

Precision 20/20
Full Reserve Study
for
The Towns at Lakeside
Association, Inc.
North Port, Florida
May 21, 2014





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1. RESERVE STUDY EXECUTIVE SUMMARY

Client: The Towns at Lakeside Association, Inc. (The Towns at Lakeside)

Location: North Port, Florida

Reference: 080638

Property Basics: The Towns at Lakeside Association, Inc. is a townhome style development of 210 units in 31 buildings. The exteriors of the buildings comprise stucco finishes and asphalt shingle roofs. The buildings were built from 2005 to 2007. The development contains concrete parking areas, an irrigation system, mailbox stations and signage.

Reserve Components Identified: Nine Reserve Components.

Inspection Date: May 21, 2014. We conducted previous Reserve Studies on June 26, 2008 and March 2, 2011.

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 2042 due to the subsequent replacement of the asphalt shingle roofs.

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

- current and future local costs of replacement
- 1.0% annual rate of return on invested reserves
- 1.5% future Inflation Rate for estimating Future Replacement Costs

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

Cash Status of Reserve Fund: \$727,814 as of May 21, 2014.

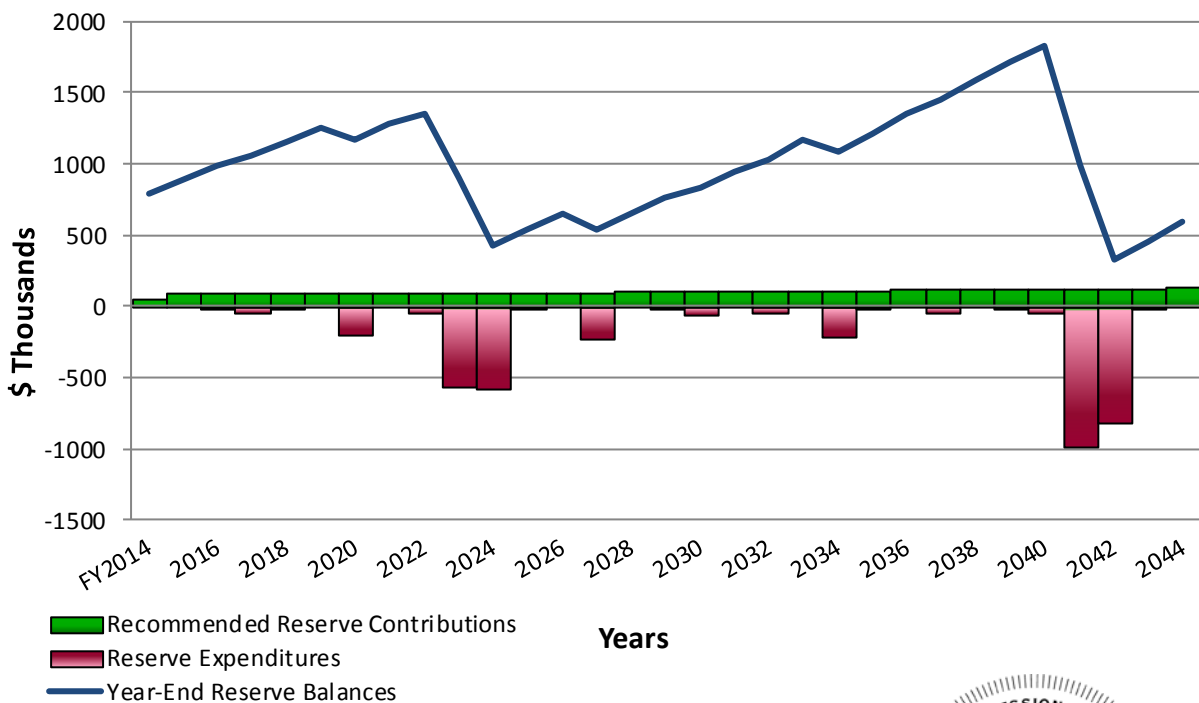
Recommended Reserve Funding: The Association budgeted \$94,600 for Reserve Contributions in 2014. We recommend that the Association budget stable contributions of \$94,600 from 2015 through 2019. Afterwards, the Association should budget gradual annual increases in reserve funding that in part consider the effects of inflation. The 2015 recommended Reserve Contribution of \$94,600 is equivalent to an average monthly contribution of \$37.54 per unit owner.

Our revised findings reflect both external market and internal property changes. The result is an overall *decrease* in the recommended Reserve Funding Plan since our last Reserve Study on March 2, 2011. The overall decrease relates primarily to a higher than anticipated reserve balance.

Certification: This *Precision 20/20 Full Reserve Study* exceeds the Community Associations Institute (CAI) and the Association of Professional Reserve Analysts (APRA) standards fulfilling the requirements of a "Level I Full Reserve Study."

The Towns at Lakeside
Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2015	94,600	890,351	2025	103,400	536,421	2035	120,000	1,213,568
2016	94,600	991,011	2026	105,000	647,310	2036	121,800	1,348,113
2017	94,600	1,053,958	2027	106,600	538,945	2037	123,600	1,443,350
2018	94,600	1,148,904	2028	108,200	653,075	2038	125,500	1,583,911
2019	94,600	1,255,466	2029	109,800	757,390	2039	127,400	1,714,663
2020	96,000	1,171,092	2030	111,400	827,234	2040	129,300	1,821,262
2021	97,400	1,280,690	2031	113,100	949,172	2041	131,200	989,819
2022	98,900	1,348,739	2032	114,800	1,034,622	2042	133,200	323,376
2023	100,400	898,514	2033	116,500	1,162,051	2043	135,200	456,295
2024	101,900	432,160	2034	118,200	1,086,717	2044	137,200	598,744



Respectfully submitted on August 5, 2014 by
RESERVE ADVISORS, INC.



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Visual Inspection and Report by: Jeffrey B. Dow, PRA, RS
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¹ PRA (Professional Reserve Analyst) is the professional designation of the Association of Professional Reserve Analysts. Learn more about APRA at <http://www.apra-usa.com>.

² RS (Reserve Specialist) is the reserve provider professional designation of the Community Associations Institute (CAI) representing America's more than 300,000 condominium, cooperative and homeowners associations.

2. RESERVE STUDY REPORT

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Precision 20/20 Full Reserve Study* of

The Towns at Lakeside Association, Inc.

North Port, Florida

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, May 21, 2014. We conducted previous Reserve Studies on June 26, 2008 and March 2, 2011.

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
- **Condition Assessment** - Describes the reserve components, describes our recommendations for repairs or replacement, and includes detailed solutions and procedures for replacements for the benefit of current and future board members
- **Photographs** - Documentation of Condition of various property elements
- **Methodology** - Lists the national standards, methods and procedures used, financial information relied upon for the Financial Analysis of 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

The Towns at Lakeside Association, Inc. is a townhome style development of 210 units in 31 buildings. The exteriors of the buildings comprise stucco finishes and asphalt shingle roofs. The buildings were built from 2005 to 2007. The development contains concrete parking areas, an irrigation system, mailbox stations and signage. We identify nine major reserve components that are likely to require capital repair or replacement during the next 30 years.

