RESERVE STUDY

300 South Second Street Condominium Association

January 1, 2025 • Madison, USA

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

300 South Second Street Condominium Association
Madison, USA

Dear Board of Directors of 300 South Second Street Condominium Association:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Reserve Study* of 300 South Second Street Condominium Association in Madison, USA and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, January 1, 2025.

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

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. We look forward to continuing to help 300 South Second Street Condominium 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 March 10, 2025 by

Reserve Advisors, LLC

Visual Inspection and Report by: RESERVE ADVISORS ENGINEER, RS[1]
Review by: DIRECTOR OF QUALITY ASSURANCE, RS, PRA[2], Director of Quality Assurance

1 RS (Reserve Specialist) is the reserve provider professional designation of the Community Associations Institute (CAI) representing America's more than 300,000 condominium, cooperative and homeowners associations.
2 PRA (Professional Reserve Analyst) is the professional designation of the Association of Professional Reserve Analysts. Learn more about APRA at http://www.apra-usa.com.

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Table of Contents

1. RESERVE STUDY EXECUTIVE SUMMARY

Client: 300 South Second Street Condominium Association (300 South Second Street)
Location: Madison, USA
Reference: 123456

Property Basics: 300 South Second Street Condominium Association is a high-rise style development of 300 units in a 20-story building. The building was built in 19XX.

Reserve Components Identified: 53 Reserve Components.

Inspection Date: January 1, 2025.

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 2029 due to replacement of the boilers.

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
- 2.7% anticipated annual rate of return on invested reserves
- 3.0% 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.

Unaudited Cash Status of Reserve Fund:

- $3,125,000 as of January 1, 2025
- 2025 budgeted Reserve Contributions of $285,000
- A potential deficit in reserves might occur by 2029 based upon continuation of the most recent annual reserve contribution of and the identified Reserve Expenditures.

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

- Replacement of the chiller
- Replacement of the main, mechanical penthouse and garage roofs
- Replacement of the coating and repairs to the balconies as further water infiltration may lead to accelerated deterioration and increased repairs
- Replacement of the coating and repairs to the concrete in the garage as further water infiltration may lead to accelerated deterioration and increased repairs

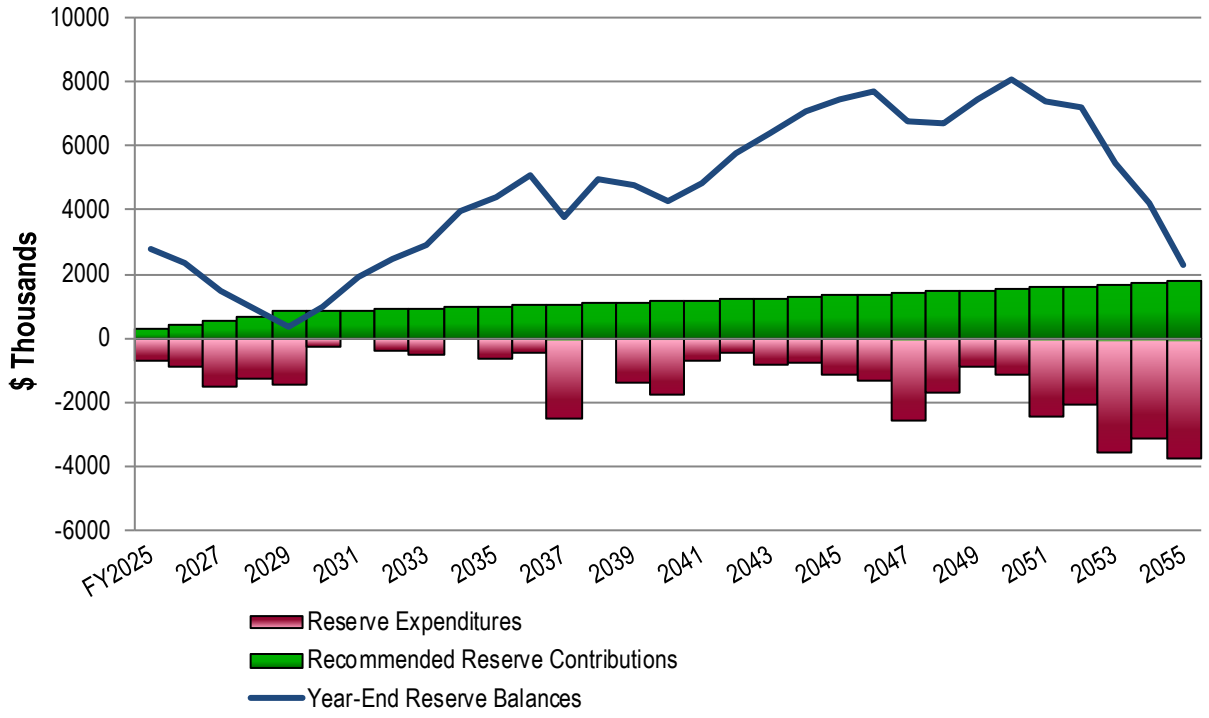
The executive summary puts your community's financial roadmap and near-term priorities front and center, making it easy for all stakeholders to quickly understand the community's financial and physical needs.

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

- Phased increases of $135,000 each year, from 2026 through 2029
- Inflationary increases thereafter through 2055, the limit of this study's Cash Flow Analysis
- Initial adjustment in Reserve Contributions of $135,000 represents an average monthly increase of $45.00 per owner and about a seven percent (6.8%) adjustment in the 2025 Total Budget of $2,000,000.

300 South Second Street
Recommended Reserve Funding Table and Graph

Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)
2026	420,000	2,361,741	2036	1,014,800	5,108,592	2046	1,363,900	7,684,737
2027	555,000	1,483,093	2037	1,045,200	3,750,683	2047	1,404,800	6,740,742
2028	690,000	942,926	2038	1,076,600	4,943,086	2048	1,446,900	6,680,979
2029	825,000	363,814	2039	1,108,900	4,781,634	2049	1,490,300	7,450,859
2030	849,800	989,936	2040	1,142,200	4,256,800	2050	1,535,000	8,081,968
2031	875,300	1,903,781	2041	1,176,500	4,861,525	2051	1,581,100	7,407,709
2032	901,600	2,467,588	2042	1,211,800	5,777,027	2052	1,628,500	7,175,163
2033	928,600	2,920,717	2043	1,248,200	6,369,548	2053	1,677,400	5,462,612
2034	956,500	3,968,989	2044	1,285,600	7,087,492	2054	1,727,700	4,180,952
2035	985,200	4,412,690	2045	1,324,200	7,467,717	2055	1,779,500	2,295,334



Threshold reserve funding ensures stable and the most equitable contributions over time, while reducing the risk of inadequate reserve funds over the next 30 years.

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

300 South Second Street Condominium Association

Madison, USA

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, January 1, 2025.

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 S s study. Our analysis begins by segregating f esponsibility for repair and replacement.

Identification of property and the responsibility matrix on the following page(s) convey ownership and clarify the funding mechanism for each asset within the community.

Our process of identific he management team understand whether res 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 Owners
- 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. Reserve Components are defined by CAI as property elements with:

- 300 South Second Street 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
300 South Second Street
Condominium Association
Madison, USA

Operating Budget Components

Repairs normally funded through the Operating Budget and Expenditures less than $12,000 (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.

- Asphalt Pavement, Crack Repair, Patch and Seal Coat Applications
- Boilers, Interim Repairs
- Chemical Treatment Systems
- Chiller, Interim Repairs
- Compressors, Pneumatic Controls
- Convectors, Interim Component Replacements
- Doors, Interior and Miscellaneous Exterior
- Electrical System, Thermoscans
- Elevator Machine Room, HVAC (Heating, Ventilating and Air Conditioning)
- Entrance Canopy (Except Roof)
- Exhaust Systems (Except Garage)
- Fence, Chain Link, Behind Garage
- Fire Hoses and Extinguishers
- Foundation Water Infiltration Remediation[1]
- Fountain, Interim Repairs
- Garage, Drain Pipes
- Irrigation System
- Landscape
- Light Fixtures, Building Exterior
- Light Fixtures, Emergency and Exit
- Loan Repayments
- Motors
- Office
- Paint Finishes, Touch Up
- Pool, Awnings and Windscreens
- Pool, Cover
- Pool, Fence, Paint Finishes
- Pool, Filters, Pumps and Chlorinator
- Pool, Furniture
- Pumps Less Than Five-HP (horsepower)
- Rails, Site
- Recreation Room, HVAC
- Service, Staff and Storage Areas

Excluded Components

for
300 South Second Street
Condominium Association
Madison, USA

Operating Budget Components (Continued)
• Smoke Detectors (independent from the central system)
• Stairwells, Paint Finishes and Light Fixtures
• Trash Rooms, Finishes
• Unit Heaters, Garage (Based on historical partial replacements as needed)
• Valves, Small Diameter (We assume replacement as needed in lieu of an aggregate replacement of all valves.)
• Walls, Concrete, Mechanical Penthouse
• Windows, Office
[1] The garage structure exhibits isolated evidence of water infiltration at the lower level walls.

