42,000         | 43,344 | 44,731 |        |        |        |        |        |        |         |         |         |         |         |         |         |  |
| 4.745                                                         | 1,260          | 315                | Square Feet  | Retaining Walls, Masonry, Driveways, Phased                                       | 2031                        | to 35                | 5 to 14   | 55.00       | 17,325           | 69,300       | 1.1%                              |                |        |        |        |        | 20,280 |        | 22,290 |        |         | 24,499  |         |         |         | 26,927  |         |  |
| 4.746                                                         | 340            | 340                | Square Feet  | Retaining Wall, Masonry (Units 129 and 135)                                       | 2035                        | to 35                | 9         | 70.00       | 23,800           | 23,800       | 0.4%                              |                |        |        |        |        |        |        |        | 31,601 |         |         |         |         |         |         |         |  |
| 4.810                                                         | 28             | 28                 | Each         | Signage                                                                           | 2033                        | 15 to 20             | 7         | 650.00      | 18,200           | 18,200       | 0.7%                              |                |        |        |        |        |        |        | 22,690 |        |         |         |         |         |         |         |         |  |
| Anticipated Expenditures, By Year (\$8,930,936 over 30 years) |                |                    |              |                                                                                   |                             |                      |           |             |                  |              |                                   | 42,000         | 43,344 | 44,731 | 62,352 | 88,609 | 61,812 | 0      | 93,414 | 48,272 | 108,511 | 15,073  | 104,720 | 96,892  | 69,579  | 766,158 | 108,637 |  |

RESERVE EXPENDITURES

Red Cedar Canyon  
Townhouse Association  
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| 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 2042 | 17 2043 | 18 2044 | 19 2045 | 20 2046   | 21 2047   | 22 2048 | 23 2049 | 24 2050 | 25 2051 | 26 2052 | 27 2053 | 28 2054 | 29 2055 | 30 2056 |  |  |
|---------------------------------------------------------------|----------------|--------------------|--------------|-----------------------------------------------------------------------------------|-----------------------------|----------------------|-----------|-------------|------------------|--------------|-----------------------------------|---------|---------|---------|---------|-----------|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--|--|
|                                                               |                |                    |              |                                                                                   |                             | Useful               | Remaining | Unit (2026) | Per Phase (2026) | Total (2026) |                                   |         |         |         |         |           |           |         |         |         |         |         |         |         |         |         |  |  |
| Exterior Building Elements                                    |                |                    |              |                                                                                   |                             |                      |           |             |                  |              |                                   |         |         |         |         |           |           |         |         |         |         |         |         |         |         |         |  |  |
| 1.240                                                         | 20,240         | 10,120             | Linear Feet  | Gutters and Downspouts, Aluminum, Phased                                          | 2046                        | 20 to 25             | 20 to 21  | 12.00       | 121,440          | 242,880      | 5.2%                              |         |         |         |         | 228,011   | 235,307   |         |         |         |         |         |         |         |         |         |  |  |
| 1.260                                                         | 136            | 136                | Each         | Light Fixtures                                                                    | 2031                        | to 25                | 5         | 180.00      | 24,480           | 24,480       | 1.0%                              |         |         |         |         |           |           |         |         |         |         |         |         |         |         | 62,980  |  |  |
| 1.280                                                         | 3,440          | 1,720              | Squares      | Roofs, Asphalt Shingles, Phased                                                   | 2046                        | 20 to 25             | 20 to 21  | 630.00      | 1,083,600        | 2,167,200    | 46.3%                             |         |         |         |         | 2,034,525 | 2,099,629 |         |         |         |         |         |         |         |         |         |  |  |
| 1.540                                                         | 26,600         | 6,650              | Linear Feet  | Sealants, Windows and Doors, Phased                                               | 2030                        | to 20                | 4 to 19   | 6.50        | 43,225           | 172,900      | 5.1%                              |         |         |         | 78,641  |           |           |         | 92,055  |         |         |         |         |         | 107,757 |         |  |  |
| 1.620                                                         | 15,400         | 5,133              | Square Feet  | Soffit and Fascia, Aluminum, Phased                                               | 2038                        | 35 to 40             | 12 to 14  | 9.00        | 46,200           | 138,600      | 2.3%                              |         |         |         |         |           |           |         |         |         |         |         |         |         |         |         |  |  |
| Property Site Elements                                        |                |                    |              |                                                                                   |                             |                      |           |             |                  |              |                                   |         |         |         |         |           |           |         |         |         |         |         |         |         |         |         |  |  |
| 4.020                                                         | 18,300         | 18,300             | Square Yards | Asphalt Pavement, Crack Repair, Patch and Seal Coat                               | 2029                        | 3 to 5               | 3         | 3.10        | 56,730           | 56,730       | 7.4%                              |         |         |         | 103,211 |           |           | 117,070 |         |         |         |         | 132,790 |         |         |         |  |  |
| 4.045                                                         | 18,300         | 6,100              | Square Yards | Asphalt Pavement, Total Replacement, Phased                                       | 2040                        | 15 to 20             | 14 to 18  | 55.00       | 335,500          | 1,006,500    | 18.7%                             | 555,351 |         | 591,462 |         |           |           |         |         |         |         |         |         |         |         |         |  |  |
| 4.140                                                         | 24,800         | 1,063              | Square Feet  | Concrete Sidewalks, Approaches and Stoops, Partial                                | 2030                        | to 65                | 4 to 30+  | 19.00       | 20,194           | 471,200      | 2.7%                              | 33,428  |         |         |         | 37,916    |           |         | 43,007  |         |         |         | 48,782  |         |         |         |  |  |
| 4.410                                                         | 9              | 3                  | Each         | Irrigation System, Controllers, Pumps and Backflow Preventers, Phased             | 2030                        | to 15                | 4 to 14   | 4,900.00    | 14,700           | 44,100       | 1.7%                              |         |         |         | 26,744  |           |           |         | 31,306  |         |         |         |         |         | 36,646  |         |  |  |
| 4.420                                                         | 72             | 14                 | Zones        | Irrigation System, Phased                                                         | 2040                        | to 40                | 14 to 22  | 2,500.00    | 36,000           | 180,000      | 3.6%                              | 59,591  |         | 63,465  |         | 67,592    |           | 71,987  |         |         |         |         |         |         |         |         |  |  |
| 4.500                                                         | 1              | 1                  | Allowance    | Landscape, Partial Replacements                                                   | 2031                        | to 5                 | 5         | 11,000.00   | 11,000           | 11,000       | 1.3%                              |         |         |         |         | 20,653    |           |         |         | 24,176  |         |         |         |         | 28,300  |         |  |  |
| 4.501                                                         | 3              | 1                  | Allowance    | Landscape, Rock Bed Replenishments, Phased (2026 Budgeted and Near Term Proposed) | 2026                        | to 30                | 0 to 2    | 42,000.00   | 42,000           | 126,000      | 2.7%                              |         |         |         |         |           |           |         |         |         |         |         |         |         | 108,054 |         |  |  |
| 4.745                                                         | 1,260          | 315                | Square Feet  | Retaining Walls, Masonry, Driveways, Phased                                       | 2031                        | to 35                | 5 to 14   | 55.00       | 17,325           | 69,300       | 1.1%                              |         |         |         |         |           |           |         |         |         |         |         |         |         |         |         |  |  |
| 4.746                                                         | 340            | 340                | Square Feet  | Retaining Wall, Masonry (Units 129 and 135)                                       | 2035                        | to 35                | 9         | 70.00       | 23,800           | 23,800       | 0.4%                              |         |         |         |         |           |           |         |         |         |         |         |         |         |         |         |  |  |
| 4.810                                                         | 28             | 28                 | Each         | Signage                                                                           | 2033                        | 15 to 20             | 7         | 650.00      | 18,200           | 18,200       | 0.7%                              |         |         |         |         |           |           | 36,394  |         |         |         |         |         |         |         |         |  |  |
| Anticipated Expenditures, By Year (\$8,930,936 over 30 years) |                |                    |              |                                                                                   |                             |                      |           |             |                  |              |                                   | 648,369 | 0       | 654,928 | 208,597 | 2,388,697 | 2,334,937 | 108,381 | 117,070 | 166,369 | 24,176  | 0       | 132,790 | 48,782  | 144,403 | 199,334 |  |  |