Our investigation includes Reserve Components or property elements as set forth in your Declaration. Our analysis begins by segregating the property elements into several areas of responsibility for repair and replacement. Our process of identification helps assure that future boards and the management team understand whether reserves, the operating budget or Homeowners fund certain replacements and assists in preparation of the annual budget. We derive these segregated classes of property from our review of the information provided by the Association and through conversations with Management and the Board. These classes of property include:

- Reserve Components
- Long-Lived Property Elements
- Operating Budget Funded Repairs and Replacements
- Property Maintained by Homeowners
- Property Maintained by the Community Development District

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

- The Towns at Lakeside responsibility
- Limited useful life expectancies
- Predictable remaining useful life expectancies
- Replacement cost above a minimum threshold

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

- Electrical Systems, Common
- Irrigation System, Well Casings
- Pipes, Subsurface Utilities, Laterals

The operating budget provides money for the repair and replacement of certain Reserve Components. Operating Budget Funded Repairs and Replacements relate to:

- General Maintenance to the Common Elements
- Expenditures less than \$3,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Bulletin Board
- Curb Stops, Parking Areas
- Irrigation System, Rainbird Controller
- Landscape
- Paint Finishes, Touch Up
- Parking Lot, Gravel
- Replacement of Landscape at Driveway Dividers with Pavers, 2014 Replacement
- Shutters, Vinyl
- Signage, Paint Finishes and Capital Repairs
- Other Repairs normally funded through the Operating Budget

Property Maintained by Homeowners relates to unit:

- Concrete Driveways
- Concrete Sidewalks, Driveway to Front Entrance
- Doors, Garage
- Electrical Systems

- Foundations
- Gutters and Downspouts
- Heating, Ventilating and Air Conditioning (HVAC) Units
- Interiors
- Light Fixtures, Recessed
- Patios
- Patios, Light Fixtures
- Patios, Screens and Frames
- Pavers, Driveway Dividers (2014 Installation)
- Pipes, Interior Building, Water and Sewer
- Soffits, Vinyl
- Structural Frames
- Walls, Stone Veneer
- Walls, Stucco, Repairs
- Walls, Vinyl Siding
- Windows and Doors

Certain items have been designated as the responsibility of the Community Development District to repair or replace. Property Maintained by the Community Development District relates to:

- Concrete Sidewalks, Street
- Pipes, Subsurface Utilities, Street
- Ponds
- Streets and Curbs



3. RESERVE EXPENDITURES and FUNDING PLAN

The tables following this introduction present:

Reserve Expenditures

- Line item numbers
- Total quantities replaced during the next 30 years
- 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
- Unit cost of replacement
- 2014 local cost of replacement
- Total future costs of replacement anticipated during the next 30 years
- Schedule of estimated future costs for each reserve component including inflation

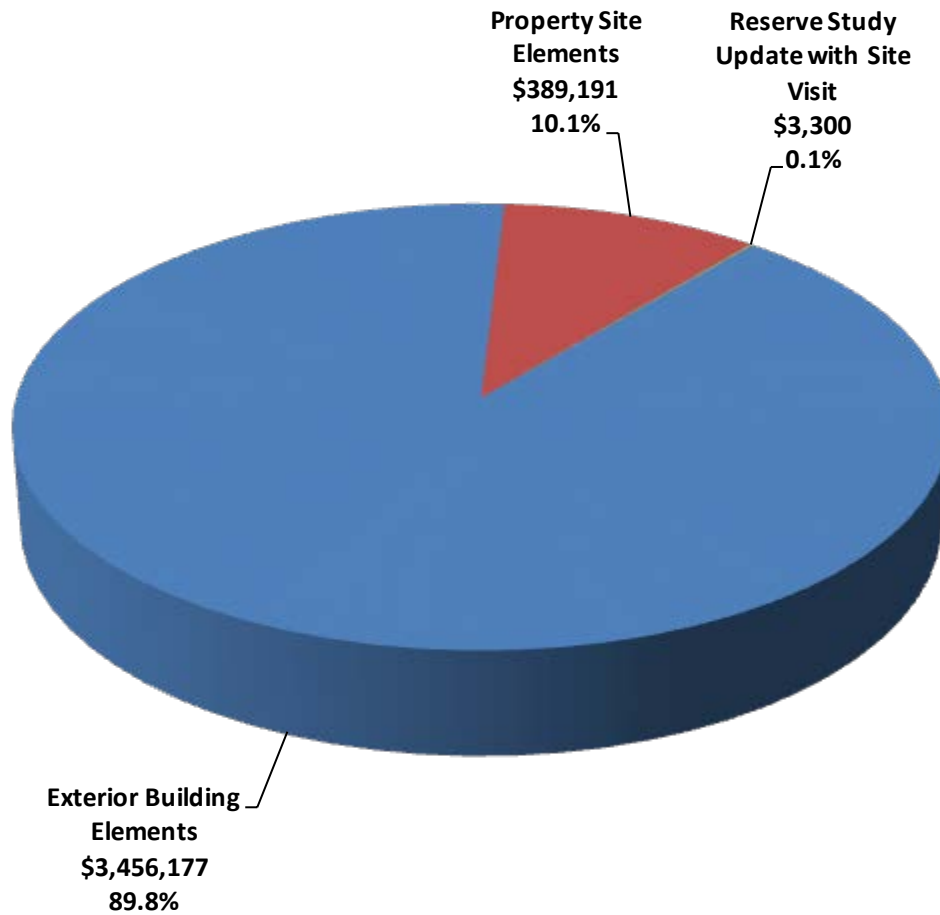
Reserve Funding Plan

- Reserves at the beginning of each year
- Total recommended reserve contributions
- Estimated interest earned from invested reserves
- Anticipated expenditures by year
- Anticipated reserves at year end

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*.

The most important category of Reserve Components noted in *Reserve Expenditures* is the Exterior Building Elements. The following chart illustrates the relative importance of the Reserve Expenditures and relative funding during the next 30 years.

The Towns at Lakeside
Future Expenditures Relative Cost Illustration



Reserve Advisors, Inc.

RESERVE EXPENDITURES

**The Towns at Lakeside
Association, Inc.**
North Port, Florida

Line Item	<u>Quantities:</u>		Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Unit Cost, \$	2014 Cost per Phase, \$	Total Future Costs, \$
	30-Year Total	Per Phase				Useful	Remaining			
<u>Exterior Building Elements</u>										
1.260	480	240	Each	Light Fixtures	2020	to 20	6	100.00	24,000	61,588
1.280	6,340	1,585	Squares	Roofs, Asphalt Shingles, Phased	2023	12 to 18	9	310.00	491,350	2,611,994
1.860	760,000	190,000	Square Feet	Walls, Stucco, Paint Finishes and Capital Repairs	2020	5 to 7	6	0.80	152,000	782,595
<u>Property Site Elements</u>										
4.121	1,120	280	Square Feet	Concrete Parking Areas, Partial	2025	to 65	11	12.00	3,360	17,763
4.400	4	2	Each	Irrigation System, Decoders and Controllers	2022	15 to 20	8	4,500.00	9,000	23,197
4.410	12	2	Each	Irrigation System, Pumps, Phased	2017	10 to 15	3	5,000.00	10,000	76,383
4.420	6	1	Allowance	Irrigation System, Inspections and Partial Replacements	2017	to 5	3	30,000.00	30,000	228,560
4.600	16	16	Each	Mailbox Stations	2030	to 25	16	1,600.00	25,600	32,486
4.810	16	8	Each	Signage, Street	2024	15 to 20	10	500.00	4,000	10,802
	1	1	Allowance	Reserve Study Update with Site Visit	2016	2	2	3,300.00	3,300	3,300
Anticipated Expenditures, By Year										\$3,848,668

Explanatory Notes:

- 1) **1.5%** is the estimated future Inflation Rate for estimating Future Replacement Costs.
- 2) FY2014 is Fiscal Year beginning January 1, 2014 and ending December 31, 2014.

