

Revised
FULL RESERVE STUDY
Devonshire at Kipling Estates
Homeowners Association



Shorewood, Illinois
Inspected - July 31, 2017
Revised - December 8, 2017



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Devonshire at Kipling Estates Homeowners Association
Shorewood, Illinois

Dear Board of Directors of Devonshire at Kipling Estates Homeowners Association:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of Devonshire at Kipling Estates Homeowners Association in Shorewood, Illinois and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, July 31, 2017.

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

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. We recommend the Board budget for an Update to this Reserve Study in two years. We look forward to continuing to help Devonshire at Kipling Estates Homeowners 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 December 8, 2017 by

Reserve Advisors, Inc.

Visual Inspection and Report by: Stephanie A. Mueller, RS
Review by: Alan M. Ebert, PRA¹, RS², Director of Quality Assurance



¹ PRA (Professional Reserve Analyst) is the professional designation of the Association of Professional Reserve Analysts. Learn more about APRA at <http://www.apra-usa.com>.

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



Long-term thinking. Everyday commitment.

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1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Devonshire at Kipling Estates Homeowners Association (Devonshire at Kipling Estates)

Location: Shorewood, Illinois

Reference: 170966

Property Basics: Devonshire at Kipling Estates Homeowners Association is a homeowners association which is responsible for the common elements shared by 102 current units. The projected number of units is 110. The existing single family homes were built from 2003 to 2007. The expected completion date of the remaining eight homes is unknown.

Reserve Components Identified: 11 Reserve Components.

Inspection Date: July 31, 2017.

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 2027 and 2047 due to initial and subsequent replacements of asphalt driveways.

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

- Current and future local costs of replacement
- 1.2% annual rate of return on invested reserves
- 1.6% 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:

- \$74,083 as of July 31, 2017
- 2017 budgeted Reserve Contributions of \$48,000
- A potential deficit in reserves might occur by 2027 based upon continuation of the most recent annual reserve contribution of \$48,000 and the identified Reserve Expenditures.

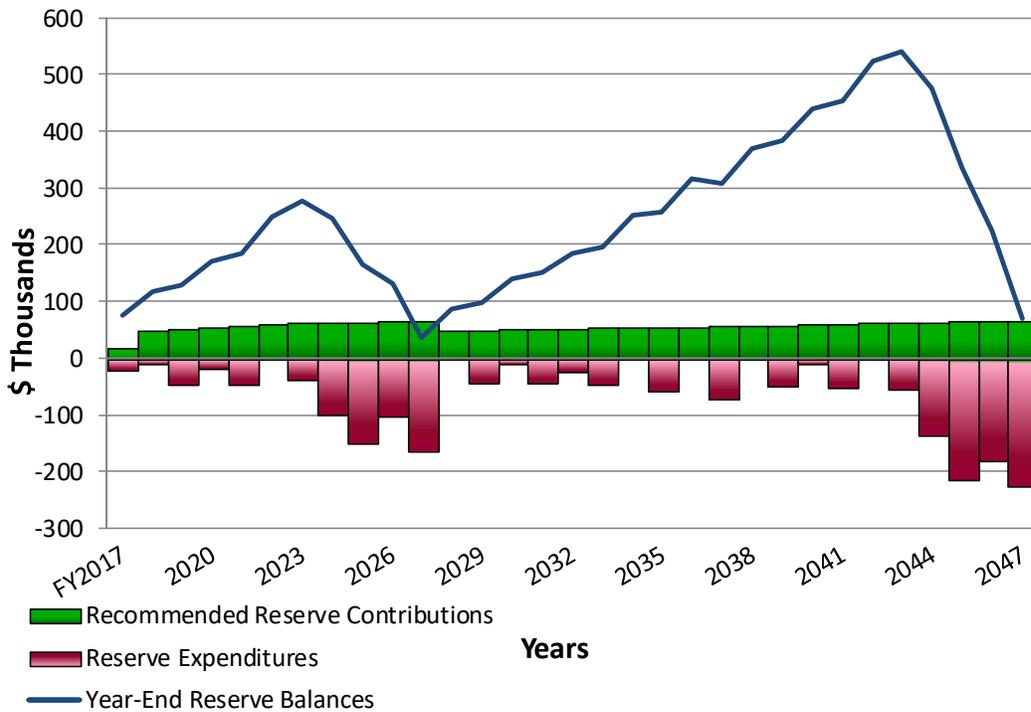
Recommended Reserve Funding: We recommend the following in order to achieve a stable and equitable Funding Plan:

- Phased increases of \$2,800 from 2018 through 2022
- Inflationary increases from 2023 through 2027
- Decrease to \$50,000 by 2028 due to fully funding for replacement of asphalt driveways
- Inflationary increases through 2047, the limit of this study's Cash Flow Analysis
- Initial adjustment in Reserve Contributions of \$2,800 represents an average monthly increase of \$2.29 per homeowner and about a two percent (2.0%) adjustment in the 2017 total Operating Budget of \$140,760.

The Board informs us the Association is considering installation of trees along the north perimeter of the property within the next five- to seven-years. As these trees are not planned for near term installation and the timing or scope of the project is still unknown, we have excluded the project from the current study. However, for informational purposes we have provided an Alternate Funding Plan which depicts this proposed future project. Future updates of this study will revisit the need for future expenditures related to the project.

Devonshire at Kipling Estates
Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2018	50,800	117,126	2028	50,000	86,717	2038	58,600	368,998
2019	53,600	127,419	2029	50,800	96,372	2039	59,500	383,483
2020	56,400	169,281	2030	51,600	140,665	2040	60,500	438,665
2021	59,200	184,380	2031	52,400	151,206	2041	61,500	454,391
2022	62,000	248,965	2032	53,200	183,985	2042	62,500	522,719
2023	63,000	276,699	2033	54,100	195,341	2043	63,500	539,808
2024	64,000	246,385	2034	55,000	253,015	2044	64,500	476,530
2025	65,000	163,737	2035	55,900	256,051	2045	65,500	334,453
2026	66,000	130,917	2036	56,800	316,264	2046	66,500	224,582
2027	67,100	35,985	2037	57,700	306,370	2047	67,600	69,997



