Fairway Townhome Association

January 1, 2025 • Madison, USA

FULL RESERVE STUDY

RESERVE™ ADVISORS

Long-term thinking. Everyday commitment.

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

Fairway Townhome Association
Madison, USA

Dear Board of Directors of Fairway Townhome Association:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of Fairway Townhome 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 *Full Reserve Study exceeds* the Association of Professional Reserve Analysts (APRA) standards fulfilling the requirements of a "Level I Full Reserve Study."

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. We look forward to continuing to help Fairway Townhome 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 January 23, 2025 by:

Reserve Advisors, LLC

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

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

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1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Fairway Townhome Association (Fairway)
Location: Madison, USA
Reference: 123456

Property Basics: Fairway Townhome Association consists of 34 units in 17 buildings. The community was built from 2007 to 2013.

Reserve Components Identified: 20 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 these threshold funding years in 2030 and 2050 due to the replacement and subsequent replacement of the asphalt shingle roofs, respectively. In addition, the Reserve Funding Plan recommends 2055 year end accumulated reserves of approximately $855,700. We judge this amount of accumulated reserves in 2055 necessary to fund the likely replacement of the fiber cement siding after 2055. These future needs, although beyond the limit of the Cash Flow Analysis of this Reserve Study, are reflected in the amount of accumulated 2055 year end reserves.

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

- Current and future local costs of replacement
- 2.7% anticipated annual rate of return on invested reserves
- 3.3% 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:

- $590,000 as of January 1, 2025
- 2025 budgeted Reserve Contributions of $48,500
- A potential deficit in reserves might occur by 2030 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 asphalt shingle roofs due to deterioration including loose shingles, weathered shingles and sheathing deflection
- Repaving as deferral will result in dangerous road conditions and vehicle damage
- Repairs to the concrete flatwork to provide safe egress for residents and their guests
- Repairs to the p

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.

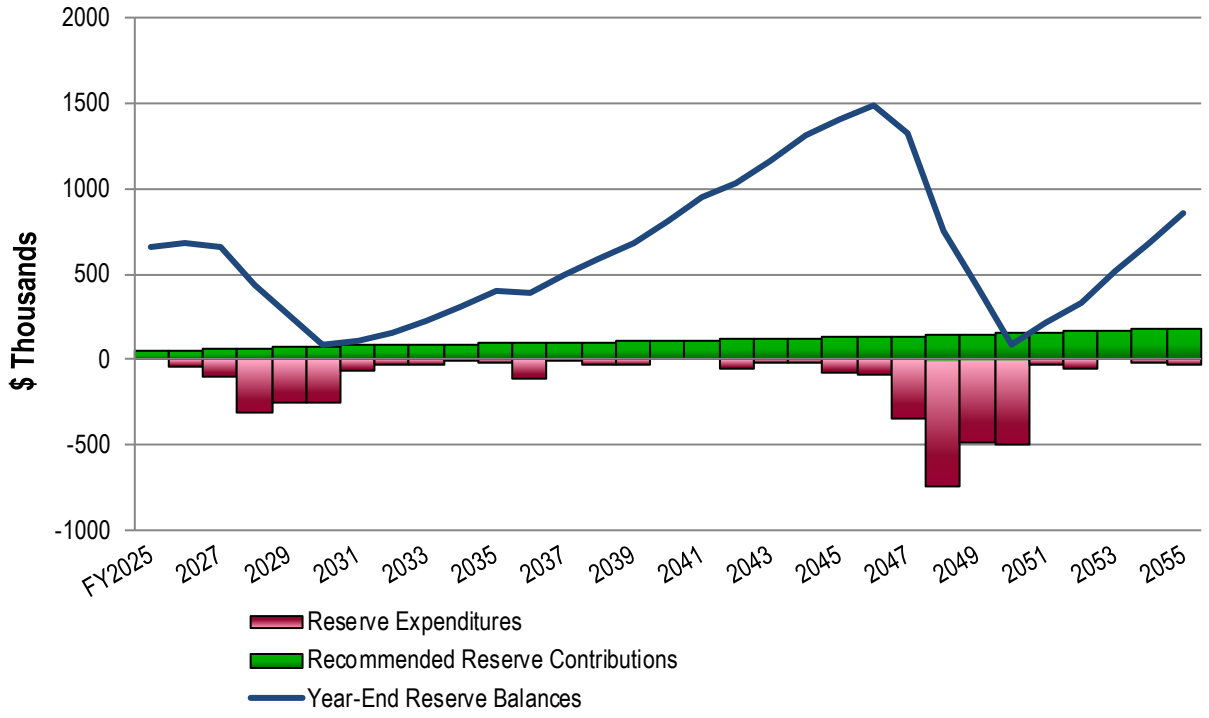
Recommended Reserve Funding: We recommend the following in order to achieve a stable and equitable Cash Flow Methodology Funding Plan:

- Phased increases of $6,300 each year, from 2026 through 2030
- Inflationary increases thereafter through 2055, the limit of this study's Cash Flow Analysis
- Initial adjustment in Reserve Contributions of $6,300 represents an average monthly increase of $15.44 per owner and about a five percent (5.3%) adjustment in the 2025 Total Budget of $120,000

Fairway

Recommended Reserve Funding Table and Graph

Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)
2026	54,800	682,037	2036	97,100	393,324	2046	134,300	1,488,216
2027	61,100	659,356	2037	100,300	496,320	2047	138,700	1,323,755
2028	67,400	433,183	2038	103,600	584,856	2048	143,300	751,358
2029	73,700	260,315	2039	107,000	678,097	2049	148,000	425,346
2030	80,000	89,480	2040	110,500	808,397	2050	152,900	84,693
2031	82,600	108,224	2041	114,100	945,864	2051	157,900	218,793
2032	85,300	161,698	2042	117,900	1,034,395	2052	163,100	336,184
2033	88,100	225,130	2043	121,800	1,164,005	2053	168,500	516,036
2034	91,000	313,334	2044	125,800	1,308,954	2054	174,100	687,081
2035	94,000	400,278	2045	130,000	1,402,811	2055	179,800	855,729



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 *Full Reserve Study* of

Fairway Townhome 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 [illegible] is study. Our analysis begins by segregating [illegible] responsibility 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 identif[illegible] the management team understand whether re[illegible]d 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 City of Madison

We advise the Board to conduct an annual review of these classes of property to confirm its policy concerning the manner of funding, i.e., from reserves or the operating budget. Reserve Components are defined by CAI as property elements with:

- Fairway 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
Fairway
Townhome Association
Madison, USA

Operating Budget Components (varies by association)

Repairs normally funded through the Operating Budget and Expenditures less than $3,000 (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.

- Benches
- Catch Basins, Landscape
- Irrigation System, Controller
- Landscape
- Paint Finishes, Touch Up
- Shutters, Vinyl

Long-Lived Components (varies by association)

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, Common	to 70+	N/A
• Foundations	Indeterminate	N/A
• Pipes, Subsurface Utilities	to 85+	N/A
• Structural Frames	Indeterminate	N/A
• Walls, Fiber Cement Siding, Replacement[1]	to 50	$651,000

[1] Includes Soffit and Fascia

Owners Responsibility Components (varies by association)

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

- Decks
- Electrical Systems (Including Circuit Protection Panels)
- Garage Doors
- Heating, Ventilating and Air Conditioning (HVAC) Units
- Interiors
- Patios
- Pipes (Within Units)
- Stoops (However, at the direction of the Board, we include reserve funds for partial replacements in coordination with sidewalks.)
- Windows and Doors

Excluded Components

for
Fairway
Townhome Association
Madison, USA

City of Madison Responsibility Components (varies by association)
Certain items have been designated as the responsibility of City of Madison to repair or replace.
• Fences, Split Rail, North Perimeter
• Walking Path

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

Fairway
Townhome Association
Madison, USA

Explanatory Notes:

1) **3.3%** is the estimated Inflation Rate for estimating Future Replacement Costs.
2) **FY2025** is Fiscal Year beginning January 1, 2025 and ending December 31, 2025.
3) **2056+** indicates a component which is considered long-lived