Line Item	RUL = 0 FY2014	1 2015	2 2016	3 2017	4 2018	5 2019	6 2020	7 2021	8 2022	9 2023	10 2024	11 2025	12 2026	13 2027	14 2028	15 2029
1.260							26,243									
1.280										561,805	570,232					
1.860							166,203							184,460		
4.121												3,958				
4.400									10,138							
4.410				10,457	10,614											12,502
4.420				31,370					33,795					36,407		
4.600																
4.810											4,642					
			3,300													
	0	0	3,300	41,827	10,614	0	192,446	0	43,933	561,805	574,874	3,958	0	220,867	0	12,502

Years 2030 to 2044

Line Item	16 2030	17 2031	18 2032	19 2033	20 2034	21 2035	22 2036	23 2037	24 2038	25 2039	26 2040	27 2041	28 2042	29 2043	30 2044
1.260											35,345				
1.280												734,470	745,487		
1.860					204,722							227,210			
4.121	4,264					4,593						4,948			
4.400										13,059					
4.410	12,690											14,948	15,172		
4.420			39,220					42,251					45,517		
4.600	32,486														
4.810														6,160	
	49,440	0	39,220	0	204,722	4,593	0	42,251	0	13,059	40,293	976,628	806,176	6,160	0

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS The Towns at Lakeside Association, Inc.

		<u>Individual Reserve Budgets & Cash Flows for the Next 30 Years</u>															
North Port, Florida		FY2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Reserves at Beginning of Year (Note 1)		727,814	787,404	890,351	991,011	1,053,958	1,148,904	1,255,466	1,171,092	1,280,690	1,348,739	898,514	432,160	536,421	647,310	538,945	653,075
Total Recommended Reserve Contributions (Note 2)		55,183	94,600	94,600	94,600	94,600	94,600	96,000	97,400	98,900	100,400	101,900	103,400	105,000	106,600	108,200	109,800
Plus	Estimated Interest Earned, During Year (Note 3)	4,407	8,347	9,360	10,174	10,960	11,962	12,072	12,198	13,082	11,180	6,620	4,819	5,889	5,902	5,930	7,017
Less	Anticipated Expenditures, By Year	0	0	(3,300)	(41,827)	(10,614)	0	(192,446)	0	(43,933)	(561,805)	(574,874)	(3,958)	0	(220,867)	0	(12,502)
Anticipated Reserves at Year End		<u>\$787,404</u>	<u>\$890,351</u>	<u>\$991,011</u>	<u>\$1,053,958</u>	<u>\$1,148,904</u>	<u>\$1,255,466</u>	<u>\$1,171,092</u>	<u>\$1,280,690</u>	<u>\$1,348,739</u>	<u>\$898,514</u>	<u>\$432,160</u>	<u>\$536,421</u>	<u>\$647,310</u>	<u>\$538,945</u>	<u>\$653,075</u>	<u>\$757,390</u>

(continued)

		<u>Individual Reserve Budgets & Cash Flows for the Next 30 Years, Continued</u>														
		2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Reserves at Beginning of Year		757,390	827,234	949,172	1,034,622	1,162,051	1,086,717	1,213,568	1,348,113	1,443,350	1,583,911	1,714,663	1,821,262	989,819	323,376	456,295
Total Recommended Reserve Contributions		111,400	113,100	114,800	116,500	118,200	120,000	121,800	123,600	125,500	127,400	129,300	131,200	133,200	135,200	137,200
Plus	Estimated Interest Earned, During Year	7,884	8,838	9,870	10,929	11,188	11,444	12,745	13,888	15,061	16,411	17,592	13,985	6,533	3,879	5,249
Less	Anticipated Expenditures, By Year	(49,440)	0	(39,220)	0	(204,722)	(4,593)	0	(42,251)	0	(13,059)	(40,293)	(976,628)	(806,176)	(6,160)	0
Anticipated Reserves at Year End		<u>\$827,234</u>	<u>\$949,172</u>	<u>\$1,034,622</u>	<u>\$1,162,051</u>	<u>\$1,086,717</u>	<u>\$1,213,568</u>	<u>\$1,348,113</u>	<u>\$1,443,350</u>	<u>\$1,583,911</u>	<u>\$1,714,663</u>	<u>\$1,821,262</u>	<u>\$989,819</u>	<u>\$323,376</u>	<u>\$456,295</u>	<u>\$598,744</u>
														(NOTE 5)		(NOTE 4)

Explanatory Notes:

- 1) Year 2014 starting reserves are as of May 21, 2014; FY2014 starts January 1, 2014 and ends December 31, 2014.
- 2) Reserve Contributions for 2014 are the remaining budgeted 7 months; 2015 is the first year of recommended contributions.
- 3) 1.0% is the estimated annual rate of return on invested reserves; 2014 is a partial year of interest earned.
- 4) Accumulated year 2044 ending reserves consider the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Year (reserve balance at critical point).



4. CONDITION ASSESSMENT

The Condition Assessment of this *Precision 20/20 Full Reserve Study* includes *Enhanced Solutions and Procedures* for select significant components. These narratives describe the Reserve Components, document specific problems and conditions, 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

Light Fixtures - The Towns at Lakeside maintains approximately 240 exterior wall mounted light fixtures with incandescent bulbs to accent the garages. The light fixtures are original and in good to fair overall condition. We note fixtures with finish deterioration. The useful life of exterior light fixtures of this type and quality is up to 20 years. We recommend that the Association plan for replacement of the light fixtures by 2020 and again by 2040. The Association should aggregate the replacement of the light fixtures to ensure their availability and to maintain aesthetic continuity throughout the community. We include this information on Line Item 1.260 of *Reserve Expenditures*. Our cost *does not* include an allowance for replacement of electrical wiring.



Roofs, Asphalt Shingles - Approximately 3,170 *squares*¹ of asphalt shingles comprise the roofs of The Towns at Lakeside. The roofs are original in good overall condition. Management and the Board inform us of a history of minor leaks due to poor workmanship and improper nail fastening. Our visual inspection from the ground notes isolated areas of minor deflection and isolated areas of shingle deterioration. Pages 5.5 through 5.12 of *Photographs* depict these conditions. The existing roof assembly comprises the following:

- Architectural laminate shingles
- Boston style ridge caps
- Rubber seal with flashing at waste pipes
- Soffit and square hood box vents
- Metal drip edge
- Enclosed half weaved valleys

The useful life of asphalt shingle roofs in North Port is from 12- to 18-years. We include the following solutions and procedures pertaining to the *components* of an asphalt shingle roof system, *times* of replacement and the recommended *method of replacement*.

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

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



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

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.