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

Devonshire at Kipling Estates Homeowners Association

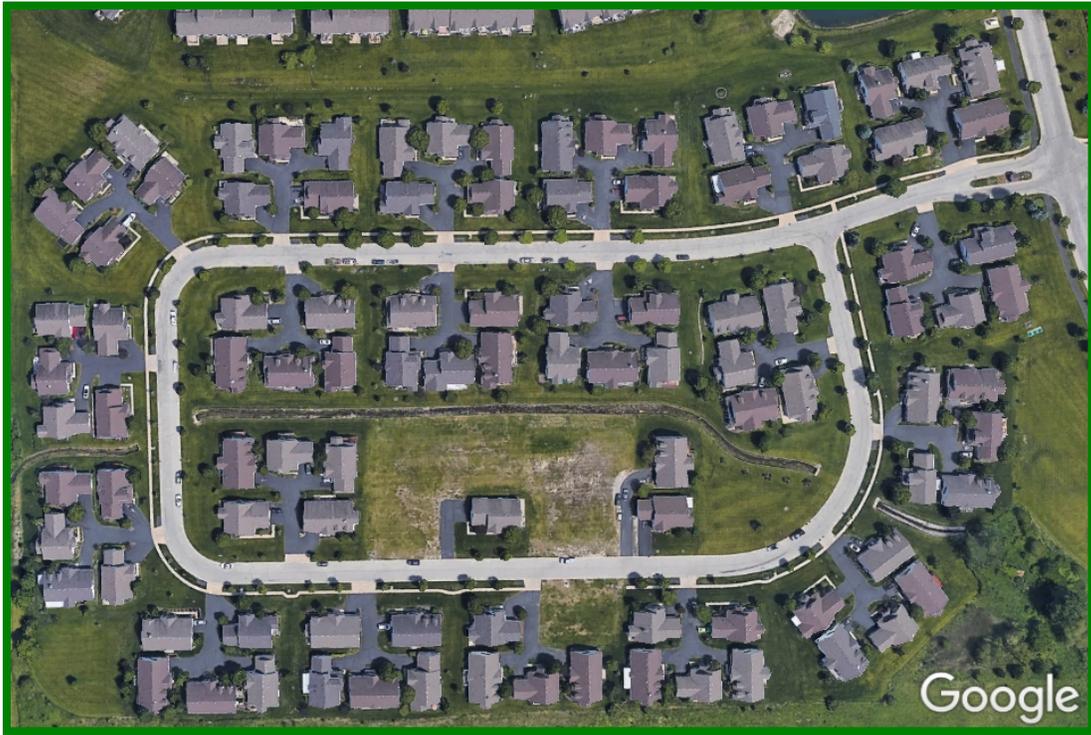
Shorewood, Illinois

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, July 31, 2017.

We present our findings and recommendations in the following report sections and spreadsheets:

- **Identification of Property** - Segregates all property into several areas of responsibility for repair or replacement
- **Reserve Expenditures** - Identifies reserve components and related quantities, useful lives, remaining useful lives and future reserve expenditures during the next 30 years
- **Reserve Funding Plan** - Presents the recommended Reserve Contributions and year-end Reserve Balances for the next 30 years
- **Reserve Component Detail** - Describes the reserve components, includes photographic documentation of the condition of various property elements, describes our recommendations for repairs or replacement, and includes detailed solutions and procedures for replacements for the benefit of current and future board members
- **Methodology** - Lists the national standards, methods and procedures used to develop the Reserve Study
- **Definitions** - Contains definitions of terms used in the Reserve Study, consistent with national standards
- **Professional Service Conditions** - Describes Assumptions and Professional Service Conditions
- **Credentials and Resources**

IDENTIFICATION OF PROPERTY



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

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

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

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

- Devonshire at Kipling Estates responsibility
- Limited useful life expectancies
- Predictable remaining useful life expectancies
- Replacement cost above a minimum threshold

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

- Electrical Systems, Common
- Foundation, Guard House
- Structural Frame, Guard House

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

- General Maintenance to the Common Elements
- Expenditures less than \$2,500 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Guard House, Interior
- Landscape
- Paint Finishes
- Pet Waste Receptacles
- Other Repairs normally funded through the Operating Budget

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

- Homes and Lots

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

- Light Poles and Fixtures (Village of Shorewood)
- Mailbox Stations (United States Postal Service)
- Sidewalks, Parallel to Streets (Village of Shorewood)
- Street Systems (Village of Shorewood)
- Wildlife Corridor, South Perimeter (Kipling Estates)

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
- Unit cost of replacement
- 2017 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
- Predicted reserves based on current funding level