RESERVE FUNDING PLAN

| CASH FLOW ANALYSIS                      |          | Individual Reserve Budgets & Cash Flows for the Next 30 Years |           |           |             |             |             |             |             |             |             |             |             |             |             |             |             |
|-----------------------------------------|----------|---------------------------------------------------------------|-----------|-----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Red Cedar Canyon                        |          | FY2026                                                        | 2027      | 2028      | 2029        | 2030        | 2031        | 2032        | 2033        | 2034        | 2035        | 2036        | 2037        | 2038        | 2039        | 2040        | 2041        |
| Townhouse Association                   |          |                                                               |           |           |             |             |             |             |             |             |             |             |             |             |             |             |             |
| Hudson, Wisconsin                       |          |                                                               |           |           |             |             |             |             |             |             |             |             |             |             |             |             |             |
| Reserves at Beginning of Year           | (Note 1) | 586,608                                                       | 675,130   | 812,679   | 974,078     | 1,143,501   | 1,312,409   | 1,534,532   | 1,833,049   | 2,053,005   | 2,332,918   | 2,567,900   | 2,912,762   | 3,185,197   | 3,482,372   | 3,824,969   | 3,481,171   |
| Total Recommended Reserve Contributions | (Note 2) | 117,000                                                       | 161,800   | 183,200   | 204,600     | 226,000     | 247,400     | 255,300     | 263,500     | 271,900     | 280,600     | 289,600     | 298,900     | 308,500     | 318,400     | 328,600     | 339,100     |
| Estimated Interest Earned, During Year  | (Note 3) | 13,522                                                        | 19,093    | 22,930    | 27,175      | 31,517      | 36,535      | 43,217      | 49,870      | 56,285      | 62,893      | 70,334      | 78,256      | 85,566      | 93,776      | 93,761      | 93,506      |
| Anticipated Expenditures, By Year       |          | (42,000)                                                      | (43,344)  | (44,731)  | (62,352)    | (88,609)    | (61,812)    | 0           | (93,414)    | (48,272)    | (108,511)   | (15,073)    | (104,720)   | (96,892)    | (69,579)    | (766,158)   | (108,637)   |
| Anticipated Reserves at Year End        |          | \$675.130                                                     | \$812.679 | \$974.078 | \$1.143.501 | \$1.312.409 | \$1.534.532 | \$1.833.049 | \$2.053.005 | \$2.332.918 | \$2.567.900 | \$2.912.762 | \$3.185.197 | \$3.482.372 | \$3.824.969 | \$3.481.171 | \$3.805.141 |

| (continued)                             |  | Individual Reserve Budgets & Cash Flows for the Next 30 Years, Continued |             |             |             |             |             |           |           |           |           |             |             |             |             |             |
|-----------------------------------------|--|--------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-----------|-----------|-----------|-----------|-------------|-------------|-------------|-------------|-------------|
|                                         |  | 2042                                                                     | 2043        | 2044        | 2045        | 2046        | 2047        | 2048      | 2049      | 2050      | 2051      | 2052        | 2053        | 2054        | 2055        | 2056        |
| Reserves at Beginning of Year           |  | 3,805,141                                                                | 3,601,826   | 4,061,369   | 3,881,170   | 4,160,473   | 2,251,056   | 359,318   | 460,559   | 562,113   | 623,054   | 836,509     | 1,087,095   | 1,216,973   | 1,442,926   | 1,585,689   |
| Total Recommended Reserve Contributions |  | 350,000                                                                  | 361,200     | 372,800     | 384,700     | 397,000     | 409,700     | 199,100   | 205,500   | 212,100   | 218,900   | 225,900     | 233,100     | 240,600     | 248,300     | 256,200     |
| Estimated Interest Earned, During Year  |  | 95,055                                                                   | 98,343      | 101,928     | 103,200     | 82,280      | 33,499      | 10,522    | 13,124    | 15,209    | 18,731    | 24,686      | 29,568      | 34,135      | 38,867      | 41,967      |
| Anticipated Expenditures, By Year       |  | (648,369)                                                                | 0           | (654,928)   | (208,597)   | (2,388,697) | (2,334,937) | (108,381) | (117,070) | (166,369) | (24,176)  | 0           | (132,790)   | (48,782)    | (144,403)   | (199,334)   |
| Anticipated Reserves at Year End        |  | \$3.601.826                                                              | \$4.061.369 | \$3.881.170 | \$4.160.473 | \$2.251.056 | \$359.318   | \$460.559 | \$562.113 | \$623.054 | \$836.509 | \$1.087.095 | \$1.216.973 | \$1.442.926 | \$1.585.689 | \$1.684.523 |
|                                         |  |                                                                          |             |             |             |             | (NOTE 5)    |           |           |           |           |             |             |             |             | (NOTE 4)    |