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																							
1.140	34	34	Each	Chimney Caps, Metal	2033	to 25	8	500.00	17,000	17,000	**0.6%**									22,042							
1.240	6,250	2,083	Linear Feet	Gutters and Downspouts, Aluminum, Phased	2028	15 to 20	3 to 5	14.50	30,208	90,625	**8.0%**				33,299	34,398	35,533										
1.260	68	68	Each	Light Fixtures	2032	to 25	7	90.00	6,120	6,120	**0.2%**								7,682								
1.280	1,100	367	Squares	Roofs, Asphalt Shingles, Phased	2028	15 to 20	3 to 5	510.00	187,002	561,000	**49.5%**				206,133	212,935	219,962										
1.759	34	34	Units	Walls, Fiber Cement Siding and Trim, Paint Finishes	2026	8 to 10	1	1,300.00	44,200	44,200	**5.2%**		45,659										63,172				
1.760	31,000	10,333	Square Feet	Walls, Siding, Fiber Cement, Replacement, Phased (Incl. Soffit and Fascia)	2056	to 50	31 to 30+	21.00	217,000	651,000	**0.0%**																
1.761	34	34	Units	Walls, Trim and Railings, Paint Finishes, Interim	2032	4 to 6	7	650.00	22,100	22,100	**3.2%**								27,739								
1.820	30,200	30,200	Square Feet	Walls, Masonry, Inspections and Repairs	2031	10 to 15	6	1.25	37,750	37,750	**3.1%**							45,869									
				Property Site Elements																							
4.020	6,650	6,650	Square Yards	Asphalt Pavement, Crack Repair, Patch and Seal Coat	2031	3 to 5	6	1.80	11,970	11,970	**4.1%**							14,544				16,561				18,858	
4.040	6,305	3,153	Square Yards	Asphalt Pavement, Mill and Overlay, Remaining, Phased	2027	15 to 20	2 to 3	17.50	55,169	110,338	**3.2%**			58,870	60,813												
4.045	6,650	3,325	Square Yards	Asphalt Pavement, Total Replacement, Phased	2047	15 to 20	22 to 23	37.50	124,688	249,375	**13.8%**																
4.100	13	7	Each	Catch Basins, Inspections and Capital Repairs, Phased	2027	15 to 20	2 to 3	1,100.00	7,150	14,300	**1.2%**			7,630	7,881												
4.110	6,200	372	Linear Feet	Concrete Curbs, Partial	2027	to 65	2 to 30+	45.00	16,740	279,000	**1.4%**			17,863													
4.140	5,670	331	Square Feet	Concrete Sidewalks and Stoops, Partial	2029	to 65	4 to 30+	22.50	7,442	127,575	**2.1%**					8,474					9,967					11,724	
4.420	1,500	1,500	Square Feet	Irrigation System, Entrance	2048	to 40	23	2.15	3,225	3,225	**0.2%**																
4.560	12	12	Each	Light Poles and Fixtures	2036	to 25	11	3,000.00	36,000	36,000	**1.4%**												51,452				
4.600	3	3	Each	Mailbox Stations	2033	to 25	8	2,000.00	6,000	6,000	**0.2%**									7,780							
4.700	1	1	Each	Pond, Aerator	2027	10 to 15	2	10,000.00	10,000	10,000	**0.7%**			10,671													
4.710	620	124	Linear Feet	Pond, Erosion Control, Partial	2027	to 10	2 to 30+	50.00	6,200	31,000	**0.8%**			6,616										9,154			
4.730	2,300	690	Square Yards	Pond, Sediment Removal, Partial	2038	to 30	13 to 30+	28.00	19,320	64,400	**0.8%**														29,465		
4.800	1	1	Allowance	Signage, Entrance Monument, Renovation	2031	15 to 20	6	5,000.00	5,000	5,000	**0.5%**							6,075									
				Anticipated Expenditures, By Year ($3,765,213 over 30 years)								0	45,659	101,650	308,125	255,806	255,494	66,489	35,421	29,822	9,967	16,561	114,625	9,154	29,465	30,582	0

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

Fairway
Townhome 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																						
1.140	34	34	Each	Chimney Caps, Metal	2033	to 25	8	500.00	17,000	17,000	**0.6%**															
1.240	6,250	2,083	Linear Feet	Gutters and Downspouts, Aluminum, Phased	2028	15 to 20	3 to 5	14.50	30,208	90,625	**8.0%**								63,743	65,847	68,020					
1.260	68	68	Each	Light Fixtures	2032	to 25	7	90.00	6,120	6,120	**0.2%**															
1.280	1,100	367	Squares	Roofs, Asphalt Shingles, Phased	2028	15 to 20	3 to 5	510.00	187,002	561,000	**49.5%**								394,596	407,618	421,069					
1.759	34	34	Units	Walls, Fiber Cement Siding and Trim, Paint Finishes	2026	8 to 10	1	1,300.00	44,200	44,200	**5.2%**						87,404									
1.760	31,000	10,333	Square Feet	Walls, Siding, Fiber Cement, Replacement, Phased (Incl. Soffit and Fascia)	2056	to 50	31 to 30+	21.00	217,000	651,000	**0.0%**															
1.761	34	34	Units	Walls, Trim and Railings, Paint Finishes, Interim	2032	4 to 6	7	650.00	22,100	22,100	**3.2%**		38,379										53,101			
1.820	30,200	30,200	Square Feet	Walls, Masonry, Inspections and Repairs	2031	10 to 15	6	1.25	37,750	37,750	**3.1%**															
				Property Site Elements																						
4.020	6,650	6,650	Square Yards	Asphalt Pavement, Crack Repair, Patch and Seal Coat	2031	3 to 5	6	1.80	11,970	11,970	**4.1%**			21,473				24,451				27,842				31,703
4.040	6,305	3,153	Square Yards	Asphalt Pavement, Mill and Overlay, Remaining, Phased	2027	15 to 20	2 to 3	17.50	55,169	110,338	**3.2%**															
4.045	6,650	3,325	Square Yards	Asphalt Pavement, Total Replacement, Phased	2047	15 to 20	22 to 23	37.50	124,688	249,375	**13.8%**							254,701	263,106							
4.100	13	7	Each	Catch Basins, Inspections and Capital Repairs, Phased	2027	15 to 20	2 to 3	1,100.00	7,150	14,300	**1.2%**							14,605	15,087							
4.110	6,200	372	Linear Feet	Concrete Curbs, Partial	2027	to 65	2 to 30+	45.00	16,740	279,000	**1.4%**							34,195								
4.140	5,670	331	Square Feet	Concrete Sidewalks and Stoops, Partial	2029	to 65	4 to 30+	22.50	7,442	127,575	**2.1%**				13,791					16,221					19,081	
4.420	1,500	1,500	Square Feet	Irrigation System, Entrance	2048	to 40	23	2.15	3,225	3,225	**0.2%**								6,805							
4.560	12	12	Each	Light Poles and Fixtures	2036	to 25	11	3,000.00	36,000	36,000	**1.4%**															
4.600	3	3	Each	Mailbox Stations	2033	to 25	8	2,000.00	6,000	6,000	**0.2%**															
4.700	1	1	Each	Pond, Aerator	2027	10 to 15	2	10,000.00	10,000	10,000	**0.7%**		17,366													
4.710	620	124	Linear Feet	Pond, Erosion Control, Partial	2027	to 10	2 to 30+	50.00	6,200	31,000	**0.8%**							12,665								
4.730	2,300	690	Square Yards	Pond, Sediment Removal, Partial	2038	to 30	13 to 30+	28.00	19,320	64,400	**0.8%**															
4.800	1	1	Allowance	Signage, Entrance Monument, Renovation	2031	15 to 20	6	5,000.00	5,000	5,000	**0.5%**										11,258					
				Anticipated Expenditures, By Year ($3,765,213 over 30 years)								0	55,746	21,473	13,791	72,264	87,404	340,617	743,338	489,686	500,347	27,842	53,101	0	19,081	31,703

