

FULL RESERVE STUDY

Calabay Parc at Tower Lake Homeowners Association, Inc.



Haines City, Florida

April 5, 2018



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Calabay Parc at Tower Lake Homeowners Association, Inc.
Haines City, Florida

Dear Board of Directors of Calabay Parc at Tower Lake Homeowners Association, Inc.:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of Calabay Parc at Tower Lake Homeowners Association, Inc. in Haines City, Florida and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, April 5, 2018.

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

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. We recommend the Board budget for an Update to this Reserve Study in two years. We look forward to continuing to help Calabay Parc at Tower Lake Homeowners Association, Inc. plan for a successful future.

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

Respectfully submitted on May 21, 2018 by

Reserve Advisors, Inc.

Visual Inspection and Report by: Nicole Lowery, PRA¹, RS²
Review by: Alan M. Ebert, PRA, RS, Director of Quality Assurance



¹ 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>.

² 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.



Long-term thinking. Everyday commitment.

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1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Calabay Parc at Tower Lake Homeowners Association, Inc. (Calabay Parc at Tower Lake)

Location: Haines City, Florida

Reference: 180192

Property Basics: Calabay Parc at Tower Lake Homeowners Association, Inc. is a homeowners association which is responsible for the common elements shared by 316 single family homes. The common elements of the Association were built from 2004 to 2019.

Reserve Components Identified: 33 Reserve Components.

Inspection Date: April 5, 2018.

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 2048 due to subsequent repaving of the asphalt pavement.

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

- Current and future local costs of replacement
- 1.2% annual rate of return on invested reserves
- 2.0% future Inflation Rate for estimating Future Replacement Costs

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

Cash Status of Reserve Fund:

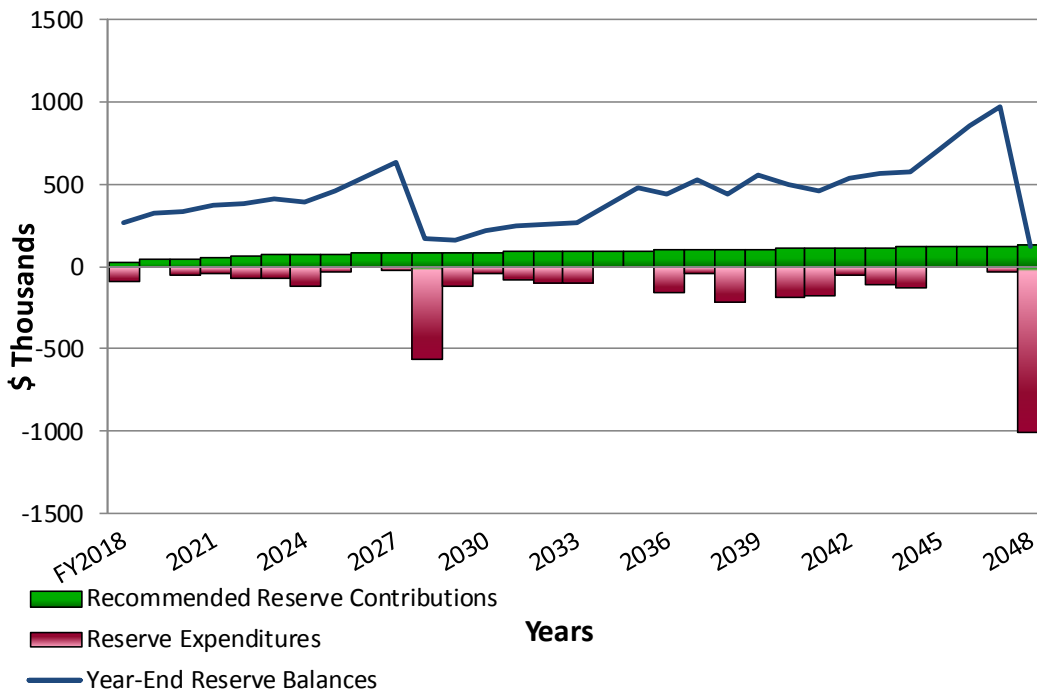
- \$314,965 as of January 31, 2018
- 2018 budgeted Reserve Contributions of \$40,000
- A potential deficit in reserves might occur by 2028 based upon continuation of the most recent annual reserve contribution of \$40,000 and the identified Reserve Expenditures.

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

- Phased increases of \$8,500 from 2019 through 2023
- Inflationary increases through 2048, the limit of this study's Cash Flow Analysis
- Initial adjustment in Reserve Contributions of \$8,500 represents an average monthly increase of \$2.24 per homeowner and about a two percent (1.6%) adjustment in the 2018 total Operating Budget of \$543,520.

Calabay Parc at Tower Lake
Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2019	48,500	319,732	2029	93,000	155,838	2039	113,400	557,471
2020	57,000	332,762	2030	94,900	219,125	2040	115,700	496,350
2021	65,500	368,485	2031	96,800	243,917	2041	118,000	453,779
2022	74,000	385,891	2032	98,700	252,421	2042	120,400	537,160
2023	82,500	410,206	2033	100,700	261,815	2043	122,800	562,175
2024	84,200	389,612	2034	102,700	368,273	2044	125,300	576,121
2025	85,900	456,297	2035	104,800	478,121	2045	127,800	711,601
2026	87,600	549,898	2036	106,900	439,255	2046	130,400	851,323
2027	89,400	631,405	2037	109,000	524,137	2047	133,000	973,006
2028	91,200	171,176	2038	111,200	438,133	2048	135,700	117,184



2. RESERVE STUDY REPORT

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

Calabay Parc at Tower Lake Homeowners Association, Inc.

Haines City, Florida

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, April 5, 2018.

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
- **Reserve Component Detail** - Describes the reserve components, includes photographic documentation of the condition of various property elements, describes our recommendations for repairs or replacement, and includes detailed solutions and procedures for replacements for the benefit of current and future board members
- **Methodology** - Lists the national standards, methods and procedures used to develop the Reserve Study
- **Definitions** - Contains definitions of terms used in the Reserve Study, consistent with national standards
- **Professional Service Conditions** - Describes Assumptions and Professional Service Conditions
- **Credentials and Resources**

IDENTIFICATION OF PROPERTY



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

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

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

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

- Calabay Parc at Tower Lake responsibility
- Limited useful life expectancies
- Predictable remaining useful life expectancies
- Replacement cost above a minimum threshold

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

- Electrical Systems, Common
- Foundations, Common
- Pipes, Interior Building, Water and Sewer, Common
- Pipes, Subsurface Utilities
- Structural Frames, Common