Explanatory Notes:

- 1) Year 2026 starting reserves are as of February 28, 2026; FY2026 starts January 1, 2026 and ends December 31, 2026.
- 2) Reserve Contributions for 2026 are the remaining budgeted 10 months; 2027 is the first year of recommended contributions.
- 3) 2.6% is the estimated annual rate of return on invested reserves; 2026 is a partial year of interest earned.
- 4) Accumulated year 2056 ending reserves consider the need to fund for subsequent repaving of the driveways shortly after 2056, and the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Year (reserve balance at critical point).

**FIVE-YEAR OUTLOOK****Red Cedar Canyon  
Townhouse Association**  
Hudson, Wisconsin

| Line<br>Item                                                      | Reserve Component Inventory                                                       | RUL = 0<br>FY2026 | 1<br>2027 | 2<br>2028 | 3<br>2029 | 4<br>2030 | 5<br>2031 |
|-------------------------------------------------------------------|-----------------------------------------------------------------------------------|-------------------|-----------|-----------|-----------|-----------|-----------|
| <u>Exterior Building Elements</u>                                 |                                                                                   |                   |           |           |           |           |           |
| 1.260                                                             | Light Fixtures                                                                    |                   |           |           |           |           | 28,656    |
| 1.540                                                             | Sealants, Windows and Doors, Phased                                               |                   |           |           |           | 49,029    |           |
| <u>Property Site Elements</u>                                     |                                                                                   |                   |           |           |           |           |           |
| 4.020                                                             | Asphalt Pavement, Crack Repair, Patch and Seal Coat                               |                   |           |           | 62,352    |           |           |
| 4.140                                                             | Concrete Sidewalks, Approaches and Stoops, Partial                                |                   |           |           |           | 22,906    |           |
| 4.410                                                             | Irrigation System, Controllers, Pumps and Backflow Preventers, Phased             |                   |           |           |           | 16,674    |           |
| 4.500                                                             | Landscape, Partial Replacements                                                   |                   |           |           |           |           | 12,876    |
| 4.501                                                             | Landscape, Rock Bed Replenishments, Phased (2026 Budgeted and Near Term Proposed) | 42,000            | 43,344    | 44,731    |           |           |           |
| 4.745                                                             | Retaining Walls, Masonry, Driveways, Phased                                       |                   |           |           |           |           | 20,280    |
| <b>Anticipated Expenditures, By Year (\$342,848 over 5 years)</b> |                                                                                   | 42,000            | 43,344    | 44,731    | 62,352    | 88,609    | 61,812    |

## 4. RESERVE COMPONENT DETAIL

The Reserve Component Detail of this *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.*

### Exterior Building Elements



Building front elevation



Building side elevation

### Gutters and Downspouts, Aluminum

---

**Line Item:** 1.240

**Quantity:** Approximately 20,240 linear feet of aluminum six-inch gutters and three-inch by four-inch downspouts

**History:** Replaced in 2023.

**Condition:** Good overall condition with no significant deterioration.



**Aluminum gutters and downspouts**



**Aluminum gutters and downspouts**

**Useful Life:** 20- to 25-years

**Component Detail Notes:** The size of the gutter is determined by the roof's watershed area, a roof pitch factor and the rainfall intensity number of the Association's region. We recommend sloping gutters 1/16 inch per linear foot and providing fasteners a maximum of every three feet.

Downspouts can drain 100 square feet of roof area per one square inch of downspout cross sectional area. We recommend the use of downspout extensions and splash blocks at the downspout discharge to direct storm water away from the foundations. The useful life of gutters and downspouts coincides with that of the sloped roofs. Coordinated replacement will result in the most economical unit price and minimize the possibility of damage to other roof components as compared to separate replacements.

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

- Semi-annually:
  - Clean out debris and leaves that collect in the gutters
  - Repair and refasten any loose gutter fasteners
  - Repair and seal any leaking seams or end caps
  - Verify downspouts discharge away from foundations

**Priority:** 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.

## Light Fixtures

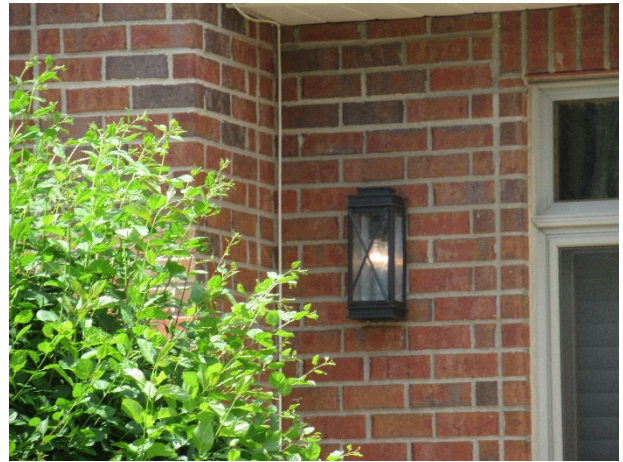
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**Line Item:** 1.260

**Quantity:** Approximately 136 light fixtures accent the side entries

**History:** Primarily original

**Condition:** Good to fair overall condition with mismatched fixtures 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:

- As-needed:
  - Replace burned out bulbs at common fixtures as needed
  - Inspect and repair broken or dislodged fixtures
  - Ensure a waterproof seal between the fixture and building exists

**Priority:** Per Board discretion

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

## Roofs, Asphalt Shingles

---

**Line Item:** 1.280

**Quantity:** Approximately 3,440 squares<sup>1</sup>

**History:** Replaced in 2023.

**Condition:** Good overall condition with no notable deterioration evident from our visual inspection from the ground.

<sup>1</sup> We quantify the roof area in squares where one square is equal to 100 square feet of surface area.