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.	**Useful Life**	**Estimated Cost**
• Electrical Systems, Wires	Indeterminate	N/A
• Floor Coverings, Travertine, Lobby	Indeterminate	N/A
• Foundation	Indeterminate	N/A
• Pipes, Subsurface Utilities	Indeterminate	N/A
• Retaining Walls, Concrete, Boiler Room Access	Indeterminate	N/A
• Structural Frame	Indeterminate	N/A

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 Circuit Protection Panels
• Interiors
• Windows and Doors

Others Responsibility Components
Certain items have been designated as the responsibility of Others to repair or replace.
• Laundry Room and Equipment[1]
[1] Vendor Contract

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
- 2025 local cost of replacement
  - Per unit
  - Per phase
  - Replacement of total quantity
- Percentage of future expenditures anticipated during the next 30 years
- Schedule of estimated future costs for each reserve component including inflation

Reserve Funding Plan

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

Five-Year Outlook

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

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

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

Years 2025 to 2040

RESERVE EXPENDITURES

300 South Second Street
Condominium Association
Madison, USA

Explanatory Notes:
1) **3.0%** is the estimated Inflation Rate for estimating Future Replacement Costs.
2) **FY2025** is Fiscal Year beginning January 1, 2025 and ending December 31, 2025.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years Useful	Remaining	Costs, $ Unit (2025)	Per Phase (2025)	Total (2025)	Percentage of Future Expenditures	RUL = 0 FY2025	1 2026	2 2027	3 2028	4 2029	5 2030	6 2031	7 2032	8 2033	9 2034	10 2035	11 2036	12 2037	13 2038	14 2039	15 2040
				Exterior Building Elements																							
1.060	22,700	22,700	Square Feet	Balconies, Concrete, Repairs and Waterproof Coating Applications	2027	8 to 12	2	20.00	454,000	454,000	**5.0%**			481,649									647,295			
1.100	4,620	4,620	Linear Feet	Balconies, Railings, Paint Finishes and Capital Repairs	2044	6 to 8	19	22.50	103,950	103,950	**1.0%**															
1.105	4,620	4,620	Linear Feet	Balconies, Railings, Replacement	2037	to 50	12	85.00	392,700	392,700	**1.4%**												559,896			
1.300	38,000	38,000	Square Feet	Roof, Built-up, Garage	2028	15 to 20	3	14.00	532,000	532,000	**4.1%**				581,331											
1.500	29,000	29,000	Square Feet	Roof, Modified Bitumen, Main and Mechanical Penthouse	2026	15 to 20	1	25.00	725,000	725,000	**5.2%**		746,750													
1.540	30,000	7,500	Linear Feet	Sealants, Windows, Doors and Control Joints, Phased	2028	to 20	3 to 15	10.50	78,750	315,000	**2.2%**				86,052				96,853			109,008				122,690
1.660	1,150	1,150	Square Feet	Walls, Concrete, Inspections and Restorations	2028	10 to 15	3	65.00	74,750	74,750	**0.9%**				81,681											116,458
1.820	97,300	48,650	Square Feet	Walls, Masonry, Inspections and Repairs, Phased	2028	to 8	3 to 7	5.00	243,250	486,500	**6.8%**				265,806				299,167			336,715				378,976
1.980	355	355	Square Feet	Windows and Doors, Aluminum Frames, Common	2028	45 to 55	3	80.00	28,400	28,400	**0.1%**				31,033											
				Interior Building Elements																							
2.100	3	3	Each	Elevator Cab Finishes	2027	to 20	2	16,000.00	48,000	48,000	**0.4%**			50,923												
2.199	200	200	Square Yards	Floor Coverings, Carpet, Hallways, Floor 1	2027	8 to 12	2	60.00	12,000	12,000	**0.1%**			12,731									17,109			
2.200	3,400	3,400	Square Yards	Floor Coverings, Carpet, Hallways, Floors 2-17	2027	8 to 12	2	60.00	204,000	204,000	**2.2%**			216,424									290,855			
2.560	317	317	Each	Light Fixtures, Hallways	2037	to 30	12	130.00	41,210	41,210	**0.1%**												58,756			
2.600	1	1	Allowance	Lobby, Renovation	2037	to 25	12	70,000.00	70,000	70,000	**0.2%**												99,803			
2.700	250	250	Each	Mailboxes	2037	to 35	12	125.00	31,250	31,250	**0.1%**												44,555			
2.799	7,000	7,000	Square Feet	Paint Finishes, Hallways, Floor 1	2027	6 to 10	2	1.60	11,200	11,200	**0.1%**			11,882									15,969			
2.800	109,000	109,000	Square Feet	Paint Finishes, Hallways, Floors 2-17	2027	6 to 10	2	1.10	119,900	119,900	**1.3%**			127,202									170,949			
2.840	1	1	Allowance	Party Room, Renovation	2027	to 20	2	45,000.00	45,000	45,000	**0.3%**			47,741												
2.900	2	2	Each	Rest Rooms, Renovation	2027	to 25	2	18,500.00	37,000	37,000	**0.3%**			39,253												
				Building Services Elements																							
3.020	1	1	Each	Air Handling Unit, Hallways	2053	to 30	28	100,000.00	100,000	100,000	**0.6%**															
3.105	2	2	Each	Boilers, 12,554-MBH	2029	to 50	4	505,000.00	1,010,000	1,010,000	**2.8%**					1,136,764										
3.205	1	1	Each	Chiller, 520-tons, Replacement	2025	25 to 35	0	610,000.00	610,000	610,000	**5.2%**	610,000														
3.260	1	1	Each	Cooling Tower, 520-tons, Capital Repairs	2025	10 to 15	0	50,000.00	50,000	50,000	**0.6%**	50,000													75,629	
3.265	1	1	Each	Cooling Tower, 520-tons, Replacement	2039	25 to 35	14	335,000.00	335,000	335,000	**1.3%**														506,718	
3.300	1	1	Allowance	Electrical System, Main Panels	2042	to 70+	17	250,000.00	250,000	250,000	**1.0%**															
3.360	3	3	Each	Elevators, Traction, Controls and Equipment	2054	to 35	29	280,000.00	840,000	840,000	**4.9%**															
3.460	2	2	Each	Heat Exchangers, Building Heat	2029	to 35	4	53,500.00	107,000	107,000	**0.3%**					120,429										
3.465	1	1	Each	Heat Exchanger, Domestic Water	2030	to 35	5	53,500.00	53,500	53,500	**0.2%**						62,021									
3.470	2	2	Each	Intercom Panels	2040	to 25	15	6,400.00	12,800	12,800	**0.0%**															19,942
3.555	1	1	Each	Life Safety System, Control Panel	2035	to 15	10	27,000.00	27,000	27,000	**0.2%**											36,286				
3.560	1	1	Allowance	Life Safety System, Emergency Devices	2045	to 25	20	102,000.00	102,000	102,000	**0.5%**															
3.600	1,536	154	Each	Pipes, Riser Sections, Building Heating, Cooling and Condensate, Partial	2050	to 80+	25 to 30+	3,200.00	491,520	4,915,200	**16.6%**															
3.605	1,920	160	Each	Pipes, Riser Sections, Domestic Water, Waste and Vent, Phased	2033	to 70+	8 to 30	2,700.00	432,000	5,184,000	**23.1%**								547,245		580,572		615,929		653,439	

Age, condition, history of repairs and maintenance, and local conditions form the foundation for timing of each capital project.

The sample unit costs shown herein are not applicable to estimate an actual reserve study.