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

RESERVE EXPENDITURES

**Devonshire at Kipling Estates
Homeowners Association**
Shorewood, Illinois

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$				16 2033	17 2034	18 2035	19 2036	20 2037	21 2038	22 2039	23 2040	24 2041	25 2042	26 2043	27 2044	28 2045	29 2046	30 2047
						Useful	Remaining	Unit (2017)	Per Phase (2017)	Total (2017)	30-Year Total (Inflated)															
4.020	11,820	11,820	Square Yards	Asphalt Pavement, Crack Repair, Patch and Seal Coat (2017 budgeted)	2017	to 2	0	1.60	18,912	18,912	376,001	24,380		25,167	25,978		26,816		27,681		28,574		29,496		30,447	
4.045	11,250	2,813	Square Yards	Asphalt Pavement, Total Replacement, Driveways, Phased (2017 budgeted)	2017	15 to 20	0 to 3	31.00	87,188	348,750	965,684										133,840	135,981	138,157	140,367		
4.046	570	570	Square Yards	Asphalt Pavement, Total Replacement, Driveways, 1610-1700 Augusta	2032	15 to 20	15	31.00	17,670	17,670	22,420															
4.108	4,850	325	Square Feet	Concrete Aprons, Partial	2020	to 65	3 to 30+	11.00	3,575	53,350	27,685			4,757				5,150					5,576			
4.140	4,780	320	Square Feet	Concrete Sidewalks, Partial (2017 is mud jacking)	2017	to 65	0 to 30+	11.00	3,520	52,580	29,811			4,684				5,071					5,490			
4.202	1	1	Allowance	Creek, Inspections and Capital Repairs	2027	to 10	10	17,000.00	17,000	17,000	70,645					23,352									27,369	
4.371	1	1	Allowance	Guard House, Exterior Renovation, Complete	2045	to 40	28	7,000.00	7,000	7,000	10,917												10,917			
4.372	1	1	Allowance	Guard House, Exterior Renovation, Partial	2025	to 20	8	3,000.00	3,000	3,000	3,406															
4.500	1	1	Allowance	Landscape, Mulch Replenishment (2017 budgeted)	2017	to 2	0	18,150.00	18,150	18,150	372,430	23,398		24,153	24,932		25,736		26,566		27,423		28,307		29,221	
4.745	690	690	Square Feet	Retaining Walls, Masonry	2046	to 35	29	38.00	26,220	26,220	41,548													41,548		
4.760	890	198	Square Feet	Retaining Walls, Timber (Replace with Masonry), Phased (2017 budgeted)	2017	15 to 20	0 to 3	38.00	7,505	33,820	35,140															
Anticipated Expenditures, By Year											\$1,955,687	47,778	0	58,761	0	74,262	0	52,552	10,221	54,247	0	55,997	133,840	215,767	179,705	227,404

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS Devonshire at Kipling Estates Homeowners Association

Individual Reserve Budgets & Cash Flows for the Next 30 Years

Shorewood, Illinois	FY2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Reserves at Beginning of Year (Note 1)	92,084	62,782	108,185	118,231	161,990	176,621	241,917	269,702	241,819	159,275	129,118	34,346	86,064	94,101	139,372	148,202
Total Recommended Reserve Contributions (Note 2)	20,000	52,008	54,700	57,400	60,100	62,800	65,500	66,500	67,600	68,700	69,800	51,000	51,800	52,600	53,400	54,300
Plus Estimated Interest Earned, During Year (Note 3)	297	1,020	1,350	1,671	2,020	2,496	3,051	3,051	2,392	1,720	975	718	1,075	1,392	1,715	1,970
Less Anticipated Expenditures, By Year	(49,599)	(7,625)	(46,004)	(15,312)	(47,489)	0	(40,766)	(97,434)	(152,536)	(100,577)	(165,547)	0	(44,838)	(8,721)	(46,285)	(22,420)
Anticipated Reserves at Year End	<u>\$62,782</u>	<u>\$108,185</u>	<u>\$118,231</u>	<u>\$161,990</u>	<u>\$176,621</u>	<u>\$241,917</u>	<u>\$269,702</u>	<u>\$241,819</u>	<u>\$159,275</u>	<u>\$129,118</u>	<u>\$34,346</u>	<u>\$86,064</u>	<u>\$94,101</u>	<u>\$139,372</u>	<u>\$148,202</u>	<u>\$182,052</u>
Predicted Reserves based on 2018 funding level of: \$52,008	62,782	108,185	115,523	153,825	160,217	214,460	228,343	185,385	86,478	38,655	(75,101)	(23,682)				

(NOTE 5)

(continued)