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.

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
Fairway
Townhome 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)*	590,000	655,085	682,037	659,356	433,183	260,315	89,480	108,224	161,698	225,130	313,334	400,278	393,324	496,320	584,856	678,097
Total Recommended Reserve Contributions	*(Note 2)*	**48,500**	**54,800**	**61,100**	**67,400**	**73,700**	**80,000**	**82,600**	**85,300**	**88,100**	**91,000**	**94,000**	**97,100**	**100,300**	**103,600**	**107,000**	**110,500**
Estimated Interest Earned, During Year	*(Note 3)*	16,585	17,811	17,868	14,553	9,238	4,659	2,633	3,595	5,153	7,172	9,505	10,571	11,850	14,401	16,823	19,800
Anticipated Expenditures, By Year		0	(45,659)	(101,650)	(308,125)	(255,806)	(255,494)	(66,489)	(35,421)	(29,822)	(9,967)	(16,561)	(114,625)	(9,154)	(29,465)	(30,582)	0
Anticipated Reserves at Year End		$655,085	$682,037	$659,356	$433,183	$260,315	$89,480 *(NOTE 5)*	$108,224	$161,698	$225,130	$313,334	$400,278	$393,324	$496,320	$584,856	$678,097	$808,397

(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	808,397	945,864	1,034,395	1,164,005	1,308,954	1,402,811	1,488,216	1,323,755	751,358	425,346	84,693	218,793	336,184	516,036	687,081
Total Recommended Reserve Contributions	**114,100**	**117,900**	**121,800**	**125,800**	**130,000**	**134,300**	**138,700**	**143,300**	**148,000**	**152,900**	**157,900**	**163,100**	**168,500**	**174,100**	**179,800**
Estimated Interest Earned, During Year	23,367	26,377	29,283	32,940	36,121	38,509	37,456	27,641	15,674	6,794	4,042	7,392	11,352	16,026	20,551
Anticipated Expenditures, By Year	0	(55,746)	(21,473)	(13,791)	(72,264)	(87,404)	(340,617)	(743,338)	(489,686)	(500,347)	(27,842)	(53,101)	0	(19,081)	(31,703)
Anticipated Reserves at Year End	$945,864	$1,034,395	$1,164,005	$1,308,954	$1,402,811	$1,488,216	$1,323,755	$751,358	$425,346	$84,693 *(NOTE 5)*	$218,793	$336,184	$516,036	$687,081	$855,729 *(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 replacement of the fiber cement siding shortly after 2055, and the age, size, overall condition and complexity of the property.
5) Threshold Funding Years (reserve balance at critical point).