**Asphalt shingle roof overview**



**Shingle detail**



**Open valley with metal W flashing**



**Asphalt shingle roof overview**



**Penetrations and square hood box vents**



**Asphalt shingle roof overview**

**Useful Life:** 20- to 25-years

**Component Detail Notes:** The existing roof assembly comprises the following:

- Laminate architectural shingles

- Boston style ridge caps
- Rubber seal with plastic base boot flashing at waste pipes
- Soffit and square hood box vents
- Metal drip edge
- Open valley with metal W flashing

Insulation and ventilation are two major components of a sloped roof system. Together, proper insulation and ventilation help to control attic moisture and maintain an energy efficient building. Both insulation and ventilation prevent moisture buildup which can cause wood rot, mold and mildew growth, warp sheathing, deteriorate shingles, and eventually damage building interiors. Sufficient insulation helps to minimize the quantity of moisture that enters the attic spaces and adequate ventilation helps to remove any moisture that enters the attic spaces. These two roof system components also help to reduce the amount of energy that is required to heat and cool a building. Proper attic insulation minimizes heat gain and heat loss between the residential living spaces and attic spaces. This reduces energy consumption year-round. Proper attic ventilation removes excessive heat from attic spaces that can radiate into residential living spaces and cause air conditioners to work harder. Properly installed attic insulation and ventilation work together to maximize the useful life of sloped roof systems.

The vents should be clear of debris and not blocked from above by attic insulation. If the soffit vents are blocked from above, installation of polystyrene vent spaces or baffles between the roof joists at these locations can ensure proper ventilation.

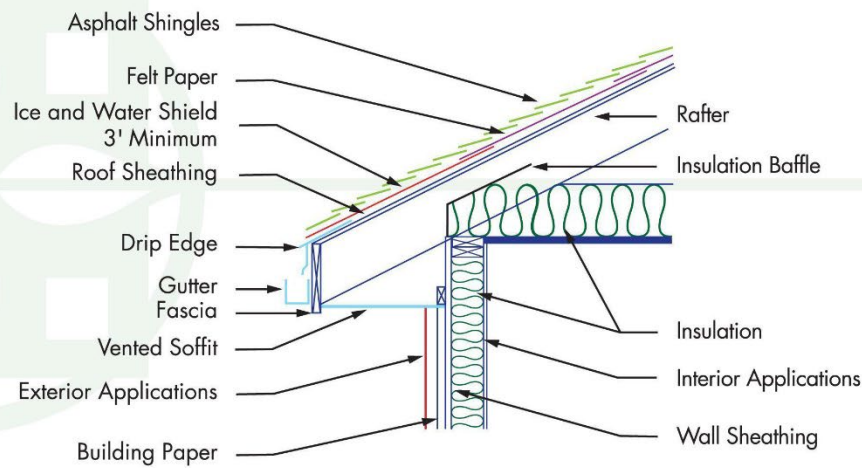
Certain characteristics of condition govern the times of replacement. Replacement of an asphalt shingle roof becomes necessary when there are multiple or recurring leaks and when the shingles begin to cup, curl and lift. These conditions are indications that the asphalt shingle roof is near the end of its useful life. Even if the shingles are largely watertight, the infiltration of water in one area can lead to permanent damage to the underlying roof sheathing. This type of deterioration requires replacement of saturated sections of sheathing and greatly increases the cost of roof replacement. Roof leaks may occur from interrelated roof system components, i.e., flashings. Therefore, the warranty period, if any, on the asphalt shingles, may exceed the useful life of the roof system.

Warranties are an indication of product quality and are not a product guarantee. Asphalt shingle product warranties vary from 20- to 50-years and beyond. However, the scope is usually limited to only the material cost of the shingles as caused by manufacturing defects. Warranties may cover defects such as thermal splitting, granule loss, cupping, and curling. Labor cost is rarely included in the remedy so if roof materials fail, the labor to tear off and install new shingles is extra. Other limitations of warranties are exclusions for "incidental and consequential" damages resulting from age, hurricanes, hailstorms, ice dams, severe winds, tornadoes, earthquakes, etc. There are some warranties which offer no dollar limit for replacement at an additional cost (effectively an insurance policy) but again these warranties also have limits and may not cover all damages other than a product defect. We recommend a review of the manufacturers' warranties as part of the evaluation of competing proposals to replace a roof system. This evaluation should identify the current costs of remedy if the roof were to fail in the near future. A comparison

of the costs of remedy to the total replacement cost will assist in judging the merits of the warranties.

The following cross-sectional schematic illustrates a typical asphalt shingle roof system although it may not reflect the actual configuration at Red Cedar Canyon:

## ROOF SCHEMATIC



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Contractors use one of two methods for replacement of sloped roofs, either an overlayment or a tear-off. Overlayment is the application of new shingles over an existing roof. However, there are many disadvantages to overlayment including hidden defects of the underlying roof system, absorption of more heat resulting in accelerated deterioration of the new and old shingles, and an uneven visual appearance. Therefore, we recommend only the tear-off method of replacement. The tear-off method of replacement includes removal of the existing shingles, flashings if required and underlayments.

The Association should plan to coordinate the replacement of gutters and downspouts with the adjacent roof. This will result in the most economical unit price and minimize the possibility of damage to other roof components as compared to separate replacements.