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

- General Maintenance to the Common Elements
- Expenditures less than \$5,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Guard House, Interior Renovations
- Irrigation System
- Landscape
- Light Fixtures, Recessed
- Paint Finishes, Touch Up
- Pumps Less Than Five-HP (horsepower)
- Screen Enclosure, Interim Screen Replacements
- Security System
- Valves, Small Diameter (We assume replacement as needed in lieu of an aggregate replacement of all small diameter valves as a single event.)
- Other Repairs normally funded through the Operating Budget

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

- Homes and Lots

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

- Lift Stations (Haines City)
- Light Poles and Fixtures (Duke Energy)
- Perimeter Walls, South Perimeter (Adjacent Community)

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
- 2018 local cost of replacement
 - Per unit
 - Per phase
 - Replacement of total quantity
- Total future costs of replacement anticipated during the next 30 years
- Schedule of estimated future costs for each reserve component including inflation

Reserve Funding Plan

- Reserves at the beginning of each year
- Total recommended reserve contributions
- Estimated interest earned from invested reserves
- Anticipated expenditures by year
- Anticipated reserves at year end
- Predicted reserves based on current funding level

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

**Calabay Parc at Tower Lake
Homeowners Association, Inc.**
Haines City, Florida

Explanatory Notes:

- 1) **2.0%** is the estimated future Inflation Rate for estimating Future Replacement Costs.
- 2) FY2018 is Fiscal Year beginning January 1, 2018 and ending December 31, 2018.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$			RUL = 0 FY2018	1 2019	2 2020	3 2021	4 2022	5 2023	6 2024	7 2025	8 2026	9 2027	10 2028	11 2029	12 2030	13 2031	14 2032	15 2033						
						Useful	Remaining	Unit (2018)	Per Phase (2018)	Total (2018)																	30-Year Total (Inflated)					
Exterior Building Elements																																
1.105	45	45	Linear Feet	Balcony, Screen Enclosure	2038	to 30	20	115.00	5,175	5,175	7,690																					
1.360	45	45	Squares	Roof Assemblies, Concrete Tiles	2033	to 30	15	900.00	40,500	40,500	54,508															54,508						
1.860	4,300	4,300	Square Feet	Walls, Stucco, Paint Finishes and Capital Repairs	2022	5 to 7	4	2.00	8,600	8,600	46,394				9,309						10,693											
1.980	1,000	1,000	Square Feet	Windows and Doors	2048	to 40	30	45.00	45,000	45,000	81,511																					
Interior Building Elements																																
2.100	1	1	Each	Elevator Cab Finishes	2037	to 20	19	8,000.00	8,000	8,000	11,654																					
2.160	1	1	Allowance	Exercise Equipment	2027	5 to 10	9	12,500.00	12,500	12,500	55,347									14,939												
2.200	80	80	Square Yards	Floor Coverings, Carpet	2025	8 to 12	7	55.00	4,400	4,400	17,914						5,054									5,922						
2.240	380	380	Square Yards	Floor Coverings, Tile	2041	to 30	23	70.00	26,600	26,600	41,946																					
2.450	2	1	Allowance	Furnishings, Phased	2025	to 20	7 to 15	10,000.00	10,000	20,000	40,715							11,487								13,459						
2.520	1	1	Allowance	Kitchen, Renovation	2041	to 25	23	14,000.00	14,000	14,000	22,077																					
2.800	11,200	11,200	Square Feet	Paint Finishes, Walls and Ceilings	2025	6 to 10	7	0.60	6,720	6,720	27,360							7,719								9,044						
2.899	1	1	Allowance	Rest Rooms, Fixtures	2041	to 25	23	11,700.00	11,700	11,700	18,450																					
Building Services Elements																																
3.070	3	3	Each	Air Handling and Condensing Units, Split Systems	2028	15 to 20	10	6,000.00	18,000	18,000	54,547										21,942											
3.320	1	1	Each	Elevator, Hydraulic, Pump and Controls	2043	to 35	25	55,000.00	55,000	55,000	90,233																					
3.330	1	1	Each	Elevator, Hydraulic, Cylinder	2048	to 45	30	23,000.00	23,000	23,000	41,661																					
3.560	1	1	Allowance	Life Safety System, Control Panel and Emergency Devices	2033	to 25	15	8,500.00	8,500	8,500	11,440															11,440						
Property Site Elements																																
4.020	27,100	27,100	Square Yards	Asphalt Pavement, Crack Repair, Patch and Seal Coat	2020	3 to 5	2	1.60	43,360	43,360	352,677			45,112			48,830									57,213						
4.040	27,100	27,100	Square Yards	Asphalt Pavement, Mill and Overlay	2028	15 to 20	10	10.50	284,550	284,550	862,288										346,865											
4.081	400	400	Square Feet	Boat Ramp	2038	to 30	20	35.00	14,000	14,000	20,803																					
4.100	45	45	Each	Catch Basins, Inspections and Capital Repairs	2028	15 to 20	10	650.00	29,250	29,250	88,638															35,656						
4.110	23,600	1,770	Linear Feet	Concrete Curbs and Gutters, Partial	2028	to 65	10 to 30+	25.00	44,250	590,000	134,094															53,941						
4.140	95,400	3,405	Square Feet	Concrete Sidewalks, Partial	2024	to 65	6 to 30+	8.00	27,240	763,200	275,767						30,677				33,205					35,943						
4.151	1,200	1,200	Square Feet	Dock, Wood (Replace with Composite)	2018	15 to 25	0	42.00	50,400	50,400	125,292	50,400																				
4.200	1,800	1,800	Linear Feet	Fences, Aluminum	2029	to 25	11	35.00	63,000	63,000	78,333															78,333						
4.220	900	900	Linear Feet	Fence, Chain Link	2029	to 25	11	19.00	17,100	17,100	21,262															21,262						
4.260	1,840	1,840	Linear Feet	Fences, Vinyl	2022	15 to 20	4	26.00	47,840	47,840	125,744					51,784																
4.320	8	8	Each	Gate and Swing Arm Operators	2021	to 10	3	4,000.00	32,000	32,000	125,815				33,959											41,395						
4.330	6	6	Each	Gates	2031	to 20	13	4,300.00	25,800	25,800	33,375															33,375						
4.620	5,000	5,000	Square Feet	Pavers, Masonry	2028	15 to 20	10	7.00	35,000	35,000	106,063											42,665										
4.640	31,400	31,400	Square Feet	Perimeter Walls, Stucco, Paint Finishes, Inspections and Capital Repairs	2018	5 to 7	0	0.85	26,690	26,690	219,990	26,690				30,057										33,849						
4.710	1	1	Allowance	Ponds, Erosion Control, Partial (2018 is Budgeted)	2018	to 10	0	10,000.00	10,000	10,000	55,163	10,000										12,190										
4.735	19,000	19,000	Square Feet	Retaining Walls, Concrete, Inspection and Capital Repairs	2023	10 to 15	5	3.00	57,000	57,000	147,632					62,933																
4.800	1	1	Allowance	Signage, Renovation	2028	15 to 20	10	8,000.00	8,000	8,000	24,243															9,752						
		1	Allowance	Reserve Study Update with Site Visit	2020	2	2	2,750.00	2,750	2,750	2,750				2,750																	
Anticipated Expenditures, By Year																																
											\$3,423,376	87,090	0	47,862	33,959	61,093	62,933	109,564	24,260	0	14,939	556,216	110,288	33,849	74,770	93,156	94,373					