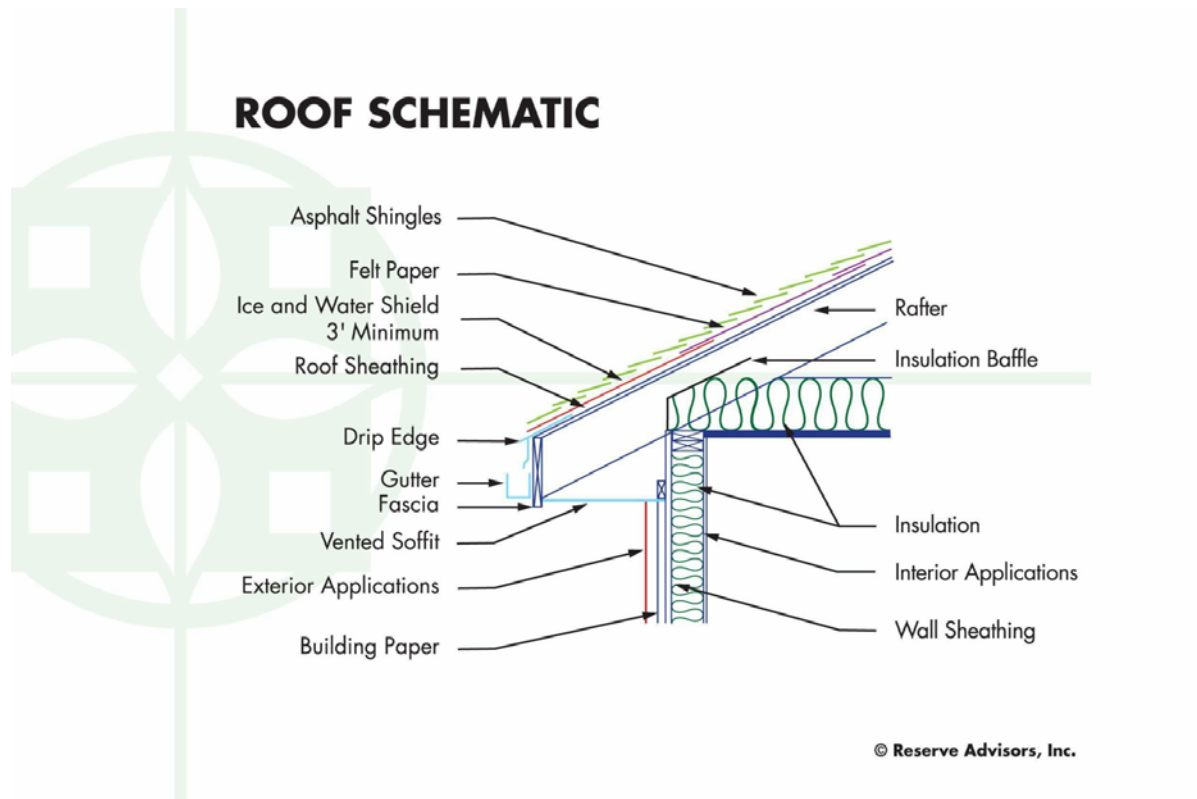
Contractors use one of two *methods of replacement* for sloped roofs, either an *overlayment* or a *tear-off*. *Overlayment* is the application of new shingles over an existing roof. Although this method is initially more economical, the following disadvantages exist for this type of replacement:

1. Overlaid shingles hide condition defects of the roof system and do not allow for replacement of critical flashings, underlayments and ventilation.
2. Additional layers of shingles absorb and store more heat resulting in premature deterioration of the new shingles and continued deterioration of the underlying shingles and other roof system components.
3. New shingles installed over deteriorated shingles may result in an uneven appearance.

The above disadvantages result in a shorter useful life of 10- to 15-years for overlaid roofs. This shortened useful life and the inevitable eventual replacement of both shingle layers will actually result in increased long-term replacement costs. The costs of an eventual total replacement are deferred onto future homeowners thereby conflicting with the purpose of a reserve study to ensure that homeowners pay their "fair share" of the weathering and aging of this commonly owned property. Therefore, we recommend only the tear-off method of replacement. The advantages of the tear-off method include the correction of hidden or latent defects and extend the useful life of the new roof.

The *tear-off* method of replacement includes removal of the existing shingles, flashings if required and underlayments. The contractor should then inspect the roof sheathing for areas of

water damage and partially replace the sheathing as needed. Our estimate of unit cost includes an allowance for replacement of up five percent (5%) of the sheathing. Once the roof sheathing is repaired, the contractor can begin installation of the new underlayments, flashings and shingles. The following cross-sectional schematic illustrates an asphalt shingle roof system:



The two types of underlayment most often used in an asphalt shingle roof system are ice and water shield membrane, and organic felt paper of varying weights depending on local building codes. Both types of underlayment protect the roof sheathing from moisture damage and wind-driven rain. They have a low vapor resistance that impedes the accumulation of moisture between the underlayment and the roof sheathing. Ice and water shield membrane is thicker than organic paper and is used in areas that are subject to ice dams and standing water.



The contractor should install ice and water shield membranes (often a modified bitumen product) at the outer 36 inches of the gutter and rake edge roof eaves, and in the roof valleys. Standard 15-pound organic felt paper should provide sufficient protection over the remaining portions of the roof. Underlayments work in conjunction with flashings to form a watertight roof system.

The function of flashing is to provide a watertight junction between the roofing material and the other parts of the structure and between roof sections. Flashing material is usually galvanized metal, although some roofs use copper or synthetic rubber. The Association should require the contractor to augment existing flashings or replace deteriorated flashings at the time of roof replacement at the following locations:

- Changes in the slope
- Valleys
- Roof intersections with a wall, vertical structure, roof penetration, i.e., vent stacks
- Rakes (sloped edges of the roof) and soffits (lower roof edges)

Another critical type of flashing is drip edge flashing. This important flashing sheds water off the edges of the roofs. The drip edge flashing allows storm water to run off the roof into the gutters without coming into contact with the underlayment and eave board. The special profile of a metal drip edge also prevents or minimizes the possibility of rain water blowing back under the shingles. The contractor should install this flashing at the gutter edge *before* the installation of underlayment and at the rake edge *after* the installation of underlayment.

Asphalt shingles include both fiberglass shingles and organic mat shingles. Both shingle types are made with asphalt. Fiberglass shingles use a fiberglass reinforcing mat while organic shingles use a wood based cellulose fiber mat. Fiberglass shingles are thinner, lighter and carry a better fire rating than organic shingles. Organic mat shingles are more durable and stay more flexible in cold weather. The contractor should install the shingles atop the underlayment and in



conjunction with flashing. Based on a better fire rating, we suggest The Towns at Lakeside use a standard strip, fiberglass, Class A, minimum weight class of 210 pounds per square self-sealing shingle at the time of replacement. The self-sealing strip affixes to the lower exposed edges of the shingles. Heat from ambient weather and sunlight activates the shingle adhesive material and seals the two adjacent courses of shingles together. Contractor proposals should specify the types of proposed materials and types of proposed fasteners. The Association should require the use of nail fasteners, not staples, at the time of replacement. Nail guns are acceptable. Staples are of lesser quality and might not withstand wind forces as well as nails.