***Preventative Maintenance Notes:*** We recommend the Association maintain a service and inspection contract with a qualified professional and record all documentation of repairs conducted. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:

- Record any areas of water infiltration, flashing deterioration, damage or loose shingles
- Implement repairs as needed if issues are reoccurring
- Trim tree branches that are near or in contact with roof
- As-needed:
  - Ensure proper ventilation and verify vents are clear of debris and not blocked from attic insulation

**Priority:** 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.

## Sealants, Windows and Doors

---

**Line Item:** 1.540

**Quantity:** Approximately 26,600 linear feet of exterior sealants or *caulk*<sup>2</sup>

**History:** The sealants and control joints likely vary in age

**Condition:** Good to fair overall condition.



Sealant in good condition

**Useful Life:** Up to 20 years

**Component Detail Notes:** The rate of deterioration of the sealants is not uniform due to the different exposures to sunlight and weather. The Association should anticipate gradual dispersed deterioration as the sealants age.

Correct preparation of the joint surfaces before re-application of a sealant is important to ensure proper adhesion. The surfaces must be removed of all contaminants, including

<sup>2</sup> The terms sealant and caulk are used interchangeably throughout this text and throughout the industry.

the previous sealant material, paint, rust and other corrosion, water, grease, etc. The surfaces should also be dry and free from dust and grit, which can be removed using dry compressed air or brushes. The Association should ensure the manufacturer's instructions are followed in determining if the substrate is compatible with the sealant and that the chemical cleaners and solvents used to prepare the surfaces are also compatible with the sealant.

Several types of caulk are available with significantly different weathering and elongation properties. We recommend a silicone-based or polyurethane-based caulk. The major advantage of polyurethane-based caulks is their ability to bond to most construction surfaces without special preparation, such as primer application, as is required for alternate materials like silicone caulk. With proper surface preparation, i.e., removing surface contaminants, silicone-based caulks perform better than most other caulk materials. The weathering and elongation properties of silicone-based caulk give it a much longer useful life than other caulk materials.

**Priority:** 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 Red Cedar Canyon replace up to twenty-five percent (25%), or 6,650 linear feet of joint sealant per event.

## Soffit and Fascia, Aluminum

---

**Line Item:** 1.590

**Quantity:** Approximately 15,400 square feet of aluminum soffit and fascia

**History:** Original

**Condition:** Good overall with no significant deterioration evident



Aluminum soffits and fascia



Aluminum soffits and fascia

**Useful Life:** 35- to 40-years

**Component Detail Notes:** Consideration of appearance largely governs the decision to replace the aluminum soffits and fascia, in whole or partially, prior to the end of their useful life. Maintenance and partial replacements of the soffits and fascia may extend the useful life. Normal deterioration mainly relates to fading of the exterior finish from exposure to sunlight, weathering and air pollutants. The lack of replacement pieces matching the color and profile of the existing soffits and fascia may result in the need for a premature replacement.

**Priority:** 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.

## Property Site Elements

### Asphalt Pavement, Repaving

---

**Line Items:** 4.020 and 4.045

**Quantity:** Approximately 18,300 square yards at the driveways

**History:**

- Repaving: The Association repaved the driveways for \$1.1 million done over 3 phases starting in 2020 through 2026
- Repairs: Original

**Condition:** Good overall condition with no significant deterioration.



Pavement overview



Pavement overview



**Pavement overview**



**Pavement overview**



**Pavement overview**

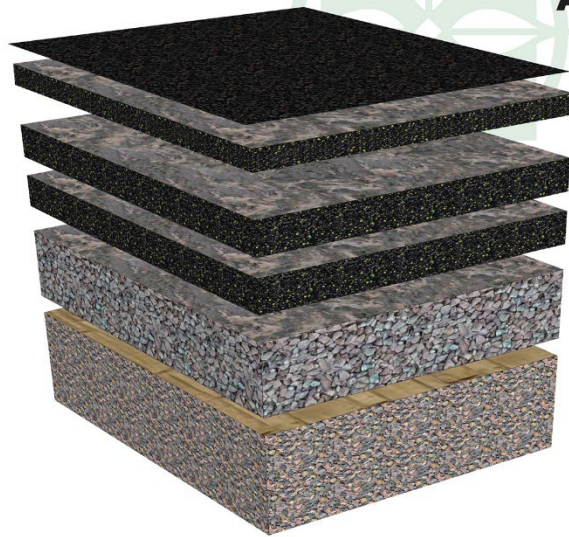


**Pavement overview**

**Useful Life:** 15- to 20-years with the benefit of crack repairs every three- to five-years

**Component Detail Notes:** Proposals should include mechanically routing and filling all cracks with hot emulsion. Repairs should also include patching at areas exhibiting settlement, potholes, or excessive cracking. The contractor should only apply seal coat applications after repairs are completed. A seal coat does not bridge or close cracks, therefore, unrepaired cracks render the seal coat applications useless. These activities minimize the damaging effects of vehicle fluids, maintain a uniform and positive appearance, and maximize the useful life of the pavement.

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 Red Cedar Canyon:



## ASPHALT DIAGRAM

**Sealcoat or Wearing Surface**

**Asphalt Overlay** Not to Exceed  
1.5 inch Thickness per Lift or Layer

**Original Pavement** Inspected and  
milled until sound pavement is found,  
usually comprised of two layers

**Compacted Crushed Stone  
or Aggregate Base**

**Subbase of Undisturbed  
Native Soils** Compacted to  
95% dry density

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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 total replacement method of repaving at Red Cedar Canyon.

**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 crack repairs and patching

**Priority:** 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.

## Concrete Sidewalks, Approaches and Stoops

---

**Line Item:** 4.140

**Quantity:** Approximately 24,800 square feet of concrete flatwork at the unit entry sidewalks

**Condition:** Good overall condition with prior repairs evident.



**Concrete sidewalk**



**Prior repairs**

**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:** 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 7,440 square feet of concrete sidewalks, or thirty percent (30%) of the total, will require replacement during the next 30 years.