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

	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
Reserves at Beginning of Year	182,052	191,703	250,440	251,674	312,941	301,142	364,814	377,389	433,706	447,414	516,865	531,823	469,656	325,431	216,860
Total Recommended Reserve Contributions	55,200	56,100	57,000	57,900	58,800	59,700	60,700	61,700	62,700	63,700	64,700	65,700	66,800	67,900	69,000
Plus Estimated Interest Earned, During Year	2,229	2,637	2,995	3,367	3,663	3,972	4,427	4,838	5,255	5,751	6,255	5,973	4,742	3,234	1,652
Less Anticipated Expenditures, By Year	(47,778)	0	(58,761)	0	(74,262)	0	(52,552)	(10,221)	(54,247)	0	(55,997)	(133,840)	(215,767)	(179,705)	(227,404)
Anticipated Reserves at Year End	<u>\$191,703</u>	<u>\$250,440</u>	<u>\$251,674</u>	<u>\$312,941</u>	<u>\$301,142</u>	<u>\$364,814</u>	<u>\$377,389</u>	<u>\$433,706</u>	<u>\$447,414</u>	<u>\$516,865</u>	<u>\$531,823</u>	<u>\$469,656</u>	<u>\$325,431</u>	<u>\$216,860</u>	<u>\$60,108</u>

(NOTE 4&5)

Explanatory Notes:

- 1) Year 2017 starting reserves are as of July 31, 2017; FY2017 starts January 1, 2017 and ends December 31, 2017.
- 2) Reserve Contributions for 2017 are the remaining budgeted 5 months; 2018 is budgeted; 2019 is the first year of recommended contributions.
- 3) 1.2% is the estimated annual rate of return on invested reserves; 2017 is a partial year of interest earned.
- 4) Accumulated year 2047 ending reserves consider the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Year (reserve balance at critical point).

**Alternate
RESERVE EXPENDITURES**

**Devonshire at Kipling Estates
Homeowners Association**
Shorewood, Illinois

Explanatory Notes:

- 1) **1.6%** is the estimated future Inflation Rate for estimating Future Replacement Costs.
- 2) FY2017 is Fiscal Year beginning January 1, 2017 and ending December 31, 2017.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$				RUL = 0 FY2017	1 2018	2 2019	3 2020	4 2021	5 2022	6 2023	7 2024	8 2025	9 2026	10 2027	11 2028	12 2029	13 2030	14 2031	15 2032
						Useful	Remaining	Unit (2017)	Per Phase (2017)	Total (2017)	30-Year Total (Inflated)																
4.020	11,820	11,820	Square Yards	Asphalt Pavement, Crack Repair, Patch and Seal Coat (2017 budgeted)	2017	to 2	0	1.60	18,912	18,912	376,001	6,850		19,522		20,152		20,802		21,473		22,165		22,880		23,618	
4.045	11,250	2,813	Square Yards	Asphalt Pavement, Total Replacement, Driveways, Phased (2017 budgeted)	2017	15 to 20	0 to 3	31.00	87,188	348,750	965,684	18,149						97,434	98,993	100,577	102,186						
4.046	570	570	Square Yards	Asphalt Pavement, Total Replacement, Driveways, 1610-1700 Augusta	2032	15 to 20	15	31.00	17,670	17,670	22,420																22,420
4.108	4,850	325	Square Feet	Concrete Aprons, Partial	2020	to 65	3 to 30+	11.00	3,575	53,350	27,685				3,749					4,059						4,394	
4.140	4,780	320	Square Feet	Concrete Sidewalks, Partial (2017 is mud jacking)	2017	to 65	0 to 30+	11.00	3,520	52,580	29,811	2,550			3,692					3,997						4,327	
4.202	1	1	Allowance	Creek, Inspections and Capital Repairs	2027	to 10	10	17,000.00	17,000	17,000	70,645											19,924					
4.371	1	1	Allowance	Guard House, Exterior Renovation, Complete	2045	to 40	28	7,000.00	7,000	7,000	10,917																
4.372	1	1	Allowance	Guard House, Exterior Renovation, Partial	2025	to 20	8	3,000.00	3,000	3,000	3,406									3,406							
4.500	1	1	Allowance	Landscape, Mulch Replenishment (2017 budgeted)	2017	to 2	0	18,150.00	18,150	18,150	372,430	18,150		18,735		19,340		19,964		20,608		21,272		21,958		22,667	
4.501	1	1	Allowance	Landscape, North Perimeter, Proposed Tree Installation	2023	N/A	6	50,000.00	50,000	50,000	54,996							54,996									
4.745	690	690	Square Feet	Retaining Walls, Masonry	2046	to 35	29	38.00	26,220	26,220	41,548																
4.760	890	198	Square Feet	Retaining Walls, Timber (Replace with Masonry), Phased (2017 budgeted)	2017	15 to 20	0 to 3	38.00	7,505	33,820	35,140	3,900	7,625	7,747	7,871	7,997											
Anticipated Expenditures, By Year											\$2,010,683	49,599	7,625	46,004	15,312	47,489	0	95,762	97,434	152,536	100,577	165,547	0	44,838	8,721	46,285	22,420