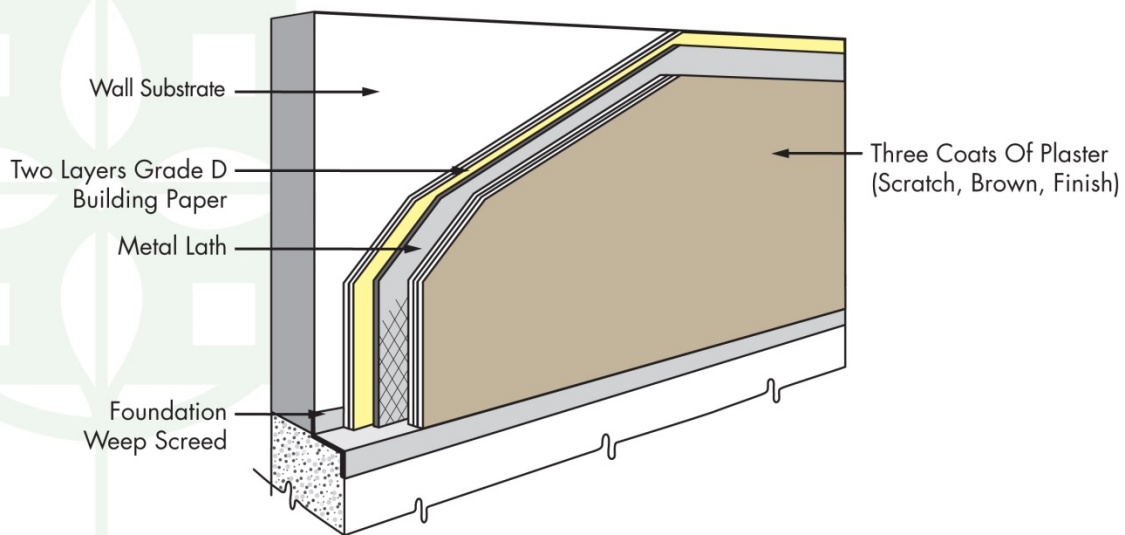
Based on their age and condition, we recommend that The Towns at Lakeside budget for a phased replacement beginning by 2023 and concluding by 2024. A subsequent phased replacement is likely beginning by 2041 and concluding by 2042. We note this information on Line Item 1.280 of *Reserve Expenditures*. We base our cost on replacement with standard laminate Class A 240-260-pounds per square shingles.

Walls, Stucco - Stucco comprises approximately 190,000 square feet of the building exteriors. The stucco is in good overall condition. The stucco paint finish is in good overall condition at an age of one year. We elaborate on solutions and procedures necessary for the optimal maintenance of stucco in the following discussion.

Stucco is Portland cement plaster that is applied either directly to a solid base such as masonry or concrete, or is applied to galvanized metal lath attached with galvanized fasteners to frame construction. In frame construction, two layers of a Grade D water-vapor permeable building paper are necessary to separate the stucco from the wood product sheathing. The

following graphic² details the typical components of a stucco wall system on frame construction; however, the actual construction may vary and must follow the specifications of the supplier, manufacturer or local building codes:

STUCCO DETAIL



© Reserve Advisors, Inc.

The inherent composition of stucco along with proper installation results in stucco wall systems having indefinitely long useful lives with periodic finish applications and proper maintenance. The useful life of these finish applications is from five- to seven-years. Color variations at repairs often warrant complete coating application to maintain aesthetics. Periodic repairs and finish applications to help prevent water infiltration and spalling from weather exposure, maintain a good appearance and maximize the useful life of the system. We include

²Graphic provided by the *Portland Cement Association*. Reserve Advisors, Inc. does not have any financial or other interest in this company and includes this reference for informational purposes only.



the following commentary as a summary of the minimum requirements for a successful paint finish application for present and future board members.

Correct and complete *preparation* of the surface before application of the paint finish maximizes the useful life of the paint finish and surface. The 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 and biological growth. Water-soluble cleaners that will not attack Portland cement are acceptable for removing stains.

Summarizing the minimum requirements of the proposed scope of work, all bids should include the following:

1. Name of paint finish product
2. The contractor will involve manufacturer representatives to ensure specifications and warranty
3. The contractor will apply the paint to clean and dry surfaces at the manufacturer's recommended spreading rates
4. The contractor will apply successive coats of the paint finish, with sufficient time elapse between coats, as necessary to ensure uniform appearance
5. The contractor will conduct crack repairs and replace deteriorated or damaged stucco prior to the application of the paint finish
6. The contractor will replace deteriorated sealants or caulk prior to the application of the paint finish

In consideration of the above recommended maintenance, useful life and age of the stucco paint finishes, we advise that The Towns at Lakeside budget for paint applications, partial stucco replacements and crack repairs by 2020 and every seven years thereafter. Our estimate of cost anticipates the following in coordination with each paint finish application:

- Crack repairs as needed (Each paint product has the limited ability to bridge (cover and seal) cracks but we recommend repair of all cracks which exceed the ability of the paint product to seal.)
- Replacement of up to one percent (1%), of the stucco walls (The exact amount of area in need of replacement will be discretionary based on the actual future conditions and the desired appearance.)
- Replacement of up to thirty-five percent (35%) of the sealants in coordination with each paint finish application.



We depict this information on Line Item 1.860 of *Reserve Expenditures*.

Property Site Elements

Concrete Parking Areas - The Association maintains approximately 4,500 square feet of concrete parking areas throughout the community. The parking areas are in good overall condition. We note isolated vehicular fluid stains. This application of concrete has a useful life of up to 65 years although isolated deterioration of limited areas of concrete is common. Inclement weather, inadequate subsurface preparation and improper concrete mixtures or finishing techniques can result in premature deterioration such as settlement, chips, cracks and spalls. Variable conditions like these result in the need to plan for periodic partial replacements of the concrete flatwork throughout the next 30 years.

We estimate that up to 1,120 square feet of concrete parking areas, or approximately twenty-five percent (24.9%) of the total, will require replacement during the next 30 years. We recommend the Association budget for replacement of up to 280 square feet of concrete parking areas every five years beginning by 2025. Line Item 4.121 of *Reserve Expenditures* notes our estimate of future costs and anticipated times of replacements. We base our estimate of replacement on four-inch thick, 3,000 psi (pounds per square inch) concrete with 6x6 - W1.4xW1.4 steel reinforcing mesh. The times and costs of these replacements may vary. However, the estimated expenditures detailed in *Reserve Expenditures* are sufficient to budget appropriate reserves.

Irrigation System - An irrigation system waters the lawn and landscaped areas at Towns at Lakeside. The system includes two large decoders and controllers, one small controller and



123 zones. The system is original and reported in good condition. Irrigation systems typically include the following components:

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

Water pressure activates the lawn spray pop-up heads. Controllers operate the main water flow valves. The exact amounts and locations of system components were not ascertained due to the nature of the underground construction and the non-invasive nature of the inspection.

The two large decoders and controllers are original, in good condition and have a useful life of 15- to 20-years. We recommend that the Association anticipate replacement of the controllers by 2022 and again by 2039. We depict this information on Line Item 4.400 of *Reserve Expenditures*. The Association should fund replacement of the small controller through the operating budget. The four 5-HP pumps are original, in good reported operational condition and have useful lives of 10- to 15-years. The Association should anticipate the phased replacement of the pumps beginning by 2017 and concluding by 2018, with subsequent phased replacements every 12 years thereafter. We include this information on Line Item 4.410 of *Reserve Expenditures*.

The system network supply pipes will dislodge as tree roots grow and soil conditions change. The Towns at Lakeside should anticipate inspections and partial replacements of the system network supply pipes and other components every five years to maximize the useful life of the irrigation system. We recommend The Towns at Lakeside budget for inspections and partial replacements of up to thirteen percent (12.5%) of the system components by 2017 and



every five years thereafter. We note this information on Line Item 4.420 of *Reserve Expenditures*.

Mailbox Stations - The Association maintains 16 metal mailbox stations throughout the property that serve the residents of The Towns at Lakeside. The mailbox stations are original, in good condition and have a useful life of up to 25 years. The Towns at Lakeside should budget for replacement of the mailbox stations by 2030. We depict this information on Line Item 4.600 of *Reserve Expenditures*. The Association should verify the new mailboxes meet the specifications of the *United States Postal Service*.

Signage, Street - The Association maintains eight metal street signs throughout the community. These signs are original and in good overall condition. We note finish deterioration and stains at the signage. Pages 5.17 and 5.18 of *Photographs* depict the condition of the signage. The functional useful life of the signs is from 15- to 20-years. The signs contribute to the overall aesthetic appearance to owners and potential buyers. Replacement of 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 the replacement of the signs are discretionary. We recommend the Association plan to replace the signs by 2024 and again by 2043. We note this information on Line Item 4.810 of *Reserve Expenditures*.