## Irrigation System, Controllers, Pumps and Backflow Preventers

---

**Line Item:** 4.410

**Quantity:** Three controllers, pumps and backflow preventers

**History:** These components likely vary in age and date of installation

**Condition:** Reported in satisfactory condition

**Useful Life:** Up to 15 years

**Priority:** 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.

## **Irrigation System**

---

**Line Item:** 4.420

**Quantity:** The Association is responsible for the maintenance of the irrigation system that waters approximately 72 zones of lawn and landscaped areas.

**History:** Original

**Condition:** Good overall condition with no significant deterioration



**Irrigation system head**

**Useful Life:** Up to and sometimes beyond 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

Red Cedar Canyon 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
  - Blow out irrigation water lines and drain building exterior faucets each fall if applicable

**Priority:** 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.

## Landscaping

---

**Line Items:** 4.500 and 4.501

**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.



**Landscape overview**

**Useful Life:** At the request of Management, we include a landscape allowance for partial replacements every five years and rock bed replenishments every 30 years.

**Priority:** Per Board discretion

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our estimate of cost for the rock bed replenishment is based on information provided by Management.

## Retaining Walls, Masonry

**Line Items:** 4.745 and 4.746

**Quantity:** Approximately 1,260 square feet at the retaining walls along the driveways and approximately 340 square feet of masonry at the retaining walls at Units 129 and 135

**History:** Original; the Association does annual maintenance on the retaining walls through the operating budget.

**Condition:** Good overall condition with prior repairs evident.



**Masonry retaining wall**



**Prior repairs**



**Masonry retaining wall**



**Masonry retaining wall**

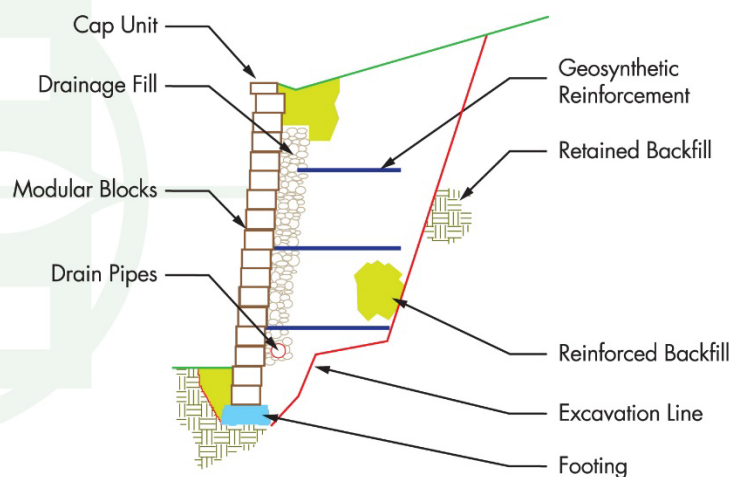


**Masonry retaining wall at Units 129 and 135**

**Useful Life:** Up to 35 years

**Component Detail Notes:** Properly constructed interlocking masonry retaining walls utilize geosynthetic reinforcement and a drainage system to stabilize the wall and prevent the buildup of hydrostatic pressure behind the wall. Water stains may indicate inadequate drainage or blocked drainage from behind the walls. The following schematic depicts the typical components of a retaining wall system although it may not reflect the actual configuration at Red Cedar Canyon:

## MASONRY RETAINING WALL DETAIL



© Reserve Advisors

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

- Annually:
  - Inspect and repair leaning sections or damaged areas
  - Water stains which may indicate possible blocked drainage should be investigated further
  - Inspect and repair erosion at the wall base and backside

**Priority:** 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.

## Signage

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**Line Item:** 4.810

**Quantity:** 28 building identification signs

**History:** Original

**Condition:** Good overall condition



**Signage**



**Signage**

**Useful Life:** 15- to 20-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.

**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

- Touch-up paint finish applications if applicable

**Priority:** 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 every 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.

Red Cedar Canyon 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 Owners 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<sup>1</sup> set forth by the Association of Professional Reserve Analysts (APRA) fulfilling the requirements of a "Level II Reserve Study Update." 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<sup>2</sup> 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 Hudson, Wisconsin at an annual inflation rate<sup>3</sup>. Isolated or regional markets of

<sup>1</sup> Identified in the APRA "Standards - Terms and Definitions" and the CAI "Terms and Definitions".

<sup>2</sup> See Credentials for additional information on our use of published sources of cost data.

<sup>3</sup> 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 Red Cedar Canyon 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.

**Thomas J. Woods**  
**Responsible Advisor**

**CURRENT CLIENT SERVICES**

Thomas J. Woods, a Mechanical Engineer, is an Advisor for Reserve Advisors. Mr. Woods is responsible for the inspection and analysis of the condition of clients' property, and recommending engineering solutions to prolong the lives of the components. He also forecasts capital expenditures for the repair and/or replacement of the property components and prepares technical reports on assignments. He is responsible for conducting Life Cycle Cost Analysis and Capital Replacement Forecast services and the preparation of Reserve Study Reports for apartments, condominiums, townhomes and homeowners associations.



The following is a partial list of clients served by Thomas Woods demonstrating his breadth of experiential knowledge of community associations in construction, remediation procedures and related buildings systems.

**Gleason Farms Carriage Homes Association** is a townhome style development which consists of 178 units in 20 building located in Maple Groove, Minnesota. The community was built from 2000 to 2001 and contains buildings comprised of vinyl siding and asphalt shingle roofs.

**Wyndemere Farms Homeowners Association** is a community located in Plymouth, Minnesota consisting of 101 two-story conventional homes and 83 single level villa homes. The community was built in 2000 and the property contains a playground, pool house and pool area.

**Martin Farms Home Owners' Association** is a community located in Otsego, Minnesota consisting of 498 single family homes. The community was built from 2004 to present and the property contains a playground, basketball court, pool house and pool area.

**Ivy Hill Town Houses Apartment Owners Association** is a townhome style development comprising of 37 units in six buildings located in Mendota Heights, Minnesota. The community was built in 1968 and contains buildings comprised of masonry and asphalt shingle roofs.