Years 2041 to 2055

RESERVE EXPENDITURES

300 South Second Street
Condominium Association
Madison, USA

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years Useful	Remaining	Costs, $ Unit (2025)	Per Phase (2025)	Total (2025)	Percentage of Future Expenditures	16 2041	17 2042	18 2043	19 2044	20 2045	21 2046	22 2047	23 2048	24 2049	25 2050	26 2051	27 2052	28 2053	29 2054	30 2055
				Exterior Building Elements																						
1.060	22,700	22,700	Square Feet	Balconies, Concrete, Repairs and Waterproof Coating Applications	2027	8 to 12	2	20.00	454,000	454,000	**5.0%**							869,911								
1.100	4,620	4,620	Linear Feet	Balconies, Railings, Paint Finishes and Capital Repairs	2044	6 to 8	19	22.50	103,950	103,950	**1.0%**				182,277							224,178				
1.105	4,620	4,620	Linear Feet	Balconies, Railings, Replacement	2037	to 50	12	85.00	392,700	392,700	**1.4%**															
1.300	38,000	38,000	Square Feet	Roof, Built-up, Garage	2028	15 to 20	3	14.00	532,000	532,000	**4.1%**								1,049,948							
1.500	29,000	29,000	Square Feet	Roof, Modified Bitumen, Main and Mechanical Penthouse	2026	15 to 20	1	25.00	725,000	725,000	**5.2%**						1,348,714									
1.540	30,000	7,500	Linear Feet	Sealants, Windows, Doors and Control Joints, Phased	2028	to 20	3 to 15	10.50	78,750	315,000	**2.2%**				138,089				155,420				174,927			
1.660	1,150	1,150	Square Feet	Walls, Concrete, Inspections and Restorations	2028	10 to 15	3	65.00	74,750	74,750	**0.9%**												166,041			
1.820	97,300	48,650	Square Feet	Walls, Masonry, Inspections and Repairs, Phased	2028	to 8	3 to 7	5.00	243,250	486,500	**6.8%**				426,540				480,075				540,329			
1.980	355	355	Square Feet	Windows and Doors, Aluminum Frames, Common	2028	45 to 55	3	80.00	28,400	28,400	**0.1%**															
				Interior Building Elements																						
2.100	3	3	Each	Elevator Cab Finishes	2027	to 20	2	16,000.00	48,000	48,000	**0.4%**							91,973								
2.199	200	200	Square Yards	Floor Coverings, Carpet, Hallways, Floor 1	2027	8 to 12	2	60.00	12,000	12,000	**0.1%**							22,993								
2.200	3,400	3,400	Square Yards	Floor Coverings, Carpet, Hallways, Floors 2-17	2027	8 to 12	2	60.00	204,000	204,000	**2.2%**							390,885								
2.560	317	317	Each	Light Fixtures, Hallways	2037	to 30	12	130.00	41,210	41,210	**0.1%**															
2.600	1	1	Allowance	Lobby, Renovation	2037	to 25	12	70,000.00	70,000	70,000	**0.2%**															
2.700	250	250	Each	Mailboxes	2037	to 35	12	125.00	31,250	31,250	**0.1%**															
2.799	7,000	7,000	Square Feet	Paint Finishes, Hallways, Floor 1	2027	6 to 10	2	1.60	11,200	11,200	**0.1%**							21,460								
2.800	109,000	109,000	Square Feet	Paint Finishes, Hallways, Floors 2-17	2027	6 to 10	2	1.10	119,900	119,900	**1.3%**							229,741								
2.840	1	1	Allowance	Party Room, Renovation	2027	to 20	2	45,000.00	45,000	45,000	**0.3%**							86,225								
2.900	2	2	Each	Rest Rooms, Renovation	2027	to 25	2	18,500.00	37,000	37,000	**0.3%**											82,188				
				Building Services Elements																						
3.020	1	1	Each	Air Handling Unit, Hallways	2053	to 30	28	100,000.00	100,000	100,000	**0.6%**													228,793		
3.105	2	2	Each	Boilers, 12,554-MBH	2029	to 50	4	505,000.00	1,010,000	1,010,000	**2.8%**															
3.205	1	1	Each	Chiller, 520-tons, Replacement	2025	25 to 35	0	610,000.00	610,000	610,000	**5.2%**															1,480,630
3.260	1	1	Each	Cooling Tower, 520-tons, Capital Repairs	2025	10 to 15	0	50,000.00	50,000	50,000	**0.6%**													114,396		
3.265	1	1	Each	Cooling Tower, 520-tons, Replacement	2039	25 to 35	14	335,000.00	335,000	335,000	**1.3%**															
3.300	1	1	Allowance	Electrical System, Main Panels	2042	to 70+	17	250,000.00	250,000	250,000	**1.0%**		413,212													
3.360	3	3	Each	Elevators, Traction, Controls and Equipment	2054	to 35	29	280,000.00	840,000	840,000	**4.9%**														1,979,515	
3.460	2	2	Each	Heat Exchangers, Building Heat	2029	to 35	4	53,500.00	107,000	107,000	**0.3%**															
3.465	1	1	Each	Heat Exchanger, Domestic Water	2030	to 35	5	53,500.00	53,500	53,500	**0.2%**															
3.470	2	2	Each	Intercom Panels	2040	to 25	15	6,400.00	12,800	12,800	**0.0%**															
3.555	1	1	Each	Life Safety System, Control Panel	2035	to 15	10	27,000.00	27,000	27,000	**0.2%**										56,532					
3.560	1	1	Allowance	Life Safety System, Emergency Devices	2045	to 25	20	102,000.00	102,000	102,000	**0.5%**					184,223										
3.600	1,536	154	Each	Pipes, Riser Sections, Building Heating, Cooling and Condensate, Partial	2050	to 80+	25 to 30+	3,200.00	491,520	4,915,200	**16.6%**										1,029,134	1,060,008	1,091,808	1,124,562	1,158,299	1,193,048
3.605	1,920	160	Each	Pipes, Riser Sections, Domestic Water, Waste and Vent, Phased	2033	to 70+	8 to 30	2,700.00	432,000	5,184,000	**23.1%**	693,233		735,451		780,240		827,757		878,167		931,647		988,385		1,048,577

You receive the expenditure and funding plan tables in Excel. Management and the Board can easily adjust project costs, timelines, and annual funding and see the results in real-time.

The sample unit costs shown herein are not applicable to estimate an actual reserve study.

Years 2025 to 2040

RESERVE EXPENDITURES

300 South Second Street
Condominium Association
Madison, USA

Explanatory Notes:
1) **3.0%** is the estimated Inflation Rate for estimating Future Replacement Costs.
2) **FY2025** is Fiscal Year beginning January 1, 2025 and ending December 31, 2025.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years Useful	Remaining	Costs, $ Unit (2025)	Per Phase (2025)	Total (2025)	Percentage of Future Expenditures	RUL = 0 FY2025	1 2026	2 2027	3 2028	4 2029	5 2030	6 2031	7 2032	8 2033	9 2034	10 2035	11 2036	12 2037	13 2038	14 2039	15 2040
3.700	2	2	Each	Pumps, Domestic Cold Water, 25-HP	2026	to 25	1	57,000.00	114,000	114,000	**0.9%**		117,420													
3.701	1	1	Each	Pump, HVAC, 60-HP	2029	to 35	4	36,000.00	36,000	36,000	**0.1%**					40,518										
3.702	2	2	Each	Pumps, HVAC, 75-HP	2029	to 35	4	35,500.00	71,000	71,000	**0.2%**					79,911										
3.770	1	1	Each	Pump, Fire Suppression, 100-HP (Includes Controller)	2028	to 50	3	92,000.00	92,000	92,000	**0.3%**				100,531											
3.820	2	1	Allowance	Security System, Phased	2028	to 15	3 to 10	15,000.00	15,000	30,000	**0.2%**				16,391							20,159				
3.880	16	16	Floors	Trash Chute and Doors	2039	to 65	14	3,000.00	48,000	48,000	**0.2%**														72,604	
3.900	1	1	Each	Trash Compactor	2028	to 25	3	16,500.00	16,500	16,500	**0.1%**				18,030											
3.920	30	6	Each	Valves, Large Diameter, Phased	2025	to 50+	0 to 4	6,500.00	39,000	195,000	**0.5%**	39,000	40,170	41,375	42,616	43,895										
				Property Site Elements																						
4.041	1,320	1,320	Square Yards	Asphalt Pavement, Front Drive and Parking Areas, Total Replacement	2043	15 to 20	18	36.50	48,180	48,180	**0.2%**															
4.043	820	820	Square Yards	Asphalt Pavement, Garage Access Drive, Total Replacement	2039	15 to 20	14	37.00	30,340	30,340	**0.1%**														45,892	
4.045	900	900	Square Yards	Asphalt Pavement, Guest Parking Lot, Total Replacement	2039	15 to 20	14	33.50	30,150	30,150	**0.1%**														45,605	
4.140	5,000	750	Square Feet	Concrete Access Drive and Sidewalks, Partial	2025	to 65	0 to 30+	16.00	12,000	80,000	**0.3%**	12,000					13,911					16,127					18,696
4.560	17	17	Each	Light Poles and Fixtures	2028	to 25	3	2,100.00	35,700	35,700	**0.3%**				39,010											
				Garage Elements																						
7.300	37,350	37,350	Square Feet	Concrete, Elevated Floors, Inspections and Capital Repairs	2027	10 to 15	2	4.50	168,075	168,075	**2.1%**			178,311												261,855
7.400	2	2	Each	Doors and Operators	2030	8 to 15	5	7,000.00	14,000	14,000	**0.1%**						16,230									
7.460	1	1	Allowance	Exhaust System (Fans and Louvers)	2030	to 35	5	59,000.00	59,000	59,000	**0.2%**						68,397									
7.500	74,702	74,702	Square Feet	Fire Suppression System	2040	to 60	15	3.50	261,457	261,457	**1.0%**															407,341
7.600	139	139	Each	Light Fixtures	2040	to 30	15	250.00	34,750	34,750	**0.1%**															54,139
7.660	87,502	87,502	Square Feet	Paint Finishes	2030	to 20	5	0.80	70,002	70,002	**0.5%**						81,151									
7.800	37,350	37,350	Square Feet	Traffic Membrane, Elevated Floors	2027	10 to 15	2	7.00	261,450	261,450	**3.2%**			277,372												407,331
				Anticipated Expenditures, By Year ($40,168,957 over 30 years)								711,000	904,340	1,484,862	1,262,482	1,421,518	241,711	0	396,019	547,245	0	653,143	445,723	2,521,116	0	1,399,887	1,787,428