Reserve Study Update

An ongoing review by the Board and an Update of this Reserve Study in two- to three-years are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. Many variables change after the study is conducted that may result in significant



overfunding or underfunding the reserve account. Variables that may affect the Reserve Funding Plan include, but are not limited to:

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

Periodic updates incorporate these variable changes since the last Reserve Study or Update.

The Association can expense the fee for an Update with site visit from the reserve account. This fee is included in the Reserve Funding Plan. We base this budgetary amount on updating the same property components and quantities of this Reserve Study report. Budgeting for an Update demonstrates the Board's objective to continue fulfilling its fiduciary responsibility to maintain the commonly owned property and to fund reserves appropriately.

5. PHOTOGRAPHS

Photographs document the conditions of various property components as of the date of our visual inspection, May 21, 2014. The Condition Assessment contains references to these photographs.

The following is an overview image of the subject property:



The next pages contain the photographs related to the Condition Assessment



Typical front elevation of townhomes



Typical front elevation of townhomes



Typical side elevation of townhomes



Typical side elevation of townhomes



Rear view of townhomes



Typical rear elevation of townhomes



Light fixture at 1057-1067 Jonah Drive



Light fixture at 1329-1339 Jonah Drive



Light fixture at 1148-1158 Jonah Drive



Light fixture at 1050-1060 Jonah Drive



Asphalt shingle roof at 1057-1067 Jonah Drive

Note: Enclosed half-weave valley



Asphalt shingle roof at 1057-1067 Jonah Drive

Note: Square hood box vent for ventilation



Asphalt shingle roof at 1057-1067 Jonah Drive

Note: Minor deflection



Asphalt shingle roof at 1050-1060 Jonah Drive

Note: Enclosed half-weave valley



Asphalt shingle roof at 1064-1076 Jonah Drive

Note: Square hood box vent for ventilation



Asphalt shingle roof at 1071-1081 Jonah Drive



Asphalt shingle roof at 1071-1081 Jonah Drive

Note: Enclosed half-weave valley



Asphalt shingle roof at 1088-1102 Jonah Drive

Note: Minor deflection at ridge cap



Asphalt shingle roof at 1088-1102 Jonah Drive

Note: Minor deflection



Asphalt shingle roof at 1088-1102 Jonah Drive

Note: Flashing at stucco termination and minor stucco deterioration



Asphalt shingle roof at 1128-1138 Jonah Drive



Asphalt shingle roof at 1128-1138 Jonah Drive



Asphalt shingle roof at 1129-2292 Mulberry Lane

Note: Enclosed half-weave valley



Asphalt shingle roof at 2265-2274 Mulberry Lane

Asphalt shingle roof at 1149-1159 Jonah Drive

Note: Minor deflection



Asphalt shingle roof at 1149-1159 Jonah Drive



Asphalt shingle roof at 1148-1158 Jonah Drive

Note: Deflection of roof





Asphalt shingle roof at 2349-2359
Rosewood Lane

Note: Enclosed half-weave valley



Asphalt shingle roof at 1329-1339
Rosewood Lane

Note: Enclosed half-weave valley



Asphalt shingle roof

*Note: Isolated lift of vent pipe panel and
flashing*



Asphalt shingle roof at 1214-1220 Jonah Drive

Note: Gap between stucco termination and asphalt shingle roof



Asphalt shingle roof at 2346-2347 Felicity Way

Note: Missing shingles and deterioration



Exterior stucco finishes



Exterior stucco finishes



Exterior stucco finishes



Exterior stucco finishes



Exterior stucco finishes



Exterior stucco finishes



Exterior stucco finishes



Concrete parking area



Concrete parking area



Concrete parking area



Concrete parking area

Note: Vehicular fluid stains



Irrigation system equipment



Mailbox stations



Mailbox stations



Isolated finish deterioration at mailbox station



Typical street signage



Finish deterioration at base of street sign



Stains at street sign

6. 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.

The Towns at Lakeside can fund capital repairs and replacements in any combination of the following:

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

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

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

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



Information Furnished by the Association	
2014 unaudited Cash Status of the Reserve Fund	\$727,814
2014 Remaining Budgeted Reserve Contribution	\$55,183
Anticipated Interest on Reserve Fund	\$4,407
Less Anticipated Reserve Expenditures	\$0
Projected 2014 Year-End Reserve Balance	\$787,404

The Cash Flow Method to compute, project and illustrate the 30-year Reserve Funding Plan

Local² costs of material, equipment and labor

Current and future costs of replacement for the Reserve Components

Costs of demolition as part of the cost of replacement

Local economic conditions and a historical perspective to arrive at our estimate of long term future inflation for construction costs in North Port, Florida at an annual inflation rate of 1.5%. Isolated or regional markets of greater construction (development) activity may experience slightly greater rates of inflation for both construction materials and labor.

The past and current maintenance practices of The Towns at Lakeside and their effects on remaining useful lives

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.

The anticipated effects of appreciation of the reserves over time in accord with an anticipated future return or yield on investment of your cash equivalent assets at an annual rate of 1.0% (We did not consider the costs, if any, of Federal and State Taxes on income derived from interest and/or dividend income).

Interest rates on reserves are steady or increasing in concert with the certificates of deposit and money market rates. Slight increases exist in the savings rates of one, two or three-year CDs. Without significant differences in these savings rates, shorter term investments are the choice of many investors. We recommend consultation with a professional investment adviser before investing reserves to determine an appropriate investment strategy to maximize a safe return on reserve savings. The following

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



table summarizes rates of inflation and key rates for government securities, generally considered as safe investment alternatives.

Interest Rate and Inflation Data	2013				2014			
	2013:1 (A)	2013:2 (A)	2013:3 (A)	2013:4 (E)	2014:1 (E)	2014:2 (E)	2014:3 (E)	2014:4 (E)
Average or Last Actual = (A)								
1-Year Treasury Bill	0.15%	0.13%	0.13%	0.12%	0.13%	0.15%	0.15%	0.15%
10-Year Treasury Note	1.86	1.86	2.65	2.70%	2.80%	2.90%	3.00%	3.10%
30-Year Treasury Bond	3.10	3.08	3.70	3.85%	4.00%	4.15%	4.30%	4.50%
Consumer Price Index (annualized rate)	3.21%	-1.68%	1.30%	1.50%	2.25%	2.80%	3.00%	3.25%
Residential Construction* Producer Price Index-Inflation Rate, Bureau of Labor Statistics (Year over Year August 2013)								1.7%
National Market Savings Rates as found in	0.12%	for Money Market Savings			0.40%	for 2-Year Certificate of Deposit		
http://www.bankrate.com	0.25%	for 1-Year Certificate of Deposit			0.50%	for 3-Year Certificate of Deposit		
Estimated Near Term Yield Rate for Reserve Savings				1.0%				
Est. Near Term Local Inflation Rate for Future Capital Expenditures				1.5%				
								10/17/2013

Updates to this Reserve Study will continue to monitor historical facts and trends concerning the external market conditions.



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 The Towns at Lakeside 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) The Towns at Lakeside responsibility; 2) limited Useful Life expectancies; 3) predictable Remaining Useful Life expectancies; and 4) a replacement cost above a minimum threshold.

Reserve Component Inventory - Line Items in *Reserve Expenditures* that identify a *Reserve Component*.