FIVE-YEAR OUTLOOK

Fairway
Townhome Association
Madison, USA

Line Item	Reserve Component Inventory	RUL = 0 FY2025	1 2026	2 2027	3 2028	4 2029	5 2030	6 2031
	Exterior Building Elements							
1.240	Gutters and Downspouts, Aluminum, Phased				33,299	34,398	35,533	
1.280	Roofs, Asphalt Shingles, Phased				206,133	212,935	219,962	
1.759	Walls, Fiber Cement Siding and Trim, Paint Finishes		45,659					
	Property Site Elements							
4.040	Asphalt Pavement, Mill and Overlay, Remaining, Phased			58,870	60,813			
4.100	Catch Basins, Inspections and Capital Repairs, Phased			7,630	7,881			
4.110	Concrete Curbs, Partial			17,863				
4.140	Concrete Sidewalks and Stoops, Partial					8,474		
4.700	Pond, Aerator			10,671				
4.710	Pond, Erosion Control, Partial			6,616				
	Anticipated Expenditures, By Year ($966,734 over 5 years)	0	45,659	101,650	308,125	255,806	255,494	66,489

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

4. RESERVE COMPONENT DETAIL

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

Exterior Building Elements

Gutters and Downspouts, Aluminum

Line Item: 1.240

Quantity: Approximately 6,250 linear feet of aluminum five-inch seamless gutters and two-inch by three-inch downspouts

History: Original

Condition: Good overall with isolated dents and fastener rust evident

Fastener rust evident

Minor dented aluminum gutter section

Narrative throughout report reduced for brevity

Useful Life: 15- to 20-years

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

Downspouts can drain 100 square feet of roof area per one square inch of downspout cross sectional area. We recommend the use of downspout extensions and splash blocks at the downspout discharge to direct storm water away from the foundations. Downspouts that discharge directly onto roofs cause premature deterioration of the roofs due to the high concentration of storm water. We recommend either routing these downspouts directly to the gutters of the lower roof or distributing the s

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

The useful life of gutter e asphalt shingle roofs. Coordinated replaceme price and minimize the possibility of damage t separate replacements.

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

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

Priority/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.

Roofs, Asphalt Shingles

Line Item: 1.280

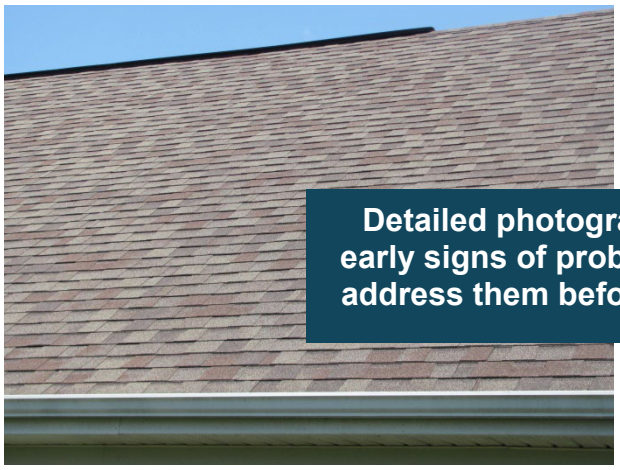
Quantity: Approximately 1,100 *squares*[1]

History: Original

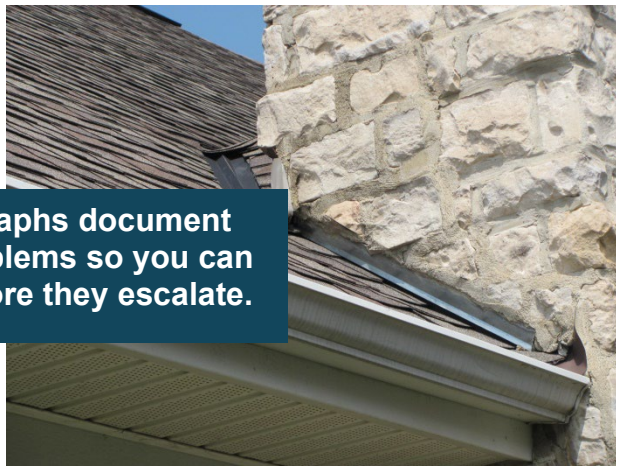
Condition: Fair overall with several locations of weathered, lifted, curled and loose shingles, granular loss at shingles, and sheathing deflection evident from our visual inspection from the ground. Management and the Board inform us of a history of leaks near the chimney and roof intersections but recent repairs including flashing remediation were completed.

[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



Detailed photographs document early signs of problems so you can address them before they escalate.