RESERVE EXPENDITURES

300 South Second Street
Condominium Association
Madison, USA

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years Useful	Remaining	Costs, $ Unit (2025)	Per Phase (2025)	Total (2025)	Percentage of Future Expenditures	16 2041	17 2042	18 2043	19 2044	20 2045	21 2046	22 2047	23 2048	24 2049	25 2050	26 2051	27 2052	28 2053	29 2054	30 2055
3.700	2	2	Each	Pumps, Domestic Cold Water, 25-HP	2026	to 25	1	57,000.00	114,000	114,000	**0.9%**											245,851				
3.701	1	1	Each	Pump, HVAC, 60-HP	2029	to 35	4	36,000.00	36,000	36,000	**0.1%**															
3.702	2	2	Each	Pumps, HVAC, 75-HP	2029	to 35	4	35,500.00	71,000	71,000	**0.2%**															
3.770	1	1	Each	Pump, Fire Suppression, 100-HP (Includes Controller)	2028	to 50	3	92,000.00	92,000	92,000	**0.3%**															
3.820	2	1	Allowance	Security System, Phased	2028	to 15	3 to 10	15,000.00	15,000	30,000	**0.2%**		24,793							30,492						
3.880	16	16	Floors	Trash Chute and Doors	2039	to 65	14	3,000.00	48,000	48,000	**0.2%**															
3.900	1	1	Each	Trash Compactor	2028	to 25	3	16,500.00	16,500	16,500	**0.1%**													37,751		
3.920	30	6	Each	Valves, Large Diameter, Phased	2025	to 50+	0 to 4	6,500.00	39,000	195,000	**0.5%**															
				Property Site Elements																						
4.041	1,320	1,320	Square Yards	Asphalt Pavement, Front Drive and Parking Areas, Total Replacement	2043	15 to 20	18	36.50	48,180	48,180	**0.2%**			82,023												
4.043	820	820	Square Yards	Asphalt Pavement, Garage Access Drive, Total Replacement	2039	15 to 20	14	37.00	30,340	30,340	**0.1%**															
4.045	900	900	Square Yards	Asphalt Pavement, Guest Parking Lot, Total Replacement	2039	15 to 20	14	33.50	30,150	30,150	**0.1%**															
4.140	5,000	750	Square Feet	Concrete Access Drive and Sidewalks, Partial	2025	to 65	0 to 30+	16.00	12,000	80,000	**0.3%**					21,673					25,125					29,127
4.560	17	17	Each	Light Poles and Fixtures	2028	to 25	3	2,100.00	35,700	35,700	**0.3%**													81,679		
				Garage Elements																						
7.300	37,350	37,350	Square Feet	Concrete, Elevated Floors, Inspections and Capital Repairs	2027	10 to 15	2	4.50	168,075	168,075	**2.1%**													384,543		
7.400	2	2	Each	Doors and Operators	2030	8 to 15	5	7,000.00	14,000	14,000	**0.1%**					25,286										
7.460	1	1	Allowance	Exhaust System (Fans and Louvers)	2030	to 35	5	59,000.00	59,000	59,000	**0.2%**															
7.500	74,702	74,702	Square Feet	Fire Suppression System	2040	to 60	15	3.50	261,457	261,457	**1.0%**															
7.600	139	139	Each	Light Fixtures	2040	to 30	15	250.00	34,750	34,750	**0.1%**															
7.660	87,502	87,502	Square Feet	Paint Finishes	2030	to 20	5	0.80	70,002	70,002	**0.5%**					126,431										
7.800	37,350	37,350	Square Feet	Traffic Membrane, Elevated Floors	2027	10 to 15	2	7.00	261,450	261,450	**3.2%**													598,179		
				Anticipated Expenditures, By Year ($40,168,957 over 30 years)								693,233	438,005	817,474	746,906	1,137,853	1,348,714	2,540,945	1,685,443	908,659	1,110,791	2,461,684	2,055,292	3,558,288	3,137,814	3,751,383

RESERVE FUNDING PLAN

Our reports evaluate current reserve funds and return on investments in order to create the most stable recommended annual reserve contributions.

CASH FLOW ANALYSIS
300 South Second Street
Condominium Association
Madison, USA

Individual Reserve Budgets & Cash Flows for the Next 30 Years

		FY2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Reserves at Beginning of Year	*(Note 1)*	3,125,000	2,777,624	2,361,741	1,483,093	942,926	363,814	989,936	1,903,781	2,467,588	2,920,717	3,968,989	4,412,690	5,108,592	3,750,683	4,943,086	4,781,634
Total Recommended Reserve Contributions	*(Note 2)*	**285,000**	**420,000**	**555,000**	**690,000**	**825,000**	**849,800**	**875,300**	**901,600**	**928,600**	**956,500**	**985,200**	**1,014,800**	**1,045,200**	**1,076,600**	**1,108,900**	**1,142,200**
Estimated Interest Earned, During Year	*(Note 3)*	78,624	68,457	51,214	32,315	17,406	18,032	38,545	58,227	71,773	91,772	111,645	126,825	118,007	115,803	129,535	120,394
Anticipated Expenditures, By Year		(711,000)	(904,340)	(1,484,862)	(1,262,482)	(1,421,518)	(241,711)	0	(396,019)	(547,245)	0	(653,143)	(445,723)	(2,521,116)	0	(1,399,887)	(1,787,428)
Anticipated Reserves at Year End		$2,777,624	$2,361,741	$1,483,093	$942,926	$363,814	$989,936	$1,903,781	$2,467,588	$2,920,717	$3,968,989	$4,412,690	$5,108,592	$3,750,683	$4,943,086	$4,781,634	$4,256,800
						(NOTE 5)											
Predicted Reserves based on 2025 funding level of:	$285,000	2,777,624	2,224,919	1,068,932	107,115	(1,041,854)											

(continued)

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

	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055
Reserves at Beginning of Year	4,256,800	4,861,525	5,777,027	6,369,548	7,087,492	7,467,717	7,684,737	6,740,742	6,680,979	7,450,859	8,081,968	7,407,709	7,175,163	5,462,612	4,180,952
Total Recommended Reserve Contributions	**1,176,500**	**1,211,800**	**1,248,200**	**1,285,600**	**1,324,200**	**1,363,900**	**1,404,800**	**1,446,900**	**1,490,300**	**1,535,000**	**1,581,100**	**1,628,500**	**1,677,400**	**1,727,700**	**1,779,500**
Estimated Interest Earned, During Year	121,458	141,707	161,795	179,250	193,878	201,833	192,150	178,780	188,239	206,900	206,325	194,246	168,337	128,454	86,265
Anticipated Expenditures, By Year	(693,233)	(438,005)	(817,474)	(746,906)	(1,137,853)	(1,348,714)	(2,540,945)	(1,685,443)	(908,659)	(1,110,791)	(2,461,684)	(2,055,292)	(3,558,288)	(3,137,814)	(3,751,383)
Anticipated Reserves at Year End	$4,861,525	$5,777,027	$6,369,548	$7,087,492	$7,467,717	$7,684,737	$6,740,742	$6,680,979	$7,450,859	$8,081,968	$7,407,709	$7,175,163	$5,462,612	$4,180,952	$2,295,334
															(NOTE 4)

Interested in modeling alternate funding recommendations? The Excel spreadsheets included in your report let you change annual reserve contributions, interest rates, and inflation when creating alternate funding scenarios.