Reserve Contribution - An amount of money set aside or *Reserve Assessment* contributed to a *Reserve Fund* for future *Reserve Expenditures* to repair or replace *Reserve Components*.

Reserve Expenditure - Future Cost of Replacement of a Reserve Component.

Reserve Fund Status - The accumulated amount of reserves in dollars at a given point in time, i.e., at year end.

Reserve Funding Plan - The portion of the Reserve Study identifying the *Cash Flow Analysis* and containing the recommended Reserve Contributions and projected annual expenditures, interest earned and reserve balances.

Reserve Study - A budget planning tool that identifies the current status of the reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures.

Useful Life - The anticipated total time in years that a *Reserve Component* is expected to serve its intended function in its present application or installation.



8. PROFESSIONAL SERVICE CONDITIONS

Our Services - Reserve Advisors, Inc. will perform its services as an independent contractor in accordance with our professional practice standards. Our compensation is not contingent upon our conclusions.

Our inspection and analysis of the subject property is limited to visual observations and is noninvasive. We will inspect sloped roofs from the ground. We will inspect flat roofs where safe access (stairs or ladder permanently attached to the structure) is available. The report is based upon a “snapshot in time” at the moment of our observation. Conditions can change between the time of inspection and the issuance of the report. Reserve Advisors does not investigate, nor assume any responsibility for any existence or impact of any hazardous materials, structural, latent or hidden defects which may or may not be present on or within the property. Our opinions of estimated costs and remaining useful lives are not a guarantee of the actual costs of replacement, a warranty of the common elements or other property elements, or a guarantee of remaining useful lives.

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

Report - Reserve Advisors, Inc. will complete the services in accordance with the Proposal. We will consider any additional information made available to us in the interest of promptly issuing a Final Report (if requested). However, the Report represents a valid opinion of our findings and recommendations and is deemed complete and final if no Final Report or changes are requested within six months of our inspection. We retain the right to withhold the Report or Final Report if payment for services is not rendered in a timely manner. All files, work papers or documents developed by us during the course of the engagement remains our property.

Your Obligations - You agree to provide us access to the subject property during our on-site visual inspection and tour. You will provide to us to the best of your ability and if reasonably available, historical and budgetary information, the governing documents, and other information that we request and deem necessary to complete our Study. You agree to pay our actual attorneys' fees and any other costs incurred in the event we have to initiate litigation to collect on any unpaid balance for our services.

Use of Our Report and Your Name - Use of our Report(s) is limited to only the purpose stated herein. Any use or reliance for any other purpose, by you or third parties, is invalid. Our Reserve Study Report in whole or part ***is not and cannot be used as a design specification, design engineering services or an appraisal.*** You may show our report in its entirety to those third parties who need to review the information contained herein. The Client and other third parties viewing this report should not reference our name or our report, in whole or in part, in any document prepared and/or distributed to third parties without our written consent. ***This report*** contains intellectual property developed by Reserve Advisors, Inc. specific to this engagement and ***cannot be reproduced or distributed to those who conduct reserve studies without the written consent of Reserve Advisors, Inc.***



We reserve the right to include our client's name in our client lists, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

Payment Terms, Due Dates and Interest Charges - The retainer payment is due upon authorization and prior to shipment of the report. The final payment of the fee is due immediately upon receipt of the Report. Subsequent changes to the report can be made for up to six months from the initial report date. Any outstanding balance after 30 days of the invoice date is subject to an interest charge of 1.5% per month. Any litigation necessary to collect an unpaid balance shall be venued in Milwaukee County Circuit Court in the State of Wisconsin.

CONDITIONS OF OUR SERVICE ASSUMPTIONS

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, we make no guarantee nor assume liability for the accuracy of any data, opinions, or estimates identified as furnished by others that we used in formulating this analysis.

We did not make any soil analysis or geological study with this report; nor were any water, oil, gas, coal, or other subsurface mineral and use rights or conditions investigated.

Substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, environmental mold or other potentially hazardous materials could, if present, adversely affect the validity of this study. Unless otherwise stated in this report, the existence of hazardous substance, that may or may not be present on or in the property, was not considered. Our opinions are predicated on the assumption that there are no hazardous materials on or in the property. We assume no responsibility for any such conditions. We are not qualified to detect such substances, quantify the impact, or develop the remedial cost.

We have made a visual inspection of the property and noted visible physical defects, if any, in our report. Our inspection and analysis was made by employees generally familiar with real estate and building construction; however, we did not do any invasive testing. Accordingly, we do not opine on, nor are we responsible for, the structural integrity of the property including its conformity to specific governmental code requirements, such as fire, building and safety, earthquake, and occupancy, or any physical defects that were not readily apparent during the inspection.

Our opinions of the remaining useful lives of the property elements do not represent a guarantee or warranty of performance of the products, materials and workmanship.



9. CREDENTIALS

HISTORY AND DEPTH OF SERVICE

Founded in 1991, Reserve Advisors, Inc. is the leading provider of reserve studies, insurance appraisals, developer turnover transition studies, expert witness services, and other engineering consulting services. Clients include community associations, resort properties, hotels, clubs, non-profit organizations, apartment building owners, religious and educational institutions, and office/commercial building owners in 48 states, Canada and throughout the world.

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

Reserve Advisors employs the **largest staff of Reserve Specialists** with bachelor's degrees in engineering dedicated to Reserve Study services. Our principals are founders of Community Associations Institute's (CAI) Reserve Committee, that developed national standards for reserve study providers. One of our principals is a Past President of the Association of Professional Reserve Analysts (APRA). Our vast experience with a variety of building types and ages, on-site examination and a 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, Inc., 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. Each Team Review requires the attendance of several engineers, a Review Coordinator, Director of Quality Assurance and other participatory peers. 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, Inc. has conducted reserve studies for a multitude of different communities and building types. We've analyzed thousands of buildings, from as small as a 3,500 square-foot day care center to the 100-story John Hancock Center in Chicago. We also routinely inspect buildings with various types of mechanical systems such as simple electric heat, to complex systems with air handlers, chillers, boilers, elevators, and life safety security systems.

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

OLD TO NEW

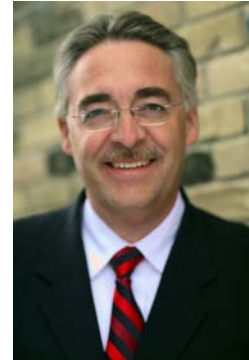
Reserve Advisors experience includes ornate and vintage buildings as well as modern structures. Our specialists are no strangers to older buildings. We're accustomed to addressing the unique challenges posed by buildings that date to the 1800's. We recognize and consider the methods of construction employed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



QUALIFICATIONS
THEODORE J. SALGADO
Principal Owner

CURRENT CLIENT SERVICES

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



PRIOR RELEVANT EXPERIENCE

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

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

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

EXPERT WITNESS

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

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

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

American Association of Cost Engineers - Past President, Wisconsin Section
Association of Construction Inspectors - Certified Construction Inspector
Association of Professional Reserve Analysts - Past President & Professional Reserve Analyst (PRA)
Community Associations Institute - Member and Volunteer Leader of multiple chapters
Concordia Seminary, St. Louis - Member, National Steering Committee
Milwaukee School of Engineering - Member, Corporation Board
Professional Engineer, Wisconsin, Registered in 1982



JOHN P. POEHLMANN, RS
Principal

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



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

Mr. Poehlmann served on the national Board of Trustees of Community Associations Institute. Community Associations Institute (CAI) is a national, nonprofit 501(c)(6) trade association created in 1973 to provide education and resources to America's 305,000 residential condominium, cooperative and homeowner associations and related professionals and service providers. The Institute is dedicated to fostering vibrant, responsive, competent community associations that promote harmony, community, and responsible leadership.