RESERVE EXPENDITURES

**Calabay Parc at Tower Lake
Homeowners Association, Inc.**
Haines City, Florida

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$			16 2034	17 2035	18 2036	19 2037	20 2038	21 2039	22 2040	23 2041	24 2042	25 2043	26 2044	27 2045	28 2046	29 2047	30 2048	
						Useful	Remaining	Unit (2018)	Per Phase (2018)	Total (2018)																30-Year Total (Inflated)
Exterior Building Elements																										
1.105	45	45	Linear Feet	Balcony, Screen Enclosure	2038	to 30	20	115.00	5,175	5,175	7,690					7,690										
1.360	45	45	Squares	Roof Assemblies, Concrete Tiles	2033	to 30	15	900.00	40,500	40,500	54,508															
1.860	4,300	4,300	Square Feet	Walls, Stucco, Paint Finishes and Capital Repairs	2022	5 to 7	4	2.00	8,600	8,600	46,394		12,283						14,109							
1.980	1,000	1,000	Square Feet	Windows and Doors	2048	to 40	30	45.00	45,000	45,000	81,511														81,511	
Interior Building Elements																										
2.100	1	1	Each	Elevator Cab Finishes	2037	to 20	19	8,000.00	8,000	8,000	11,654			11,654												
2.160	1	1	Allowance	Exercise Equipment	2027	5 to 10	9	12,500.00	12,500	12,500	55,347			18,210										22,198		
2.200	80	80	Square Yards	Floor Coverings, Carpet	2025	8 to 12	7	55.00	4,400	4,400	17,914							6,938								
2.240	380	380	Square Yards	Floor Coverings, Tile	2041	to 30	23	70.00	26,600	26,600	41,946														41,946	
2.450	2	1	Allowance	Furnishings, Phased	2025	to 20	7 to 15	10,000.00	10,000	20,000	40,715														15,769	
2.520	1	1	Allowance	Kitchen, Renovation	2041	to 25	23	14,000.00	14,000	14,000	22,077														22,077	
2.800	11,200	11,200	Square Feet	Paint Finishes, Walls and Ceilings	2025	6 to 10	7	0.60	6,720	6,720	27,360														10,597	
2.899	1	1	Allowance	Rest Rooms, Fixtures	2041	to 25	23	11,700.00	11,700	11,700	18,450														18,450	
Building Services Elements																										
3.070	3	3	Each	Air Handling and Condensing Units, Split Systems	2028	15 to 20	10	6,000.00	18,000	18,000	54,547														32,605	
3.320	1	1	Each	Elevator, Hydraulic, Pump and Controls	2043	to 35	25	55,000.00	55,000	55,000	90,233								90,233							
3.330	1	1	Each	Elevator, Hydraulic, Cylinder	2048	to 45	30	23,000.00	23,000	23,000	41,661														41,661	
3.560	1	1	Allowance	Life Safety System, Control Panel and Emergency Devices	2033	to 25	15	8,500.00	8,500	8,500	11,440															
Property Site Elements																										
4.020	27,100	27,100	Square Yards	Asphalt Pavement, Crack Repair, Patch and Seal Coat	2020	3 to 5	2	1.60	43,360	43,360	352,677		61,929			67,034				72,559						
4.040	27,100	27,100	Square Yards	Asphalt Pavement, Mill and Overlay	2028	15 to 20	10	10.50	284,550	284,550	862,288														515,423	
4.081	400	400	Square Feet	Boat Ramp	2038	to 30	20	35.00	14,000	14,000	20,803				20,803											
4.100	45	45	Each	Catch Basins, Inspections and Capital Repairs	2028	15 to 20	10	650.00	29,250	29,250	88,638														52,982	
4.110	23,600	1,770	Linear Feet	Concrete Curbs and Gutters, Partial	2028	to 65	10 to 30+	25.00	44,250	590,000	134,094														80,153	
4.140	95,400	3,405	Square Feet	Concrete Sidewalks, Partial	2024	to 65	6 to 30+	8.00	27,240	763,200	275,767		38,905			42,112				45,584					49,341	
4.151	1,200	1,200	Square Feet	Dock, Wood (Replace with Composite)	2018	15 to 25	0	42.00	50,400	50,400	125,292				74,892											
4.200	1,800	1,800	Linear Feet	Fences, Aluminum	2029	to 25	11	35.00	63,000	63,000	78,333															
4.220	900	900	Linear Feet	Fence, Chain Link	2029	to 25	11	19.00	17,100	17,100	21,262															
4.260	1,840	1,840	Linear Feet	Fences, Vinyl	2022	15 to 20	4	26.00	47,840	47,840	125,744					73,960										
4.320	8	8	Each	Gate and Swing Arm Operators	2021	to 10	3	4,000.00	32,000	32,000	125,815							50,461								
4.330	6	6	Each	Gates	2031	to 20	13	4,300.00	25,800	25,800	33,375															
4.620	5,000	5,000	Square Feet	Pavers, Masonry	2028	15 to 20	10	7.00	35,000	35,000	106,063														63,398	
4.640	31,400	31,400	Square Feet	Perimeter Walls, Stucco, Paint Finishes, Inspections and Capital Repairs	2018	5 to 7	0	0.85	26,690	26,690	219,990		38,120					42,929							48,345	
4.710	1	1	Allowance	Ponds, Erosion Control, Partial (2018 is Budgeted)	2018	to 10	0	10,000.00	10,000	10,000	55,163				14,859										18,114	
4.735	19,000	19,000	Square Feet	Retaining Walls, Concrete, Inspection and Capital Repairs	2023	10 to 15	5	3.00	57,000	57,000	147,632				84,699											
4.800	1	1	Allowance	Signage, Renovation	2028	15 to 20	10	8,000.00	8,000	8,000	24,243														14,491	
		1	Allowance	Reserve Study Update with Site Visit	2020	2	2	2,750.00	2,750	2,750	2,750															
Anticipated Expenditures, By Year											\$3,423,376	0	0	151,237	29,864	202,943	0	183,106	166,238	42,929	104,342	118,143	0	0	22,198	998,024

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS Calabay Parc at Tower Lake Homeowners Association, Inc.