Asphalt shingle roof

Flashing detail at chimney

Loose shingles at Unit 100

Lifted shingles at Units 200 and 201

Curled shingles at Unit 300

Weathered shingles at Unit 400

Narrative throughout report reduced for brevity

Weathered shingles at Unit 500

Granular loss evident at shingles at Unit 600

Sheathing deflection evident at Unit 700

Useful Life: 15- to 20-years

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

- Laminate shingles
- Boston style ridge caps
- Soffit and ridge vents
- Metal drip edge
- Open valleys with metal W flashing

Insulation and ventilation are two major components of a sloped roof system. Together, proper insulation and ventilation help to control attic moisture and maintain an energy efficient building. Both insulation and ventilation prevent moisture buildup which can cause wood rot, mold and mildew growth, warp sheathing, deteriorate shingles, and eventually damage building interiors. Sufficient insulation helps to minimize the quantity of moisture that enters the attic spaces and adequate ventilation helps to remove any moisture that enters the attic spaces. These two roof system components also help to reduce the amount of energy that is required to heat and cool a building. Proper attic insulation minimizes heat gain and heat loss between the residential living spaces and

Narrative throughout report reduced for brevity

attic spaces. This reduces energy consumption year-round. Proper attic ventilation removes excessive heat from attic spaces that can radiate into residential living spaces and cause air conditioners to work harder. Properly installed attic insulation and ventilation work together to maximize the useful life of sloped roof systems.

In addition to moisture control and energy conservation, proper attic insulation and ventilation are essential components to prevent the formation of ice dams. Ice dams occur when warm air accumulates at the peak of an attic while the roof eaves remain cold. Warm air from the attic melts the snow at the ridge of the roof and the water runs down the slope of the roof. At the cold roof eaves, the water refreezes and forms a buildup of snow and ice. This buildup often traps water that can prematurely deteriorate asphalt shingles and ultimately seep under the shingles and cause water damage to the roof deck and building interiors. Proper insulation minimizes the amount of heat that enters attic spaces in the winter and adequate ventilation helps to remove any heat that enters the attic spaces. Together, these components prevent ice dams with a cold roof deck that melts snow and ice evenly.

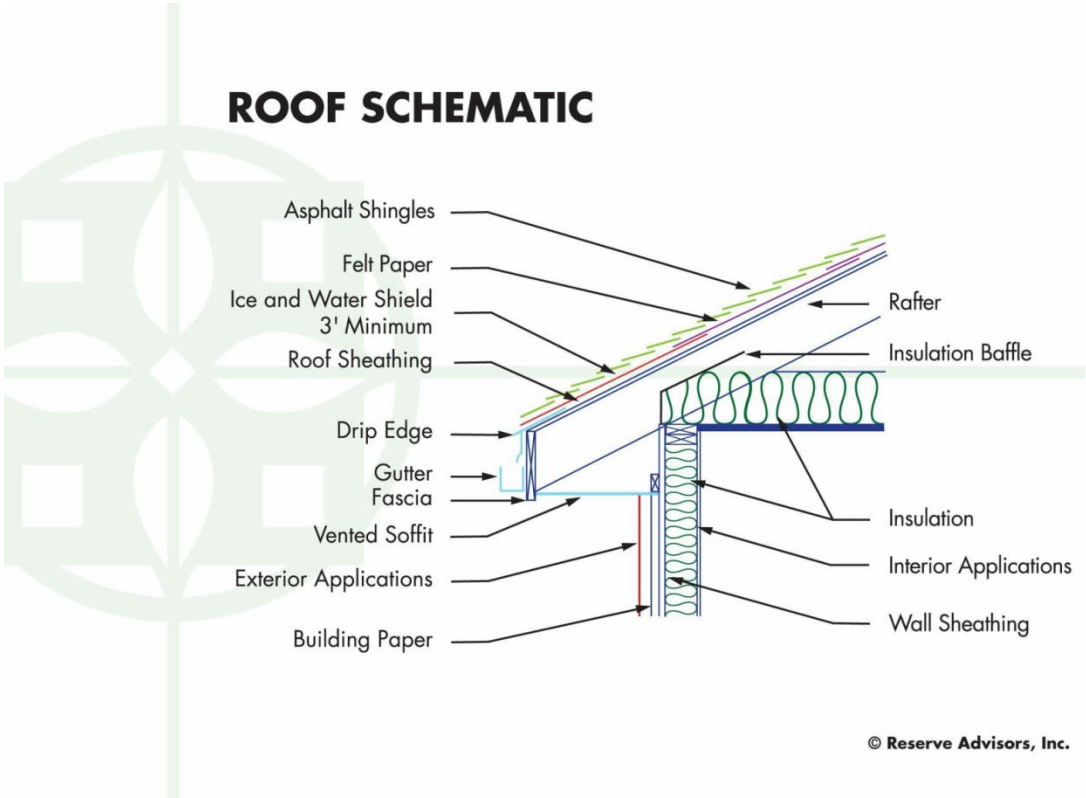
The Association should periodically ensure that the vents are clear of debris and are not blocked from above by attic insulation. If the soffit vents are blocked from above, the Association should install polystyrene vent spaces or baffles between the roof joists at these locations to ensure proper ventilation. The Fairway should fund this ongoing maintenance through the operating budget.