He is a founding member of the Institute's Reserve Committee. The Reserve Committee developed national standards and the Reserve Specialist (RS) Designation Program for Reserve Study providers. Mr. Poehlmann has authored numerous articles on the topic of Reserve Studies, including Planning for Replacement of Property Doesn't Have to Be Like a Trip to the Dentist, Reserve Studies for the First Time Buyer, Sound Association Planning Parallels Business Concepts, and Reserve Studies Minimize Liability. He has worked with a variety of publications, including the Chicago Tribune, The Milwaukee Journal/Sentinel, Common Ground, Common Interest, and Condo Management. He also co-authored "Reserves", an educational videotape produced by Reserve Advisors on the subject of Reserve Studies and the benefits of maintaining appropriate reserves. The videotape is available through Reserve Advisors or CAI's website, www.caionline.org and libraries in the State of Virginia.

INDUSTRY SERVICE AWARDS

CAI National Rising Star Award - To an individual whose leadership abilities and professional contributions have earmarked them for even greater accomplishments in the future.

CAI Michigan Chapter Award - "Given to the individual who contributed their time, expertise, and resources toward improving the quality of services offered by the chapter. Mr. Poehlmann was unanimously selected as the winner of the CAI Michigan Chapter Award."

EDUCATION

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

PROFESSIONAL AFFILIATIONS

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

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



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

CURRENT CLIENT SERVICES

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

The following is a partial list of clients served by Alan Ebert demonstrating his breadth of experiential knowledge of community associations in construction and related buildings systems.

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

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

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

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

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

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

PRIOR RELEVANT EXPERIENCE

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

EDUCATION

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

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

Reserve Specialist (RS) - Community Associations Institute

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

Professional Engineering License - Wisconsin 2012



JEFFREY B. DOW, P.E., RS
Responsible Advisor

CURRENT CLIENT SERVICES

Jeffrey B. Dow, a Civil engineer, is an Advisor for *Reserve Advisors, Inc.* Mr. Dow is responsible for the inspection and analysis of the condition of clients' properties, and recommending engineering solutions to prolong the lives of the components. He also forecasts capital expenditures for the repair and/or replacement of the property components and prepares technical reports on assignments. He is responsible for conducting Life Cycle Cost Analyses and Capital Replacement Forecast services and the preparation of Reserve Study Reports for condominiums, townhomes and homeowner associations. Mr. Dow frequently serves as the *Quality Assurance Review Coordinator* for Recreational, Townhome and Mid Rise communities.

The following is a partial list of clients served by Jeffrey Dow demonstrating his breadth of experiential knowledge of community associations in construction and related buildings systems.

Alson Court Condominium Owners Association, Inc. This historic Charlotte, NC building was constructed in 1939 and comprises all-brick construction and a clay tile roof. The unique layout of the building, which includes a number of entrances and lobbies, allows for two picturesque courtyards. The property includes two detached garages.

Charleston Oceanfront Villas Homeowners Association This oceanfront condominium offers spectacular views of Folly Beach, SC and the Atlantic Ocean. The four-story stucco building contains 96 luxury residential units. Significant amenities include private balconies, large garage on the first floor and two pools.

Le Club at Old Cutler Condominium Association, Inc. This condominium community comprises 334 units in 14 buildings in Miami, FL. Amenities of this property include a large pond with a lighted lake walk, large clubhouse with fitness room, pool, sauna, playground and tennis courts.

Marco Towers Club, Inc. Located on exclusive Marco Island just south of Naples, FL, this 8-story mid-rise features solid concrete construction and was the designated hurricane shelter for its community for many years. It houses 57 condominiums with balconies offering views of the adjacent intercoastal waterway. The property also includes a party room, office and detached garages.

Mountaintop Community Association This mountain golf community is located in Highlands, NC and comprises high-end residential units. The community includes a wastewater treatment plant, lift stations, two domestic water wells, three bridges and asphalt pavement roadways.

The Academy at Ocean Reef Located in Key Largo, FL, this private institution serves kindergarten through the eighth grade and includes offices, a science lab, a music room, a television production room, six classrooms, an atrium and other learning facilities.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Inc., Mr. Dow successfully completed the bachelors program in Civil Engineering from Florida State University. He also has four years of experience as a land development engineer in the Washington, D.C. area and Tampa, FL, where he gained knowledge in the design of residential and commercial property, utility layout and stormwater detention.

EDUCATION

Florida State University - B.S. Civil Engineering, Cum Laude

PROFESSIONAL AFFILIATIONS

Professional Engineer (P.E.) - State of Florida, 2008

Reserve Specialist (RS) - Community Associations Institute



MICHELLE O. BALDRY, P.E., RS
Review Coordinator

CURRENT CLIENT SERVICES

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

The following is a partial list of clients served by Michelle Baldry demonstrating her breadth of experiential knowledge of community associations in construction and related buildings systems.

Avenues Professional Park Owners' Association, Inc. This unique commercial property is located in Jacksonville, Florida. The owners association maintains the 12 masonry buildings and site infrastructure. Businesses located in this association include accounting firms, engineering firms, law firms and medical offices.

Holiday Shores Park, Inc. This complex cooperative is located in Largo, Florida, along Lake Seminole. The cooperative is responsible for the common elements shared by 311 units. Amenities of this property include a clubhouse, gazebo, maintenance building, pool and shuffleboard courts. Holiday Shores also maintains over 5,600 linear feet of seawalls throughout the property.

Marsh Landing at Sawgrass Homeowners Association I, Inc. This exclusive community is located within Marsh Landing at Sawgrass, just east of the Atlantic Ocean in Jacksonville, Florida. This unique association maintains the common elements for 192 single family lot owners. Marsh Landing is located throughout pockets of the intercoastal marsh, which include soaring pines, floral landscape, and North Florida wildlife.

Monarch Village Homeowners Association This tennis community is located in Stockbridge, Georgia, a suburb of Atlanta, Georgia. This community maintains the common elements shared by 900 single family lot owners. Amenities of this property include a clubhouse, dam feature, over 2.5 miles of walking paths, boardwalks, dock and a pool with a large water slide.

Whispering Palms Condominium Association, Inc. This unique Fort Myers, Florida condominium community currently consists of three associations: Phase 1, Phase 2 and Recreation. Phases 1 and 2 maintain the building exteriors and Recreation maintains the site amenities and infrastructure.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Inc., Ms. Baldry was a land development engineer in Tampa, FL, where she was responsible for the design of residential and commercial property, utility layout, roadway design and stormwater detention. Ms. Baldry successfully completed the bachelors program in Civil Engineering from the University of Florida.

EDUCATION

University of Florida - B.S. Civil Engineering, Cum Laude

PROFESSIONAL AFFILIATIONS

Professional Engineer (P.E.) - State of Florida, 2011

Reserve Specialist (RS) - Community Associations Institute



RESOURCES

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

Association of Construction Inspectors, (ACI) the largest professional organization for those involved in construction inspection and construction project management. ACI is also the leading association providing standards, guidelines, regulations, education, training, and professional recognition in a field that has quickly become important procedure for both residential and commercial construction, found on the web at <http://www.iami.org>. Several advisors and a Principal of Reserve Advisors, Inc. hold Senior Memberships with ACI.

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

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

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

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