Individual Reserve Budgets & Cash Flows for the Next 30 Years

Haines City, Florida	FY2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Reserves at Beginning of Year (Note 1)	314,965	267,728	319,732	332,762	368,485	385,891	410,206	389,612	456,297	549,898	631,405	171,176	155,838	219,125	243,917	252,421
Total Recommended Reserve Contributions (Note 2)	36,667	48,500	57,000	65,500	74,000	82,500	84,200	85,900	87,600	89,400	91,200	93,000	94,900	96,800	98,700	100,700
Plus Estimated Interest Earned, During Year (Note 3)	3,187	3,504	3,892	4,182	4,499	4,748	4,770	5,045	6,001	7,046	4,787	1,950	2,236	2,762	2,960	3,067
Less Anticipated Expenditures, By Year	(87,090)	0	(47,862)	(33,959)	(61,093)	(62,933)	(109,564)	(24,260)	0	(14,939)	(556,216)	(110,288)	(33,849)	(74,770)	(93,156)	(94,373)
Anticipated Reserves at Year End	<u>\$267,728</u>	<u>\$319,732</u>	<u>\$332,762</u>	<u>\$368,485</u>	<u>\$385,891</u>	<u>\$410,206</u>	<u>\$389,612</u>	<u>\$456,297</u>	<u>\$549,898</u>	<u>\$631,405</u>	<u>\$171,176</u>	<u>\$155,838</u>	<u>\$219,125</u>	<u>\$243,917</u>	<u>\$252,421</u>	<u>\$261,815</u>
Predicted Reserves based on 2018 funding level of: \$40,000	267,728	311,181	307,006	316,767	299,349	279,871	213,248	231,641	274,661	303,168	(212,507)	(285,767)				

(continued)

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

	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
Reserves at Beginning of Year	261,815	368,273	478,121	439,255	524,137	438,133	557,471	496,350	453,779	537,160	562,175	576,121	711,601	851,323	973,006
Total Recommended Reserve Contributions	102,700	104,800	106,900	109,000	111,200	113,400	115,700	118,000	120,400	122,800	125,300	127,800	130,400	133,000	135,700
Plus Estimated Interest Earned, During Year	3,758	5,048	5,471	5,746	5,739	5,938	6,285	5,667	5,910	6,557	6,789	7,680	9,322	10,881	6,502
Less Anticipated Expenditures, By Year	0	0	(151,237)	(29,864)	(202,943)	0	(183,106)	(166,238)	(42,929)	(104,342)	(118,143)	0	0	(22,198)	(998,024)
Anticipated Reserves at Year End	<u>\$368,273</u>	<u>\$478,121</u>	<u>\$439,255</u>	<u>\$524,137</u>	<u>\$438,133</u>	<u>\$557,471</u>	<u>\$496,350</u>	<u>\$453,779</u>	<u>\$537,160</u>	<u>\$562,175</u>	<u>\$576,121</u>	<u>\$711,601</u>	<u>\$851,323</u>	<u>\$973,006</u>	<u>\$117,184</u>

(NOTES 4&5)

Explanatory Notes:

- 1) Year 2018 starting reserves are as of January 31, 2018; FY2018 starts January 1, 2018 and ends December 31, 2018.
- 2) Reserve Contributions for 2018 are the remaining budgeted 11 months; 2019 is the first year of recommended contributions.
- 3) 1.2% is the estimated annual rate of return on invested reserves; 2018 is a partial year of interest earned.
- 4) Accumulated year 2048 ending reserves consider the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Year (reserve balance at critical point).

4. RESERVE COMPONENT DETAIL

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

Exterior Building Elements



Front elevation of clubhouse



Rear elevation of clubhouse



Side elevation of clubhouse



Gate house

Balcony, Screen Enclosure

Line Item: 1.105

Quantity: 45 linear feet

History: Original

Condition: Good overall



Balcony screen enclosure

Useful Life: Up to 30 years

Component Detail Notes: The finish on these types of railings is maintenance free and should last the life of the railing.

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

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

Roof Assemblies, Concrete Tiles

Line Item: 1.360

Quantity: 45 squares¹

History: Original

Condition: Good overall. Management and the Board do not report a history of leaks.

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



Concrete tile roof assembly



Concrete tile roof assembly

Useful Life: Up to 30 years

Component Detail Notes: A tile roof rarely fails at all points of application simultaneously. Rather, occurrences of roof leaks will increase as more concrete tiles crack, break and dislodge. This deterioration will result in increased maintenance costs such that replacement becomes the least costly long-term alternative as compared to ongoing repairs.

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

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

Walls, Stucco

Line Item: 1.860

Quantity: Approximately 4,300 square feet of the clubhouse building exteriors, including the balcony and patio surfaces which are coated

History: The last paint finish application was in 2017.