Explanatory Notes:

1) Year 2025 starting reserves are as of January 1, 2025; FY2025 starts January 1, 2025 and ends December 31, 2025.
2) Reserve Contributions for 2025 are budgeted; 2026 is the first year of recommended contributions.
3) **2.7%** is the estimated annual rate of return on invested reserves.
4) Accumulated year 2055 ending reserves consider the need to fund for inspections, repairs and waterproof coating replacement at the balconies shortly after 2055, and the age, size, overall condition and complexity of the property.
5) Threshold Funding Year (reserve balance at critical point).

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

FIVE-YEAR OUTLOOK

Easily focus on near-term major projects and priorities with the 5-Year Outlook table.

300 South Second Street Condominium Association
Madison, USA

Line Item	Reserve Component Inventory	RUL = 0 FY2025	1 2026	2 2027	3 2028	4 2029	5 2030
	Exterior Building Elements						
1.060	Balconies, Concrete, Repairs and Waterproof Coating Applications			481,649			
1.300	Roof, Built-up, Garage				581,331		
1.500	Roof, Modified Bitumen, Main and Mechanical Penthouse		746,750				
1.540	Sealants, Windows, Doors and Control Joints, Phased				86,052		
1.660	Walls, Concrete, Inspections and Restorations				81,681		
1.820	Walls, Masonry, Inspections and Repairs, Phased				265,806		
1.980	Windows and Doors, Aluminum Frames, Common				31,033		
	Interior Building Elements						
2.100	Elevator Cab Finishes			50,923			
2.199	Floor Coverings, Carpet, Hallways, Floor 1			12,731			
2.200	Floor Coverings, Carpet, Hallways, Floors 2-17			216,424			
2.799	Paint Finishes, Hallways, Floor 1			11,882			
2.800	Paint Finishes, Hallways, Floors 2-17			127,202			
2.840	Party Room, Renovation			47,741			
2.900	Rest Rooms, Renovation			39,253			
	Building Services Elements						
3.105	Boilers, 12,554-MBH					1,136,764	
3.205	Chiller, 520-tons, Replacement	610,000					
3.260	Cooling Tower, 520-tons, Capital Repairs	50,000					
3.460	Heat Exchangers, Building Heat					120,429	
3.465	Heat Exchanger, Domestic Water						62,021
3.700	Pumps, Domestic Cold Water, 25-HP		117,420				
3.701	Pump, HVAC, 60-HP					40,518	
3.702	Pumps, HVAC, 75-HP					79,911	
3.770	Pump, Fire Suppression, 100-HP (Includes Controller)				100,531		
3.820	Security System, Phased				16,391		

The sample unit costs shown herein are not applicable to estimate an actual reserve study.

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

FIVE-YEAR OUTLOOK

300 South Second Street Condominium Association
Madison, USA

Line Item	Reserve Component Inventory	RUL = 0 FY2025	1 2026	2 2027	3 2028	4 2029	5 2030
3.900	Trash Compactor				18,030		
3.920	Valves, Large Diameter, Phased	39,000	40,170	41,375	42,616	43,895	
	Property Site Elements						
4.140	Concrete Access Drive and Sidewalks, Partial	12,000					13,911
4.560	Light Poles and Fixtures				39,010		
	Garage Elements						
7.300	Concrete, Elevated Floors, Inspections and Capital Repairs			178,311			
7.400	Doors and Operators						16,230
7.460	Exhaust System (Fans and Louvers)						68,397
7.660	Paint Finishes						81,151
7.800	Traffic Membrane, Elevated Floors			277,372			
	Anticipated Expenditures, By Year ($6,025,912 over 5 years)	711,000	904,340	1,484,862	1,262,482	1,421,518	241,711

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

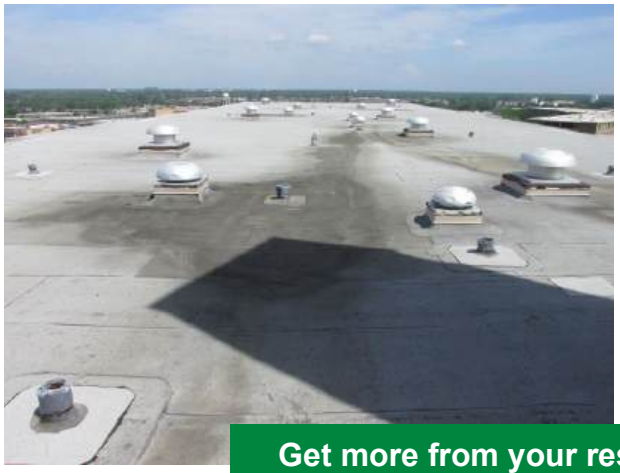
Roofs, Modified Bitumen

Line Item: 1.500

Quantity: 290 *squares*[1] including the entrance canopy roof

History: Replaced in 2000 and the perimeter was refastened in 2007 in response to wind damage.

Condition: Fair overall with several locations of water accumulation and evidence of a lack of proper drainage. We also note granular loss throughout and periodic sealant failure at penetrations. Management informs us of an active leak although the history of leaks is unknown.



North section o… water accumu… **…enetration**

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

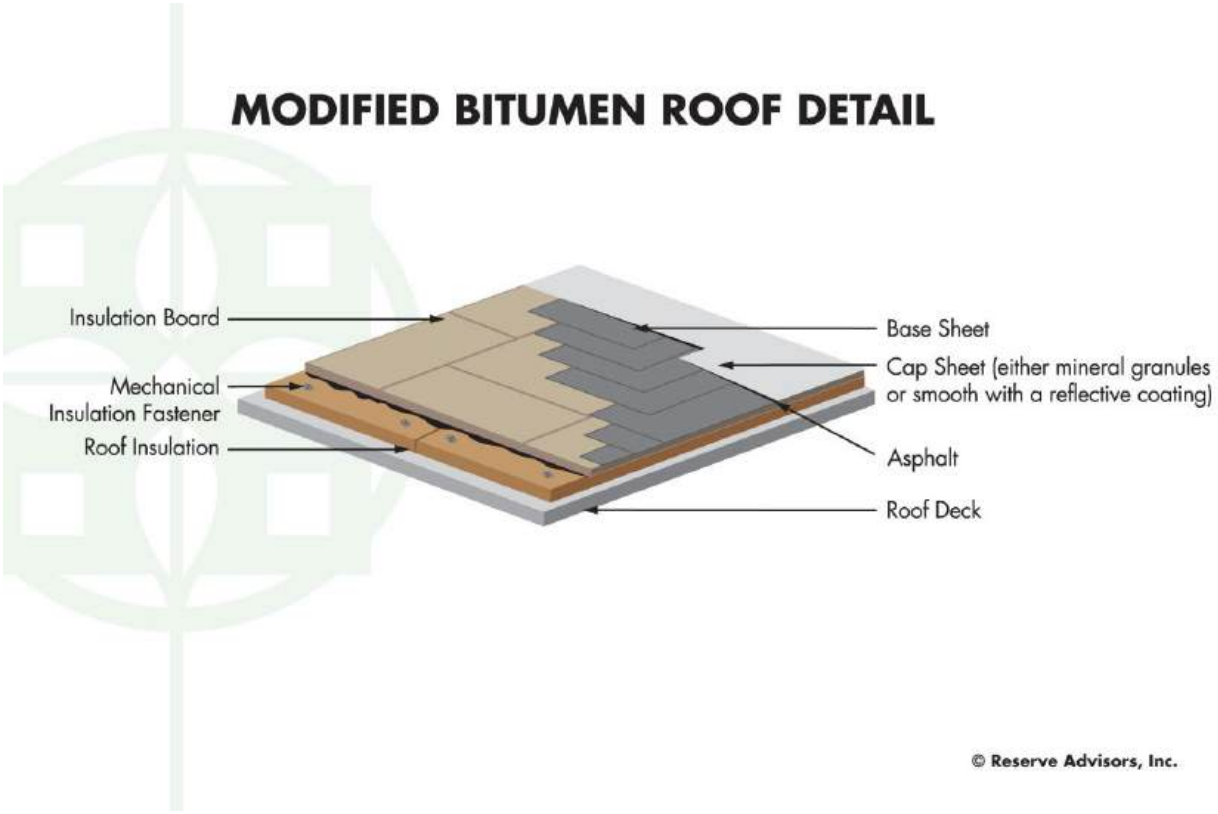
Narrative throughout report reduced for brevity