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

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

Narrative throughout report reduced for brevity

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



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

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

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

- Annually:
    - Record any areas of water infiltration, flashing deterioration, damage or loose shingles

Narrative throughout report reduced for brevity

- Inspect for ice dams and implement repairs as needed if issues are reoccurring
- Trim tree branches that are near or in contact with roof

- As-needed:
  - Ensure proper ventilation and verify vents are clear of debris and not blocked from attic insulation

Priority/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 base our cost on replacement with standard laminate Class A 240-260-pounds per square shingles.

Walls, Fiber Cement Siding and Trim

Line Items: 1.759 through 1.761

Quantity: Approximately 31,000 square feet of fiber cement siding and composite wood trim, and 160 linear feet of wood railings and associated wood columns at the front stoops. This quantity excludes the aluminum soffit and fascia.

History: The finish at the fiber cement siding is original, and the trim and railings were painted in 2017.

Condition: Fair overall with locations of peeling finish, discoloration, sealant deterioration, wood rot and cracks evident

Fiber cement siding

Sealant deterioration and peeling finish at fiber cement, Unit 100

Narrative throughout report reduced for brevity

Discolored finish at Unit 200

Peeling paint finish at Unit 300

Rot at trim at Unit 400

Isolated fiber cement cracks at Unit 500

Isolated siding damage at Unit 600

Isolated fiber cement crack at Unit 700

Useful Life: Four- to six-years for the trim and railings, and 8- to 10-years for the fiber cement siding

Component Detail Notes: Correct and complete preparation of the surface before application of the paint finish maximizes the useful life of the paint finish and surface. The

Narrative throughout report reduced for brevity

contractor should remove all loose, peeled or blistered paint before application of the new paint finish. The contractor should then power wash the surface to remove all dirt or chalking of the prior paint finish.

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 assume the following activities per event at the siding, trim and railings every 10 years, and at the interim events for the trim and railings:

- Paint finish applications
- Replacement of 600 square feet, or up to two percent (2%), of the siding and trim (The exact amount of material in need of replacement will depend on the actual future conditions and desired appearance. We recommend replacement wherever holes, cracks and deterioration impair the ability of the material to prevent water infiltration.)
- Replacement of sealants as needed

Walls, Masonry

Line Item: 1.820

Quantity: Approximately 30,200 square feet of stone masonry veneer at the walls and chimneys

History: The Association replaced a partial elevation at one unit in recent years. The remaining masonry is original with minimal repairs evident.

Condition: Good overall with limited locations of cracks, mortar deterioration and water infiltration evident.

Flashing detail above window

Stone masonry at chimney

Narrative throughout report reduced for brevity

Efflorescence and evidence of water infiltration at Unit 100

Mortar deterioration at Unit 200

Useful Life: The Association should anticipate inspection and repairs to the masonry veneer every 10- to 15-years.

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We assume a complete inspection of all the masonry veneer, repointing of up to four percent (4%) and replacement of a limited amount of stone per event.

Property Site Elements

Asphalt Pavement, Repaving

Line Items: 4.040 and 4.045

Quantity: Approximately 6,650 square yards of streets and driveways

History: Original with the exception of 345 square yards at Units 500-504 and the adjacent street which was milled and overlaid in 2020

Condition: Fair overall with alligator cracks, centerline deterioration, raveling, settlement and previous patch repairs evident