Condition: Good to fair overall with cracks evident



Stucco walls with cracks evident

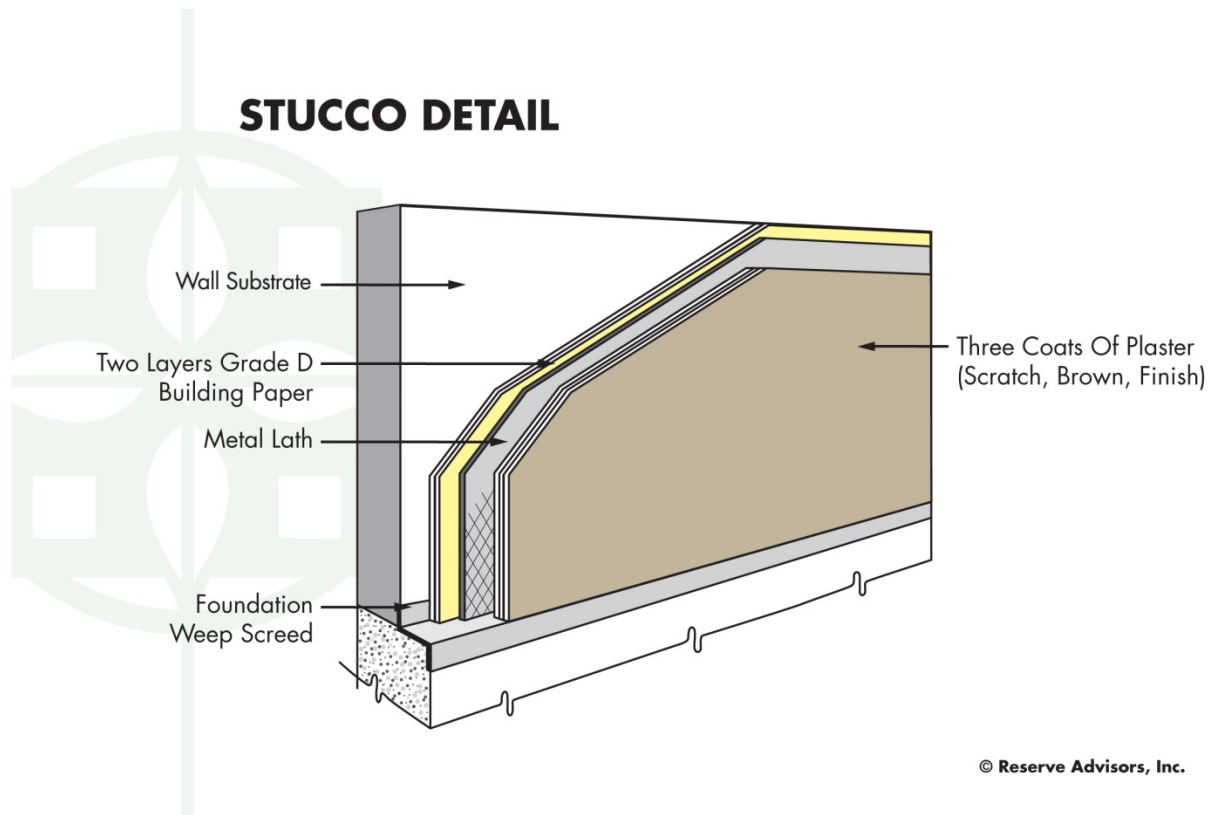


Patio floor surface with coating

Useful Life: We recommend inspections, repairs and paint finish applications every five- to seven-years.

Component Detail Notes: The following graphic details the typical components of a stucco wall system on frame construction although it may not reflect the actual configuration at Calabay Parc at Tower Lake:

STUCCO DETAIL



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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our estimate of cost anticipates the following in coordination with each paint finish application:

- Crack repairs as needed (Each paint product has the limited ability to cover and seal cracks but we recommend repair of all cracks which exceed the ability of the paint product to bridge.)
- Replacement of up to one percent (1%), of the stucco walls (The exact amount of area in need of replacement will be discretionary based on the actual future conditions and the desired appearance.)
- Replacement of up to thirty-three percent (33%) of the sealants in coordination with each paint finish application.
- Coating application to the patio and balcony floor surfaces

Windows and Doors

Line Item: 1.980

Quantity: 970 square feet

History: Original

Condition: Good overall



Windows and doors



Windows

Useful Life: Up to 40 years

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

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

Interior Building Elements

Elevator Cab Finishes

Line Item: 2.100

Quantity: One elevator

History: Original

Condition: Good overall



Elevator cab finishes

Useful Life: Up to 20 years

Component Detail Notes: The elevator cab finishes consist of:

- Tile floor coverings
- Laminate wall coverings
- Metal ceiling with light fixtures

Priority/Criticality: Per Board discretion

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

Exercise Equipment

Line Item: 2.160

Quantity: The exercise room contains the following types of cardiovascular aerobic training equipment:

- Elliptical
- Stationary cycle

- Television
- Treadmill
- Rowing machine

History: Original to 2017

Conditions: Good overall



Exercise equipment

Useful Life: The useful life of exercise equipment is 5- to 10-years.

Priority/Criticality: Per Board discretion

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

Floor Coverings, Carpet

Line Item: 2.200

Quantity: 80 square yards at the second floor of the clubhouse (Contractor measurements will vary from the actual floor area due to standard roll lengths, patterns and installation waste.)

History: Original to 2017

Condition: Good overall



Carpet floor coverings

Useful Life: 8- to 12-years

Priority/Criticality: Per Board discretion

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

Floor Coverings, Tile

Line Item: 2.240

Quantity: 380 square yards at the first and second floors of the clubhouse

History: Original to 2017

Condition: Good overall



Tile floor coverings



Tile floor coverings

Useful Life: Up to 30 years although replacement of tile is often based on discretionary redecorating prior to the tile reaching the end of its useful life.

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The Association should fund regrouting of the tiles through the operating budget if necessary.

Furnishings

Line Item: 2.450

History: Original to 2017

Condition: Good overall



Furnishings

Useful Life: Varies significantly up to 20 years

Component Detail Notes: Furnishings in the clubhouse include:

- Ceiling fans
- Chairs
- Light fixtures
- Sofas
- Tables

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We estimate the present replacement cost of these elements at approximately \$20,000. Due to varied uses, ages and useful lives, we

recommend the Association budget \$10,000 plus inflation for phased replacements of up to fifty percent (50%) of the furnishings per event.

Kitchen

Line Item: 2.520

History: Components are original to 2017

Condition: Good overall



Kitchen

Useful Life: Renovation up to every 25 years

Component Detail Notes: Components of the kitchen include:

- Appliances
- Cabinets and countertops

Priority/Criticality: Per Board discretion

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

Paint Finishes, Walls and Ceilings

Line Item: 2.800

Quantity: Approximately 11,200 square feet on the walls and ceilings of the clubhouse

History: Original to 2017

Condition: Good overall



Paint finishes

Useful Life: 6- to 10-years

Priority/Criticality: Per Board discretion

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

Rest Rooms, Fixtures

Line Item: 2.899

Quantity: Three in the clubhouse

History: Components are original to 2017

Condition: Good overall



Rest room fixtures



Rest room fixtures

Useful Life: Up to 25 years

Component Detail Notes: Components include:

- Partitions
- Plumbing fixtures

Priority/Criticality: Per Board discretion

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

Building Services Elements

Air Handling and Condensing Units, Split Systems

Line Item: 3.070

Quantity: Three split systems that have a capacity of two- to five-tons

History: Original to 2008

Condition: Reported satisfactory



Air handling units



Condensing units

Useful Life: 15- to 20-years

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The condensing unit may require replacement prior to replacement of the related interior forced air unit. For purposes of this Reserve Study, we assume coordination of replacement of the interior forced air unit, evaporator coil, refrigerant lines and exterior condensing unit.

Elevator, Hydraulic

Line Items: 3.320 and 3.330

Quantity: One hydraulic passenger elevator

History: Components are original to 2008

Condition: Reported satisfactory and service interruptions are reportedly infrequent.



Elevator controls

Useful Life: Pumps and controls have a useful life of up to 35 years. Cylinders have a useful life of up to 45 years.

Component Detail Notes: Major components in a hydraulic elevator system include the pump, controls, cylinder, fluid reservoir and a valve between the cylinder and reservoir. Once activated by the elevator controls, the pump forces hydraulic fluid from the reservoir into the cylinder. The piston within the cylinder rises lifting the elevator cab. The elevator cab lowers at a controlled rate when the controls open the valve.