Granular loss

Water accumulation

Useful Life: 15- to 20-years

Component Detail Notes: Modified bitumen roofing systems are composed of factory manufactured sheets of polymer-modified bitumen with polyester and/or fiberglass reinforcements. The bitumen adds a waterproof characteristic to the system and the reinforcements add strength and puncture resistance. These factory-assembled roofing systems offer the advantages of a built-up roofing system through a less labor intensive installation. The following detail depicts a typical modified bitumen roof although it may not reflect the actual configuration at 300 South Second Street:



Narrative throughout report reduced for brevity

Contractors can install a new modified bitumen roof in one of two ways: *tear-off* or an *overlay*. An overlay is the application of a new roof membrane over an existing roof. This method, although initially more economical, often covers up problems with the deck, flashing and saturated insulation. The tear-off method of replacement includes removal of the existing roofing, flashings and insulation, and installation of a new roofing system.

The contractor should follow the manufacturer's directions and specifications upon installation of the roof. The contractor should remove the original insulation if saturated or compacted and apply a new layer of insulation per the manufacturer's instructions. The insulation should fit loosely with gaps no greater than ¼ inch. Gaps will cause failure of the membrane later. Mechanical fastening of the insulation is the best manner of installation. The contractor applies the base sheet of roofing over the insulation board. This sheet is normally 3[illegible] start the installation of a roof membrane from th[illegible]stening and embedding the base sheet in a floo[illegible]er of installation. The membrane and plies ar[illegible] asphalt applied. We recommend the contract[illegible]ed bitumen membrane roof system.

Preventative maintenance recommendations help you effectively maintain your assets, maximize their useful life, and reduce the total cost of ownership.

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:

- Semi-annually:
  - Note drainage issues with water ponding after 48 hours of rainfall event. Verify scuppers and drains are free of debris. Replace damaged or missing drain covers.
  - Inspect perimeter flashing for loose fasteners, deflections, and sealant damage
  - Verify membrane surface is free of ruptures or damage, and areas of extensive blistering or bubbling
  - Remove oil spills or contaminants from mechanical equipment
  - In areas of possible foot traffic, remove any sharp debris or trash and note areas of crushed insulation
  - If frequency of leaks increase or location of water infiltration is unknown, we recommend the consideration of a thermal image inspection

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

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

Narrative throughout report reduced for brevity

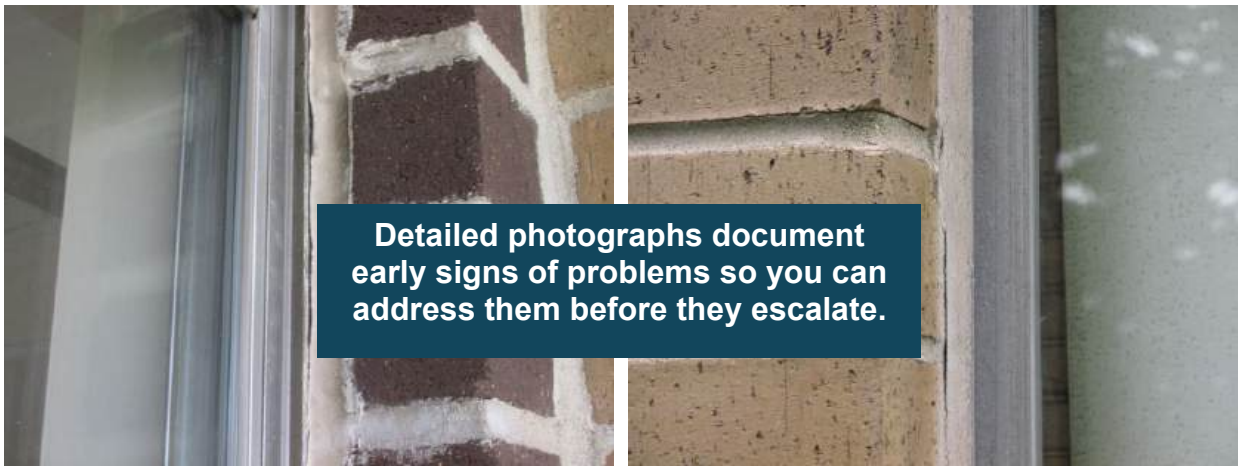
Sealants, Windows, Doors and Control Joints

Line Item: 1.540

Quantity: 30,000 linear feet of exterior sealants or *caulk*.[2]

History: The Association conducted partial replacements of the sealants from 2006 to 2007 and again in 2014 in conjunction with façade repairs.

Condition: Good to fair overall with periodic deterioration and failure evident. Management informs us of isolated water infiltration due to sealant deterioration.



Adhesion failure **Adhesion failure and sealant deterioration**

Control joint cohesive failure at garage

Useful Life: Up to 20 years

[2] The terms sealant and caulk are used interchangeably throughout this text and throughout the industry.

Narrative throughout report reduced for brevity

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 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/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 300 South Second Street replace up to twenty-five percent (25%), or 7,500 linear feet of joint sealant in conjunction with façade repairs.

Walls, Masonry

Line Item: 1.820

Quantity: Approximately 97,300 square feet of the exterior walls of the building and garage

History: A major façade restoration, including partial installation of flashing and weep systems at shelf angles was conducted in 2006 and 2007. The Association also conducted partial repairs, including flashing replacement, repointing and brick repairs in 2014.

Condition: Good to fair overall with the following evident:

- Extensive previous repairs evident
- Efflorescence is visible but isolated
- Masonry exhibits isolated cracks
- Mortar deterioration is evident but isolated

Narrative throughout report reduced for brevity

- Mortar joints are tooled
- Weeps and flashing at lintels are visible

Step crack

Mortar deterioration

Efflorescence

Evidence of prior shelf angle repairs

Mortar deterioration at the garage

Mortar deterioration and cracks at the garage

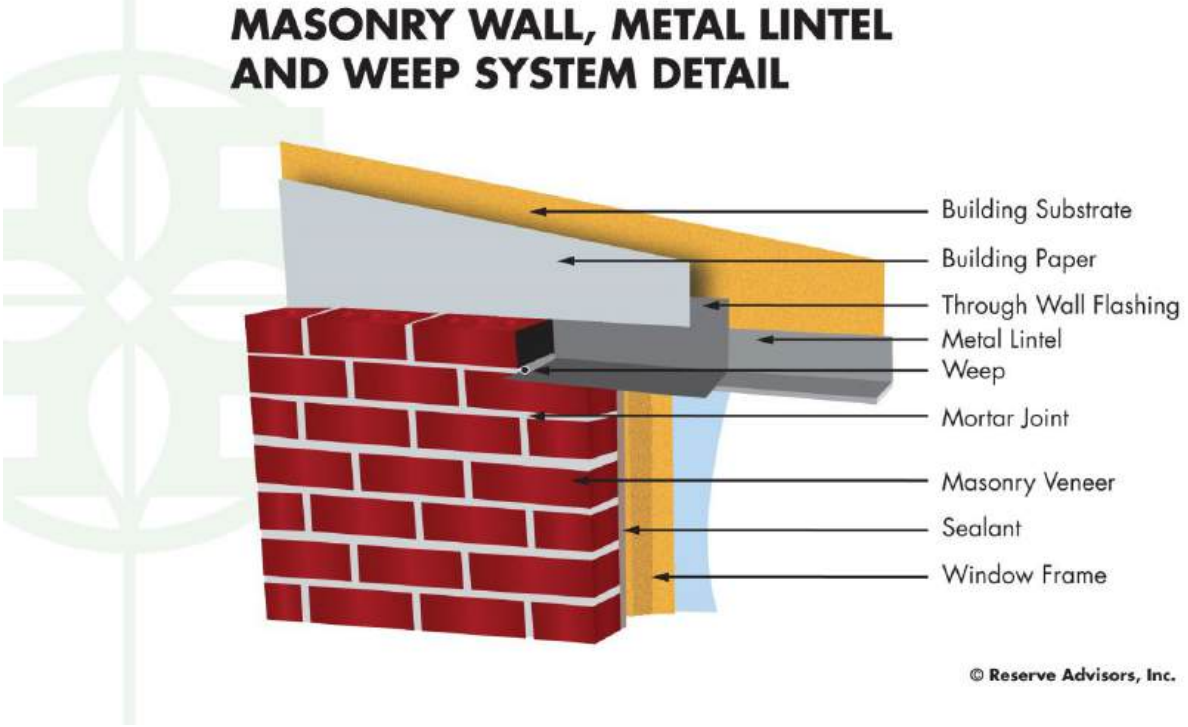
Useful Life: We advise a complete inspection of the masonry and related masonry repairs up to every eight years to forestall deterioration.