Narrative throughout report reduced for brevity

Recent asphalt pavement repairs near community entrance

Centerline cracks and deterioration

Pavement raveling and onset of potholes

Alligator cracks adjacent to recent patch repair

Asphalt pavement at driveways

Cracks at Unit 100

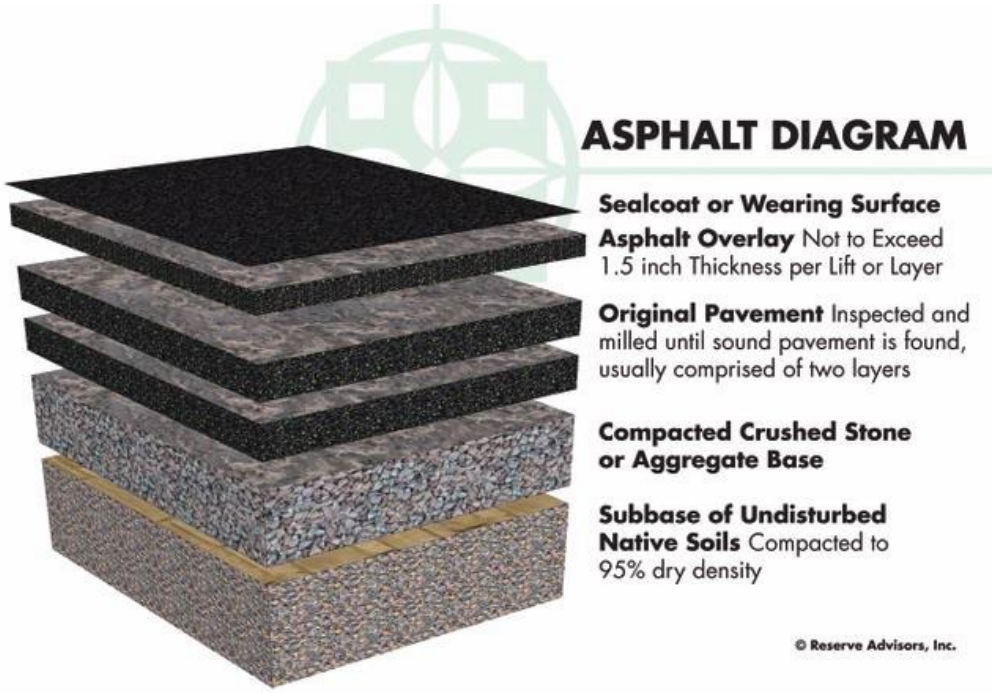
Useful Life: 15- to 20-years

Component Detail Notes: The initial installation of asphalt uses at least two lifts, or two separate applications of asphalt, over the base course. The first lift is the binder course.

Narrative throughout report reduced for brevity

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 The Fairway:



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

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

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

Narrative throughout report reduced for brevity

- 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 fifteen percent (15%).

Concrete Sidewalks and Stoops

Line Item: 4.140

Quantity: Approximately 5,670 square feet

Condition: Good to fair overall with cracks, spalled concrete, and history of settlement and previous mud jacking evident

Spalled concrete sidewalk at Unit 100

Spalled concrete sidewalk at Unit 200

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

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

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

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We estimate that up to 1,980 square feet of concrete

Narrative throughout report reduced for brevity

sidewalks, or thirty-five percent (34.9%) of the total, will require replacement during the next 30 years.

Pond, Aerator

Line Item: 4.700

Quantity: One aerator

History: Original to 2008 with the exception of the LED lighting which dates to 2020

Condition: Reported in good condition

Pond with aerator

Useful Life: 10- to 15-years

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

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. Based on its condition, we defer replacement until 2024.

Pond, Erosion Control

Line Item: 4.710

Quantity: 620 linear feet of stone rip rap

History: The stone rip rap was augmented in 2013 and locations of settled rip rap were repaired and/or replaced in 2021.

Narrative throughout report reduced for brevity

Condition: We note only minor evidence of settled rip rap and erosion.

Erosion

Erosion

Useful Life: Shorelines are subject to fluctuations in water levels, increased plant growth and migrating storm and ground water resulting in the need for erosion control measures up to every 10 years.

Component Detail Notes: The steep shoreline embankments are likely to exacerbate soil movement and erosion. The use and maintenance of landscape, natural vegetation and/or stone rip rap along the pond shoreline will help maintain an attractive appearance and prevent soil erosion.

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

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

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We recommend the Association plan to augment the rip rap around the pond along 125 linear feet, or approximately twenty percent (20%), of the shoreline.

Narrative throughout report reduced for brevity

Signage, Entrance Monument

Line Item: 4.800

Quantity: One property identification entrance monument and one adjacent street identification sign. The signage includes the following elements:

- Light fixtures
- Fences, wood rail
- Masonry, stone
- Metal signs
- Landscaping

History: Original with the exception of the landscape light fixtures which were replaced with LED fixtures in 2019

Condition: Good to fair overall

Entrance monument

Mortar cracks

Evidence of water infiltration and possible onset of stone delamination

Narrative throughout report reduced for brevity

Useful Life: 15- to 20-years

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

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

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

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our cost for renovation includes repointing and repairs to the masonry, landscaping renovations and replacement of the remaining components listed above. Based on a greater need for reserve funds for replacement of roofs and pavement, we defer renovation until 2030.

Reserve Study Update

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

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

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

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.

Fairway 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 I Full Reserve Study." These standards require a Reserve Component to have a "predictable remaining Useful Life." Estimating Remaining Useful Lives and Reserve Expenditures beyond 30 years is often indeterminate. Long-Lived Property Elements are necessarily excluded from this analysis. We considered the following factors in our analysis:

- The Cash Flow Method to compute, project and illustrate the 30-year Reserve Funding Plan
- Local[2] costs of material, equipment and labor
- Current and future costs of replacement for the Reserve Components
- Costs of demolition as part of the cost of replacement
- Local economic conditions and a historical perspective to arrive at our estimate of long-term future inflation for construction costs in 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.

Narrative throughout report reduced for brevity

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

- The past and current maintenance practices of Fairway 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.

Narrative throughout report reduced for brevity

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 Fairway 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) Fairway 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.