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We anticipate the following hydraulic elevator system components will require replacement:

- Cab control panel
- Door operator
- Hallway panels/buttons
- Microprocessor based controller
- Pump (Power Unit)

These costs may vary based on the desired scope of the actual replacements, changes in technology and requirements of local codes or ordinances at the actual times of replacements. However, we judge our estimated costs sufficient to budget appropriate

reserves at this time. The Association should require the contractor to verify that elevator component replacements include all of the necessary features for the latest in elevator code compliance.

Life Safety System

Line Items: 3.555 and 3.560

Quantity: The life safety system at Calabay Parc at Tower Lake includes the following components:

- Audio/visual fixtures
- Control panel
- Detectors
- Emergency light fixtures
- Exit light fixtures
- Pull stations
- Wiring

History: Original to 2008

Conditions: Reported satisfactory



Life safety devices

Useful Life: Up to 25 years

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Changes in technology or building codes may make a replacement desirable prior to the end of the functional life. Our estimate of future cost considers only that amount necessary to duplicate the same functionality. Local codes or ordinances at the actual time of replacement may require a betterment as compared

to the existing system. A betterment could result in a higher, but at this time unknown, cost of replacement.

Property Site Elements

Asphalt Pavement, Crack Repair, Patch and Seal Coat

Line Item: 4.020

Quantity: Approximately 27,100 square yards

History: Original

Condition: Good to fair overall

Useful Life: Three- to five-years

Component Detail Notes: Proposals for seal coat applications should include crack repairs and patching. 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.

Priority/Criticality: Per Board discretion

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

Asphalt Pavement, Repaving

Line Item: 4.040

Quantity: Approximately 27,100 square yards

History: Original

Condition: Good to fair overall with isolated cracks, settlement, vehicular stains and delamination evident



Asphalt pavement



Asphalt pavement



Vehicular stains evident



Cracks and settlement evident



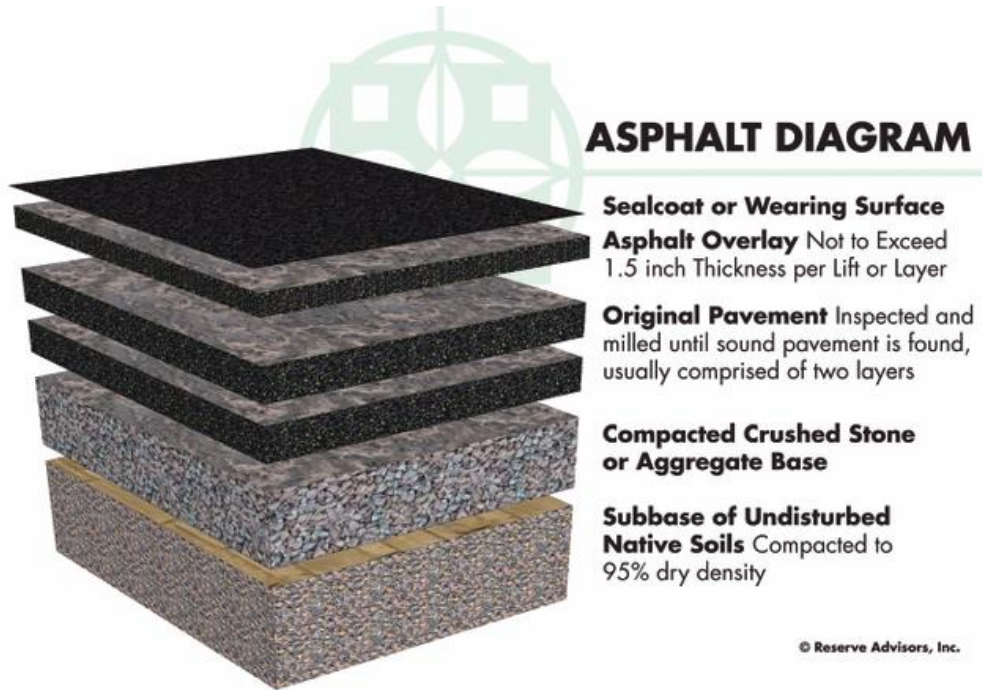
Cracks evident



Delamination evident

Useful Life: 15- to 20-years

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



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

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost for milling and overlayment includes area patching of up to ten percent (10%).

Boat Ramp

Line Item: 4.081

Quantity: 400 square feet

History: Original

Condition: Good overall



Boat ramp

Useful Life: Up to 30 years

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

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

Catch Basins

Line Item: 4.100

Quantity: 45 each

History: Original

Condition: Good overall without settlement visually apparent. We note cracks.



Catch basin



Cracks evident

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

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

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

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

Concrete Curbs and Gutters

Line Item: 4.110

Quantity: 23,600 linear feet

Condition: Good to fair overall with cracks evident



Cracks evident



Cracks evident

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

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We estimate that up to 3,540 linear feet of curbs and gutters, or fifteen percent (15%) of the total, will require replacement during the next 30 years.

Concrete Sidewalks

Line Item: 4.140

Quantity: 95,400 square feet, including the driveway to the boat ramp

Condition: Good overall with cracks evident



Cracks evident at driveway to boat ramp



Typical concrete sidewalk

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

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We estimate that up to 23,835 square feet of concrete sidewalks, or twenty-five percent (25%) of the total, will require replacement during the next 30 years.

Dock, Wood

Line Item: 4.151

Quantity: Approximately 1,200 square feet of wood dock

History: Original

Condition: Poor condition with wood deterioration and warp evident



Overview of dock



Wood deterioration evident



Wood deterioration evident



Warp evident at deck boards

Useful Life: 15- to 25-years

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The estimate of cost is provided by Management and the Board and reflects replacement with composite materials on the existing wood pilings.