**Springbrook Villas Homeowner's Association** is a townhome style development comprising of 88 units in 11 buildings located in Coon Rapids, Minnesota. The community was built in 1993 and contains buildings comprised of vinyl siding and asphalt shingle roofs.

**PRIOR RELEVANT EXPERIENCE**

Before joining Reserve Advisors, Mr. Woods worked as a software developer for SPS Commerce. He was responsible for implementing and updating application modules under the direction of Senior Developers. Mr. Woods attended Iowa State University in Ames, Iowa where he attained his Bachelor of Science degree in Mechanical Engineering.

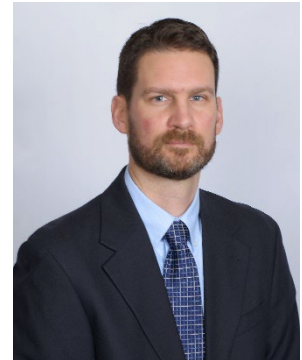
**EDUCATION**

Iowa State University - B.S. Mechanical Engineering

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

**CURRENT CLIENT SERVICES:**

Alan M. Ebert is the Director of Quality Assurance at Reserve Advisors and a direct, accessible resource to client boards, community managers, and stakeholders. Since entering the reserve study industry in 2007, he has conducted or personally reviewed approximately 20,000 reserve studies across the United States and internationally. He continues to perform hands-on technical reviews while leading the firm's Quality Assurance Engineers and production team to ensure accurate, consistent, and timely delivery of reports. Clients rely on Mr. Ebert for clear explanations, practical recommendations, and ongoing support before, during, and after report delivery.



**SCOPE OF EXPERIENCE:**

Mr. Ebert's background in geological engineering includes analysis of foundations, retaining walls, and slope stability—critical components that inform his assessment of building systems and site infrastructure. He has directed and reviewed reserve studies for a wide range of properties and building systems, including:

- High-rise and mid-rise condominium buildings with complex façades, balconies, structured parking, elevators, and life-safety systems
- Garden-style condominiums and townhome communities with extensive roofing portfolios, exterior cladding, and common-area infrastructure
- Master-planned and large-scale HOAs with private roadways, stormwater systems, lakes and water features, irrigation networks, and recreational amenities (pools, clubhouses, courts, fitness facilities)
- Historic and legacy properties with specialized envelope, structural and accessibility
- Coastal and cold-climate communities subject to salt exposure, wind-driven rain, and freeze-thaw durability demands
- Properties with on-site utilities and site structures, such as septic and wastewater systems, retaining walls, slope stabilization, bridges, and extensive hardscapes
- Mixed-use and commercial association components, including central HVAC plants and building automation systems

**LEADERSHIP, QUALITY ASSURANCE, AND CLIENT SERVICE**

- Oversees Quality Assurance Engineers and the Production Team to align standards, workflows, and schedules for on-time, high-quality reserve study reports
- Conducts in-depth technical reviews; standardizes methodologies, cost databases, and component life modeling to drive consistency and accuracy
- Serves as a personal resource to clients—available for planning discussions, board presentations, and Q&A to ensure clarity of findings and funding recommendations
- Tailors analyses to community goals, governing documents, and statutory requirements; collaborates with clients on phasing strategies and budget alignment

**EDUCATION**

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

**LICENSES AND CREDENTIALS**

- Licensed Professional Engineer (PE): Illinois, Colorado, North Carolina, Wisconsin (since 2012)
- Reserve Specialist (RS), Community Associations Institute (CAI)
- Professional Reserve Analyst (PRA), Association of Professional Reserve Analysts (APRA)



## 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](http://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](http://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](http://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](http://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 Red Cedar Canyon 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) Red Cedar Canyon 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 subject property. The purpose of our energy benchmarking services is to track, collect and summarize the subject property's energy consumption over time for your use in comparison with other buildings of similar size and establishing a performance baseline for your planning of long-term energy efficiency goals. The purpose of our Milestone Phase I is to evaluate the structural integrity of the building on the subject property and provide an inspection report summarizing our findings related to structural issues, or lack thereof.

In each case, 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. Our energy benchmarking services with respect to the subject property is limited to collecting energy and utility data and summarizing such data in the form of an Energy Star Portfolio Manager Report or any other similar report, and hereby expressly excludes any recommendations with respect to the results of such energy benchmarking services or the accuracy of the energy information obtained from utility companies and other third-party sources with respect to the subject property. Our Milestone Phase I inspections are limited to a visual examination of habitable and uninhabitable areas of the building, including the primary structural members and systems. The inspection aims to determine the presence of substantial structural deterioration, and unsafe or dangerous conditions with the structure. The reserve report, Milestone Phase 1 report, and any energy benchmarking report (i.e., any Energy Star Portfolio Manager Report) (including any subsequent revisions thereto pursuant to the terms hereof, collectively, the "Report") are based upon a "snapshot in time" at the moment of inspection. RA may note visible physical defects in the Report. The inspection is made by employees generally familiar with real estate and building construction. Except to the extent readily apparent to RA, RA cannot and shall not opine on the structural integrity of or other physical defects in the property under any circumstances. Without limitation to the foregoing, RA cannot and shall not opine on, nor is RA responsible for, the property's conformity to specific governmental code requirements for fire, building, earthquake, occupancy or otherwise.

RA is not responsible for conditions that have changed between the time of inspection and the issuance of the Report. RA does not provide invasive testing on any mechanical systems that provide energy to the property, nor can RA opine on any system components that are not easily accessible during the inspection. 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 vapor, water, oil, gas, coal, or other subsurface mineral and use rights or such hidden conditions, and RA assumes no responsibility for any such conditions. The Report contains opinions of estimated replacement costs or deferred maintenance expenses and remaining useful lives, which are neither a guarantee of the actual costs or expenses of replacement or deferred maintenance nor a guarantee of remaining useful lives of any property element.