Narrative throughout report reduced for brevity

Component Detail Notes: Common types of masonry deterioration include efflorescence, spalling, joint deterioration and cracking. The primary cause of efflorescence, cracks and face spall is water infiltration; therefore, prevention of water infiltration is the principal concern for the maintenance of masonry applications.

Repointing is a process of raking and cutting out defective mortar to a depth of not less than ½ inch nor more than ¾ inch and replacing it with new mortar. Face grouting is the process of placing mortar over top of the existing mortar. We advise against face grouting because the existing, often deteriorated mortar does not provide a solid base for the new mortar. New mortar spalls at face grouted areas will likely occur. One purpose of a mortar joint is to protect the masonry by relieving stresses within the wall caused by expansion, contraction, moisture migration and settlement. Repointed mortar joints are more effective if the mortar is softer and more permeable than the masonry units, and no harder or less permeable than the existing mortar. The masonry contractor should address these issues within the proposed scope of work.

We also recommend inspection and repairs of the steel shelf angles. Shelf angles are steel angles which support the weight of masonry veneer between floors and transfers that weight onto the main structural system. Shelf angles require through-wall flashing and weeps to ensure proper elimination of water from the masonry system. The following diagram details a typical metal lintel and weep system, however, this detail is similar to construction at shelf angles and may not reflect the actual configuration at 300 South Second Street:



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

Narrative throughout report reduced for brevity

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our cost includes the following activities:

- Complete inspection of the masonry
- Repointing of up to five percent (5%) of the masonry
- Replacement of up to one percent (1%) of the masonry
- Replacement/flashing installation at up to five percent (5%) of the metal lintels
- Replacement/flashing and weep installation at five percent (5%) of the shelf angles (approximately 15,000 linear feet total)

Interior Building Elements

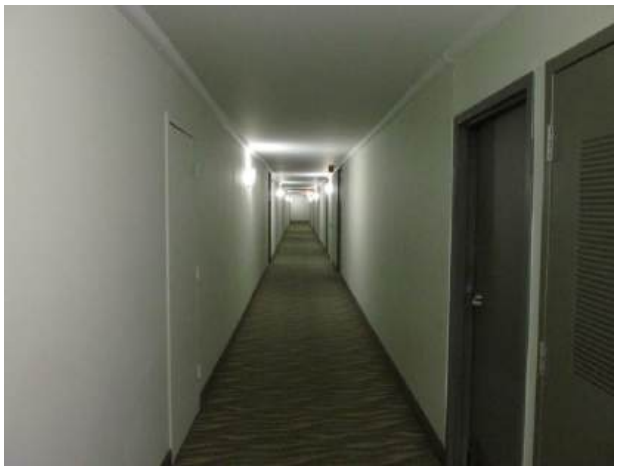
Floor Coverings, Carpet, Hallways

Line Items: 2.199 and 2.200

Quantity: 200 square yards at the first floor and 3,400 square yards at the hallways of floors 2 through 17 (Contractor measurements will vary from the actual floor area due to standard roll lengths, patterns and installation waste.)

History: The first floor carpet was last replaced in 2000 and the carpet at floors 2 through 17 was last replaced in 2006.

Condition: Good to fair overall with periodic stains evident



Hallway overview

Carpet stain

Narrative throughout report reduced for brevity

Carpet stain

Carpet stain

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. Due to the priority of façade and building services projects, we recommend the Association defer replacement until 2027.

Paint Finishes, Hallways

Line Items: 2.799 and 2.800

Quantity: Approximately 7,000 at the first floor and 109,000 square feet at floors 2 through 17. These quantities include the wall coverings at the elevator lobbies which have been painted over.

History: The last full scale paint finish application was in 2000 at the first floor and in 2006 at floors 2 through 17.

Condition: Fair overall with periodic scuffs and cracks evident. Management informs us the Association periodically paints portions of the hallways and funds this activity through the operating budget.

Narrative throughout report reduced for brevity

Wall scuffs

Wall crack

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.

Building Services Elements

Elevators, Traction

Line Item: 3.360

Quantity: Three *Otis* traction elevators

History: The elevator system components were replaced in 2015.

Condition: Reported satisfactory

Gearless hoists

Programmable controls

Narrative throughout report reduced for brevity

Useful Life: Up to 35 years; however, the scarcity of parts, and the potential frequency and duration of service interruption makes controls replacement more desirable as the components age.

Component Detail Notes: The elevators utilize programmable logic computer controls.

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

- Ongoing:
  - Maintain a maintenance contract with a qualified professional for the elevator(s) and follow the manufacturer's specific recommended maintenance plan adhering to local, state, and/or federal inspection guidelines
- As-needed:
  - Keep an accurate log of all repairs and inspection dates
  - Inspect and adjust misaligned door operators
  - Clear and remove any items located in the elevator machine room(s) not associated with the elevator components (These rooms should never be used for storage)
  - Inspect electrical components for signs of overheating or failure
  - Inspect controls
  - Lubricate the hoist cables
  - Inspect hoist cables and motors for signs of wear or deterioration
  - Ensure air temperature and humidity of machine/pump housing room meets the designated specified range for proper operation
  - Ensure all call buttons are in working condition

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 replacement of the following traction elevator system components:

- Cab control panels
- Door operators
- Hallway panels/buttons
- Hoists and motors
- Microprocessor based controllers

Narrative throughout report reduced for brevity

Life Safety System

Line Items: 3.555 and 3.560

Quantity: The life safety system at 300 South Second Street includes the following components:

- Audio/visual fixtures
- *Notifier by Honeywell* control panel
- Detectors
- Voice communication system at the stairwells
- Wiring

History: The Association installed the system in 2016

Conditions: Reported satisfactory

Control panel

Useful Life: Up to 25 years for the devices and up to 15 years for the control panel

Preventative Maintenance Notes: We recommend the Association obtain and adhere to the manufacturer's recommended maintenance plan. In accordance with *NFPA 72* (National Fire Alarm and Signaling Code) we also recommend the Association maintain a maintenance contract with a qualified professional. The required preventative maintenance may vary in frequency and scope based on the age of the components, operational condition, or changes in technology. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
  - Inspect and test all components and devices, including, but not limited to, control panels, annunciators, detectors, audio/visual fixtures, signal transmitters and magnetic door holders
  - Test backup batteries
- As-needed:
  - Ensure clear line of access to components such as pull stations
  - Ensure detectors are properly positioned and clean of debris

Narrative throughout report reduced for brevity

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. The Association replaces exit and emergency signs through the operating budget.

Pumps

Line Items: 3.700 through 3.702

Quantity, History and Conditions:

- Domestic cold water - 25-HP, two each, original, reported satisfactory
- HVAC - 60-HP, one each, original, reported satisfactory
- HVAC - 75-HP, two each, original, reported satisfactory, one pump serves as a back-up to the other two

Domestic water pumps

HVAC pumps

Useful Lives:

- Domestic cold water, useful life of up to 25 years
- HVAC, useful life of up to 35 years
- HVAC, useful life of up to 35 years

Component Detail Notes: Major pumps included in this Reserve Study are those with a motor drive of at least five-HP. The Association should replace or repair all pumps with motor drives less than five-HP as needed and fund this ongoing maintenance activity through the operating budget. The Association may choose to rebuild pumps prior to complete replacement. However, this activity becomes less desirable as pumps age due

Narrative throughout report reduced for brevity

to the scarcity of parts. We regard interim replacements of motors and component parts as normal maintenance and base our estimates on complete replacements. An exact replacement time for each individual pump is difficult, if not impossible, to estimate.