Fences, Aluminum

Line Item: 4.200

Quantity: 1,800 linear feet at the retaining walls behind the homes on Minniehaha Circle, on Tower Lake Boulevard and at the entrances

History: Original

Condition: Good overall



Fence on Tower Lake Boulevard



Fence behind homes on Minnehaha Circle



Fence at entrance

Useful Life: Up to 25 years

Priority/Criticality: Per Board discretion

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

Fence, Chain Link

Line Item: 4.220

Quantity: 900 linear feet behind Sheen Circle

History: Original

Condition: Good overall



Chain link fence

Useful Life: Up to 25 years

Priority/Criticality: Per Board discretion

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

Fences, Vinyl

Line Item: 4.260

Quantity: 1,840 linear feet at Eola Way and behind the homes on Cherokee Avenue

History: Original

Condition: Good overall



Fence near Eola Way



Fence behind homes on Cherokee Avenue

Useful Life: 15- to 20-years

Priority/Criticality: Per Board discretion

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

Gates and Operators

Line Items: 4.320 and 4.330

Quantity: Six metal gates and eight operators, including the swing arm operators

History: Original

Condition: Satisfactory overall with multiple repairs reported due to vehicle damage



Resident entrance gates and operators



Main entrance gates and operators

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

Priority/Criticality: Not recommended to defer

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

Pavers, Masonry

Line Item: 4.620

Quantity: 5,000 square feet at the main entrance and at the clubhouse

History: Original

Condition: Good to fair overall with vehicular stains evident



Pavers at clubhouse



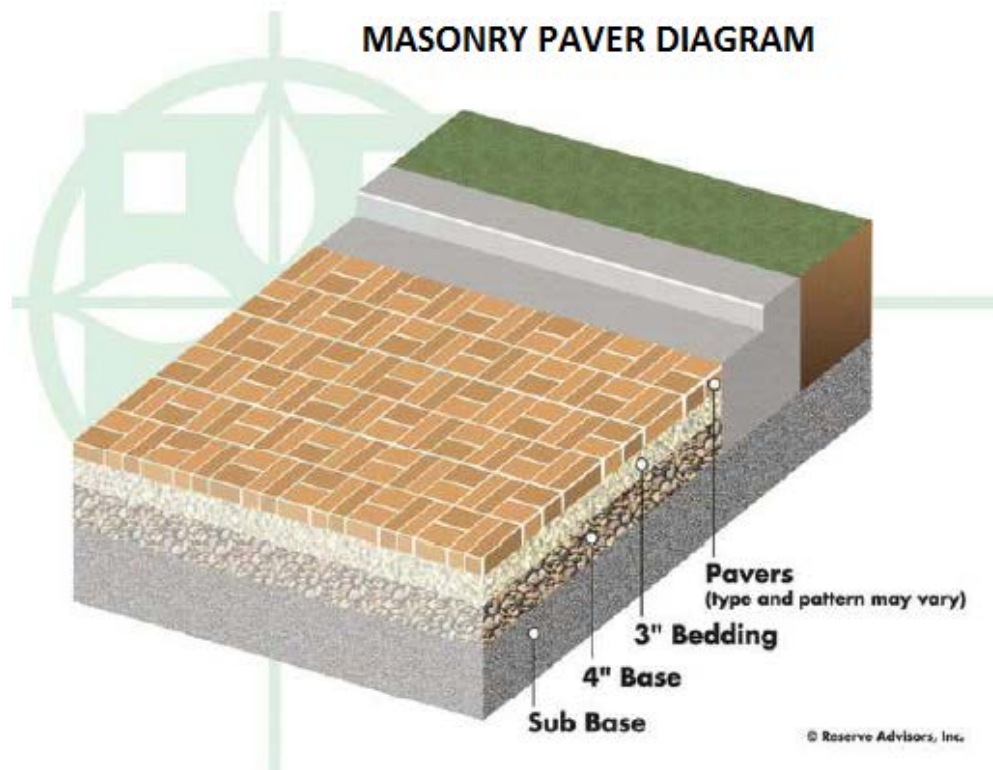
Pavers at clubhouse



Pavers at entrance with vehicular stains

Useful Life: 15- to 20-years

Component Detail Notes: The following diagram depicts the typical components of a masonry paver system although it may not reflect the actual configuration at Calabay Parc at Tower Lake:



Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We suggest the Association conduct interim resetting and replacement of minor areas of pavers as normal maintenance, funded from the operating budget.

Perimeter Walls, Stucco

Line Item: 4.640

Quantity: 31,400 square feet of stucco surface area which includes both sides of the walls.

History: The last paint application was performed between 2012 and 2013.

Condition: The walls are in good condition overall and paint finish is in fair condition overall with stucco cracks, sealant cracks, rust at coping and coping damage evident.



Stucco cracks evident



Sealant cracks and rust at coping evident



Stucco cracks evident



Coping damage evident

Useful Life: Indefinitely long with periodic finish applications and proper maintenance every five- to seven-years

Component Detail Notes: Stucco is Portland cement plaster that is applied directly to a solid base such as masonry or concrete. Periodic paint finish applications and repairs to stucco help prevent water infiltration and spalling from weather exposure, maintain a good appearance and maximize the useful life of the system.

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our estimate of cost anticipates repair or replacement of 630 square feet, or up to two percent (2%), of the stucco in coordination with each paint finish application. The exact amount of area in need of repair will be discretionary based on the actual future conditions and the desired appearance. Each paint product has the limited ability to cover and seal cracks but we recommend repair of all cracks which exceed the ability of the paint product to bridge.

Ponds, Erosion Control

Line Item: 4.710

Quantity: Seven dry detention ponds throughout the community

Condition: Management and the Board inform us there are erosion issues in the detention pond near Tower Lake that are scheduled to be repaired in 2018.



Erosion in detention pond near Tower Lake



Erosion in detention pond near Tower Lake



Overview of typical detention pond

Useful Life: Erosion control measures up to every 10 years

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association budget for repairs to isolated erosion issues. Although it is likely that the times of repairs and extent of repair costs may vary from the budgetary allowance, Calabay Parc at Tower Lake could budget sufficient reserves for these repairs and have the opportunity to adjust its future

reserves up or down to meet any changes to these budgetary estimates. Updates of this Reserve Study would incorporate changes to budgetary costs through a continued historical analysis of the actual rate and costs of repairs to budget sufficient reserves.

Retaining Walls, Concrete

Line Item: 4.735

Quantity: 19,000 square feet

History: Original

Condition: Good to fair overall with cracks evident



Cracks evident



Retaining wall



Retaining wall



Cracks evident

Useful Life: Concrete retaining walls have indeterminate useful lives. However, we recommend the Association plan for inspections and capital repairs every 10- to 15- years to forestall deterioration.

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

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

Signage

Line Item: 4.800

Quantity: Four property identification signs

History: Original

Condition: Good overall



Signage

Useful Life: 15- to 20-years

Component Detail Notes: Community signage contributes to the overall aesthetic appearance of the property to owners and potential buyers. Renovation or replacement of community signs is often predicated upon the desire to "update" the perceived identity of the community rather than for utilitarian concerns. Therefore, the specific times for replacement or renovation are discretionary. The signage includes the following elements:

- Light fixtures
- Letters and signage
- Landscape

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost for renovation includes landscape upgrades and replacement of the remaining components listed above.

Reserve Study Update

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

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

Periodic updates incorporate these variable changes since the last Reserve Study or Update. The Association can expense the fee for an Update with site visit from the reserve account. This fee is included in the Reserve Funding Plan. We base this budgetary amount on updating the same property components and quantities of this Reserve Study report. We recommend the Board budget for an Update to this Reserve Study in two 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.