RA assumes, without independent verification, the accuracy of all data provided to it. Except to the extent resulting from RA's willful misconduct in connection with the performance of its obligations under this agreement, you agree to indemnify, defend, and hold RA and its affiliates, officers, managers, employees, agents, successors and assigns (each, an "RA Party") harmless from and against (and promptly reimburse each RA Party for) any and all losses, claims, actions, demands, judgments, orders, damages, expenses or liabilities, including, without limitation, reasonable attorneys' fees, asserted against or to which any RA Party may become subject in connection with this engagement, including, without limitation, as a result of any false, misleading or incomplete information which RA relied upon that was 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 or to whom you provided the Report. NOTWITHSTANDING ANY OTHER PROVISION HEREIN TO THE CONTRARY, THE AGGREGATE LIABILITY (IF ANY) OF RA WITH RESPECT TO THIS AGREEMENT AND RA'S OBLIGATIONS HEREUNDER IS LIMITED TO THE AMOUNT OF THE FEES ACTUALLY RECEIVED BY RA FROM YOU FOR THE SERVICES AND REPORT PERFORMED BY RA UNDER THIS AGREEMENT, WHETHER ARISING IN CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY OR OTHERWISE. YOUR REMEDIES SET FORTH HEREIN ARE EXCLUSIVE AND ARE YOUR SOLE REMEDIES FOR ANY FAILURE OF RA TO COMPLY WITH ITS OBLIGATIONS HEREUNDER OR OTHERWISE. RA SHALL NOT BE LIABLE FOR ANY SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES OF ANY KIND, INCLUDING, BUT NOT LIMITED TO, ANY LOST PROFITS AND LOST SAVINGS, LOSS OF USE OR INTERRUPTION OF BUSINESS, HOWEVER CAUSED, WHETHER ARISING IN CONTRACT, TORT (INCLUDING NEGLIGENCE), BREACH OF WARRANTY, STRICT LIABILITY OR OTHERWISE, EVEN IF RA HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT WILL RA BE LIABLE FOR THE COST OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES. RA DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED OR OF ANY NATURE, WITH REGARD TO THE SERVICES AND THE REPORT, INCLUDING, WITHOUT LIMITATION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.



**Report** - RA will complete the services in accordance with the Proposal. The Report represents a valid opinion of RA's findings and recommendations with respect to the reserve study or Milestone Phase I, as applicable, and is deemed complete. RA will consider any additional information made available to RA within 6 months of issuing the Report and issue a revised Report based on such additional information if a timely request for a revised Report is made by you. 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. RA reserves the right to, and you acknowledge and agree that RA may, use any data provided by you in connection with the services, or gathered as a result of providing such services, including in connection with creating and issuing any Report, in a de-identified and aggregated form for RA's business purposes.

**Your Obligations** - You agree to provide us access to the subject property for an 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. Additionally, you agree to provide historical replacement schedules, utility bills and historical energy usage files that RA requests and deems necessary to complete the energy benchmarking services, and you agree to provide any utility release(s) reasonably requested by RA permitting RA to obtain any such data and/or information from any utility representative or other third party. 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 the Report is limited to only the purpose stated herein. You acknowledge that RA is the exclusive owner of all intellectual property rights in and relating to the Report. You hereby acknowledge that any use or reliance by you on the Report for any unauthorized purpose is at your own risk and that you will be liable for the consequences of any unauthorized use or distribution of the Report. Use or possession of the Report by any unauthorized third party is prohibited. 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 the Report in its entirety to the following third parties: members of your organization (including your directors, officers, tenants and prospective purchasers), your accountants, attorneys, financial institutions and property managers who need to review the information contained herein, and any other third party who has a right to inspect the Report under applicable law including, but not limited to, any government entity or agency, or any utility companies. Without the written consent of RA, you shall not disclose the Report to any other third party. By engaging our services, you agree that the Report contains intellectual property developed (and owned solely) by RA and agree that you will not reproduce or distribute the Report **to any party that conducts reserve studies without the written consent of RA**.

RA will include (and you hereby agree that RA may include) your name in our client lists. RA reserves the right to use (and you hereby agree that RA may 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** - The retainer payment for any reserve study, Milestone Phase I inspection, and/or combined services is due upon execution of this agreement and prior to the inspection by RA, and any balance is due net 30 days from the Report shipment date. If only energy benchmarking services are performed by RA, then the retainer payment is due upon execution of this agreement and any balance is due net 30 days from the Report shipment date. In any case, any balance remaining 30 days after delivery of the Report shall accrue an interest charge of 1.5% per month. Unless this agreement is earlier terminated by RA in the event you breach or otherwise fail to comply with your obligations under this agreement, RA's obligations under this agreement shall commence on the date you execute and deliver this agreement and terminate on the date that is 6 months from the date of delivery of the Report by RA. Notwithstanding anything herein to the contrary, each provision that by its context and nature should survive the expiration or early termination of this agreement shall so survive, including, without limitation, any provisions with respect to payment, intellectual property rights, limitations of liability and governing law. We reserve the right to limit or decline refunds in our sole discretion. Refunds vary based on the applicable facts and circumstances.

**Miscellaneous** – Neither party shall be liable for any failures or delays in performance due to fire, flood, strike or other labor difficulty, act of God, act of any governmental authority, riot, embargo, fuel or energy shortage, pandemic, wrecks or delays in transportation, or due to any other cause beyond such party's reasonable control; provided, however, that you shall not be relieved from your obligations to make any payment(s) to RA as and when due hereunder. In the event of a delay in performance due to any such cause, the time for completion or date of delivery will be extended by a period of time reasonably necessary to overcome the effect of such delay. You may not assign or otherwise transfer this agreement, in whole or in part, without the prior written consent of RA. RA may freely assign or otherwise transfer this agreement, in whole or in part, without your prior consent. This agreement shall be governed by the laws of the State of Wisconsin without regard to any principles of conflicts of law that would apply the laws of another jurisdiction. Any dispute with respect to this agreement shall be exclusively venued in Milwaukee County Circuit Court or in the United States District Court for the Eastern District of Wisconsin. Each party hereto agrees and hereby waives the right to a trial by jury in any action, proceeding or claim brought by or on behalf of the parties hereto with respect to any matter related to this agreement.