Preventative Maintenance Notes: We recommend the Association obtain and adhere to the manufacturer's recommended maintenance plan. We also recommend the Association maintain a maintenance contract with a qualified professional. The required preventative maintenance may vary in frequency and scope based on the unit's age, operational condition, or changes in technology. Valuable motor information to note in a preventative maintenance plan or schedule includes age of unit and last time of repair, horsepower and rpm (revolutions per minute), bearing type and conditions surrounding motor/pump. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Weekly:
  - Check/adjust controls
  - Check/adjust pressure levels
  - Check for leaks
  - Conduct churn tests
- Quarterly:
  - Inspect/clean motors
  - Inspect mountings and connections for proper alignment, torque and condition
  - Inspect/replace pump packing as needed, consider replacement with mechanical seals
  - Check for appropriate oil levels
- Semi-annually:
  - Lubricate pumps, motors and motor bearings
- Annually:
  - Inspect belts for wear and/or replace belts
  - Clean filters if present
  - Assess proper internal component performance and replace damaged or malfunction components as necessary, and tighten fittings
  - Access temperature and vibration performance of motors in accordance with the intended design

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 costs include an allowance for installation of the variable frequency drives (VFD) at the domestic pumps and replacement of controls at all pumps.

Narrative throughout report reduced for brevity

Property Site Elements

Asphalt Pavement, Repaving

Line Items: 4.041 through 4.047

Quantity, History and Condition:

- **Front Drive and Parking Areas** – 1,320 square yards, milled and overlaid in 2019, good condition
- **Garage Access Drive** – 820 square yards, repaved in 2015, good condition with isolated cracks evident
- **Guest Parking Lot** – 900 square yards, repaved in 2015, good condition
- **Resident Parking Lot** – 3,270 square yards, last repaved in 2002, fair condition with cracks and settlement evident

Pavement cracks at garage access drive

Resident parking lot cracks at the edge of prior repairs

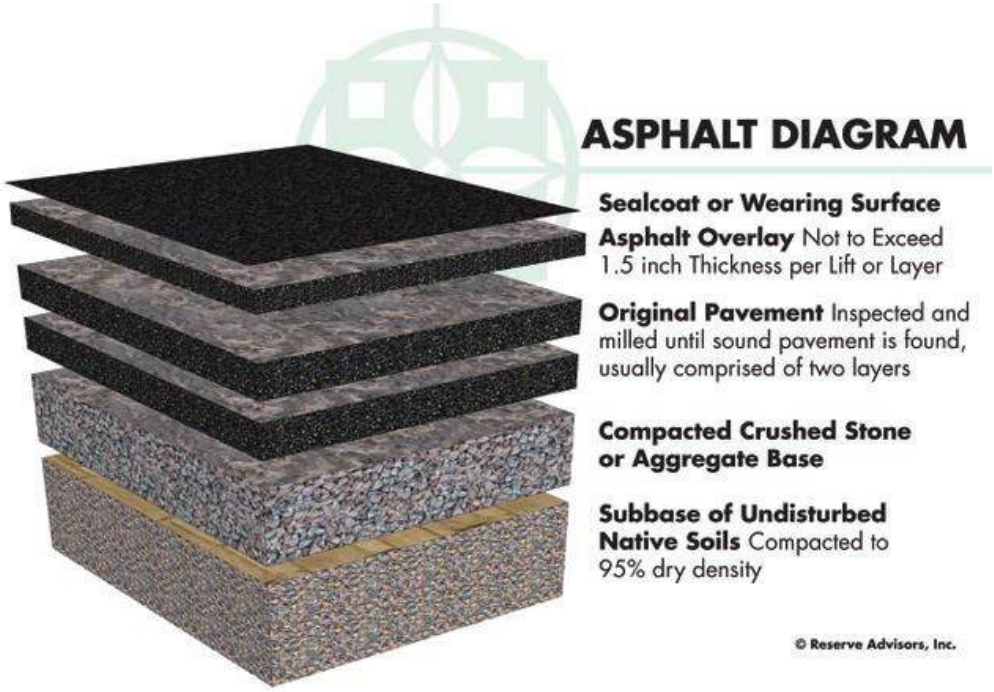
Pavement crack

Alligator cracks at access drive entrance

Useful Life: 15- to 20-years

Narrative throughout report reduced for brevity

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 300 South Second Street:



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, history of mill and overlays, and configuration of the asphalt pavement, we recommend the total replacement method for initial repaving followed by the mill and overlay method for subsequent repaving at 300 South Second Street. Due to the size of the guest lot, we recommend the Association budget for total replacement.

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

Narrative throughout report reduced for brevity

- Repair areas which could cause vehicular damage such as potholes
- As needed:
  - Perform crack repairs and patching as needed

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

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

Garage Elements

Upper level

Lower level

Concrete, Elevated Floor

Line Item: 7.300

Quantity: 37,350 square feet of elevated concrete at the upper level

Condition: Good to fair overall with evidence of water infiltration. The Association conducted significant repairs to the elevated concrete and installed a traffic coating in 2008. However, Management informs us when the upper floor is cleaned, water drips through to the lower floor at several locations.

Narrative throughout report reduced for brevity

Evidence of water infiltration

Evidence of water infiltration

Useful Life: Repairs to the various concrete surfaces every 10- to 15-years

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

- Semi-annually:
  - Clean floors and remove vehicular oil stains
- Annually:
  - Inspect for large cracks, concrete spalls and vehicular damage at walls and columns
  - Verify drains are working properly and check for areas of extensive water ponding
  - Check for any signs of exposed rebar

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 includes:

- Complete inspection of the garage concrete
- Partial depth concrete replacement of a limited amount of the surface area of the concrete floors
- Partial depth concrete replacement of a limited amount of the surface area of the elevated structural concrete ceilings
- Remediation of structural concrete columns and beams as needed
- Crack repairs on all surfaces as needed

Narrative throughout report reduced for brevity

Traffic Coating

Line Item: 7.800

Quantity: 37,350 square feet at upper floor

History: Installed in 2008

Condition: Fair to poor overall with periodic coating deterioration evident

Coating deterioration

Coating deterioration

Useful Life: 10- to 15-years

Component Detail Notes: In our experience, active periodic maintenance and protection with a traffic coating on elevated concrete structures results in a longer useful life, safer operation and a lower overall life cycle cost. Failure to maintain a traffic coating on elevated floors will result in accelerated concrete deterioration at concrete ceilings below the elevated floors and a higher overall capital investment in the parking structure over time.

Salts and moisture-driven chemical reactions are detrimental to the integrity of an elevated structural concrete garage floor. Road salts deposited as snow melts from vehicles or chlorides and moisture contained in ambient air penetrate the concrete surface. The dissolved chlorides and moisture then migrate to the imbedded reinforcing steel through pores in the concrete or directly through cracks. Once they reach the steel, salts and moisture cause expansive corrosion, ultimately causing the concrete to expand and “pop” or spall. Left unrepaired, additional chlorides and moisture will continue to infiltrate the concrete, eventually causing structural failure. This type of deterioration is progressive and costly to repair. The utilization of a traffic coating atop the concrete minimizes the infiltration of salts and moisture into the concrete thereby minimizing future capital repairs.

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

Narrative throughout report reduced for brevity

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. If funds become available, the Association should consider acceleration of this project to limit water infiltration into the elevated concrete. Expenditures assume:

- Complete inspection of the garage concrete and concrete repairs as described in the previous narrative "Concrete, Elevated Floor"
- Preparation of the concrete surface
- Application of a urethane base coat, intermediate aggregate coating and top coat to the elevated floors
- Parking and directional line striping as needed

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.

Narrative throughout report reduced for brevity

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.

300 South Second Street 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[1] set forth by the Association of Professional Reserve Analysts (APRA) fulfilling the requirements of a "Level III Reserve Study Update No-Site-Visit." These standards require a Reserve Component to have a "predictable remaining Useful Life." Estimating Remaining Useful Lives and Reserve Expenditures beyond 30 years is often indeterminate. Long-Lived Property Elements are necessarily excluded from this analysis. We considered the following factors in our analysis:

- The Cash Flow Method to compute, project and illustrate the 30-year Reserve Funding Plan
- Local[2] costs of material, equipment and labor
- Current and future costs of replacement for the Reserve Components
- Costs of demolition as part of the cost of replacement
- Local economic conditions and a historical perspective to arrive at our estimate of long-term future inflation for construction costs in Madison, USA at an annual inflation rate[3]. 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.
[3] Derived from Marshall & Swift, historical costs and the Bureau of Labor Statistics.

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

- The past and current maintenance practices of 300 South Second Street 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.

RESOURCES

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

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

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

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

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

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

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

7. DEFINITIONS

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

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

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

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

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

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

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

Long-Lived Property Component - Property component of 300 South Second Street 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) 300 South Second Street 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.

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. The reserve 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 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 - If reserve study and energy benchmarking services are performed by RA, then the retainer payment 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.