Calabay Parc at Tower Lake can fund capital repairs and replacements in any combination of the following:

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

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

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

- The Cash Flow Method to compute, project and illustrate the 30-year Reserve Funding Plan
- Local² costs of material, equipment and labor
- Current and future costs of replacement for the Reserve Components
- Costs of demolition as part of the cost of replacement
- Local economic conditions and a historical perspective to arrive at our estimate of long term future inflation for construction costs in Haines City, Florida at an annual inflation rate. Isolated or regional markets of greater

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

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

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

- The past and current maintenance practices of Calabay Parc at Tower Lake 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, Inc. is the leading provider of reserve studies, insurance appraisals, developer turnover transition studies, expert witness services, and other engineering consulting services. Clients include community associations, resort properties, hotels, clubs, non-profit organizations, apartment building owners, religious and educational institutions, and office/commercial building owners in 48 states, Canada and throughout the world.

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

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

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

TOTAL STAFF INVOLVEMENT

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

OUR GOAL

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

VAST EXPERIENCE WITH A VARIETY OF BUILDINGS

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

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

OLD TO NEW

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

QUALIFICATIONS

THEODORE J. SALGADO

Principal Owner

CURRENT CLIENT SERVICES

Theodore J. Salgado is a co-founder of Reserve Advisors, Inc., which is dedicated to serving community associations, city and country clubs, religious organizations, educational facilities, and public and private entities throughout the United States. He is responsible for the production, management, review, and quality assurance of all reserve studies, property inspection services and consulting services for a nationwide portfolio of more than 6,000 clients. Under his direction, the firm conducts reserve study services for community associations, apartment complexes, churches, hotels, resorts, office towers and vintage architecturally ornate buildings.



PRIOR RELEVANT EXPERIENCE

Before founding Reserve Advisors, Inc. with John P. Poehlmann in 1991, Mr. Salgado, a professional engineer registered in the State of Wisconsin, served clients for over 15 years through American Appraisal Associates, the world's largest full service valuation firm. Mr. Salgado conducted facilities analyses of hospitals, steel mills and various other large manufacturing and petrochemical facilities and casinos.

He has served clients throughout the United States and in foreign countries, and frequently acted as project manager on complex valuation, and federal and state tax planning assignments. His valuation studies led to negotiated settlements on property tax disputes between municipalities and property owners.

Mr. Salgado has authored articles on the topic of reserve studies and facilities maintenance. He also co-authored *Reserves*, an educational videotape produced by Reserve Advisors on the subject of Reserve Studies and maintaining appropriate reserves. Mr. Salgado has also written in-house computer applications manuals and taught techniques relating to valuation studies.

EXPERT WITNESS

Mr. Salgado has testified successfully before the Butler County Board of Tax Revisions in Ohio. His depositions in pretrial discovery proceedings relating to reserve studies of Crestview Estates Condominium Association in Wauconda, Illinois, Rivers Point Row Property Owners Association, Inc. in Charleston, South Carolina and the North Shore Club Associations in South Bend, Indiana have successfully assisted the parties in arriving at out of court settlements.

EDUCATION - Milwaukee School of Engineering - B.S. Architectural Engineering

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

American Association of Cost Engineers - Past President, Wisconsin Section

Association of Construction Inspectors - Certified Construction Inspector

Association of Professional Reserve Analysts - Past President & Professional Reserve Analyst (PRA)

Community Associations Institute - Member and Volunteer Leader of multiple chapters

Concordia Seminary, St. Louis - Member, National Steering Committee

Milwaukee School of Engineering - Member, Corporation Board

Professional Engineer, Wisconsin (1982) and North Carolina (2014)

Ted continually maintains his professional skills through American Society of Civil Engineers, ASHRAE, Association of Construction Inspectors, and continuing education to maintain his professional engineer licenses.

JOHN P. POEHLMANN, RS
Principal

John P. Poehlmann is a co-founder of Reserve Advisors, Inc. He is responsible for the finance, accounting, marketing, and overall administration of Reserve Advisors, Inc. He also regularly participates in internal Quality Control Team Reviews of Reserve Study reports.



Mr. Poehlmann directs corporate marketing, including business development, advertising, press releases, conference and trade show exhibiting, and electronic marketing campaigns. He frequently speaks throughout the country at seminars and workshops on the benefits of future planning and budgeting for capital repairs and replacements of building components and other assets.

PRIOR RELEVANT EXPERIENCE

Mr. Poehlmann served on the national Board of Trustees of Community Associations Institute. An international organization, Community Associations Institute (CAI) is a nonprofit 501(c)(3) trade association created in 1973 to provide education and resources to America's 335,000 residential condominium, cooperative and homeowner associations and related professionals and service providers.

He is a founding member of the Institute's Reserve Committee. The Reserve Committee developed national standards and the Reserve Specialist (RS) Designation Program for Reserve Study providers. Mr. Poehlmann has authored numerous articles on the topic of Reserve Studies, including Reserve Studies for the First Time Buyer, Minimizing Board Liability, Sound Association Planning Parallels Business Concepts, and Why Have a Professional Reserve Study. He is also a contributing author in Condo/HOA Primer, a book published for the purpose of sharing a wide background of industry knowledge to help boards in making informed decisions about their communities.

INDUSTRY SERVICE AWARDS

CAI Wisconsin Chapter Award
CAI National Rising Star Award
CAI Michigan Chapter Award

EDUCATION

University of Wisconsin-Milwaukee - Master of Science Management
University of Wisconsin - Bachelor of Business Administration

PROFESSIONAL AFFILIATIONS

Community Associations Institute (CAI) - Founding member of Reserve Committee;
former member of National Board of Trustees; Reserve Specialist (RS) designation;
Member of multiple chapters

Association of Condominium, Townhouse, & Homeowners Associations (ACTHA) –
member



NICOLE L. LOWERY, PRA, RS
Responsible Advisor

CURRENT CLIENT SERVICES

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

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

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

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

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

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

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

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

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

PRIOR RELEVANT EXPERIENCE

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

EDUCATION

West Virginia University - B.S. Civil Engineering

PROFESSIONAL AFFILIATIONS / DESIGNATIONS

Reserve Specialist (RS) - Community Associations Institute

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



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

CURRENT CLIENT SERVICES

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

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

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

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

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

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

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

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

PRIOR RELEVANT EXPERIENCE

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

EDUCATION

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

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

Professional Engineering License – Wisconsin, North Carolina, Illinois

Reserve Specialist (RS) - Community Associations Institute

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

RESOURCES

Reserve Advisors, Inc. 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. Several advisors and a Principal of Reserve Advisors, Inc. hold Senior Memberships with ACI.

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

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

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

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

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

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

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

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

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

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

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

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

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