**Alternate
RESERVE EXPENDITURES**

**Devonshire at Kipling Estates
Homeowners Association
Shorewood, Illinois**

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$				16 2033	17 2034	18 2035	19 2036	20 2037	21 2038	22 2039	23 2040	24 2041	25 2042	26 2043	27 2044	28 2045	29 2046	30 2047
						Useful	Remaining	Unit (2017)	Per Phase (2017)	Total (2017)	30-Year Total (Inflated)															
4.020	11,820	11,820	Square Yards	Asphalt Pavement, Crack Repair, Patch and Seal Coat (2017 budgeted)	2017	to 2	0	1.60	18,912	18,912	376,001	24,380		25,167	25,978		26,816		27,681		28,574		29,496		30,447	
4.045	11,250	2,813	Square Yards	Asphalt Pavement, Total Replacement, Driveways, Phased (2017 budgeted)	2017	15 to 20	0 to 3	31.00	87,188	348,750	965,684										133,840	135,981	138,157	140,367		
4.046	570	570	Square Yards	Asphalt Pavement, Total Replacement, Driveways, 1610-1700 Augusta	2032	15 to 20	15	31.00	17,670	17,670	22,420															
4.108	4,850	325	Square Feet	Concrete Aprons, Partial	2020	to 65	3 to 30+	11.00	3,575	53,350	27,685			4,757				5,150					5,576			
4.140	4,780	320	Square Feet	Concrete Sidewalks, Partial (2017 is mud jacking)	2017	to 65	0 to 30+	11.00	3,520	52,580	29,811			4,684				5,071					5,490			
4.202	1	1	Allowance	Creek, Inspections and Capital Repairs	2027	to 10	10	17,000.00	17,000	17,000	70,645				23,352										27,369	
4.371	1	1	Allowance	Guard House, Exterior Renovation, Complete	2045	to 40	28	7,000.00	7,000	7,000	10,917												10,917			
4.372	1	1	Allowance	Guard House, Exterior Renovation, Partial	2025	to 20	8	3,000.00	3,000	3,000	3,406															
4.500	1	1	Allowance	Landscape, Mulch Replenishment (2017 budgeted)	2017	to 2	0	18,150.00	18,150	18,150	372,430	23,398		24,153	24,932		25,736		26,566		27,423		28,307		29,221	
4.501	1	1	Allowance	Landscape, North Perimeter, Proposed Tree Installation	2023	N/A	6	50,000.00	50,000	50,000	54,996															
4.745	690	690	Square Feet	Retaining Walls, Masonry	2046	to 35	29	38.00	26,220	26,220	41,548													41,548		
4.760	890	198	Square Feet	Retaining Walls, Timber (Replace with Masonry), Phased (2017 budgeted)	2017	15 to 20	0 to 3	38.00	7,505	33,820	35,140															
Anticipated Expenditures, By Year											\$2,010,683	47,778	0	58,761	0	74,262	0	52,552	10,221	54,247	0	55,997	133,840	215,767	179,705	227,404

RESERVE FUNDING PLAN

Alternate

CASH FLOW ANALYSIS Devonshire at Kipling Estates Homeowners Association

Individual Reserve Budgets & Cash Flows for the Next 30 Years

Shorewood, Illinois	FY2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Reserves at Beginning of Year (Note 1)	92,084	62,782	108,185	119,841	166,839	186,357	258,208	238,911	218,908	144,439	122,554	36,254	87,995	96,055	141,350	150,204
Total Recommended Reserve Contributions (Note 2)	20,000	52,008	56,300	60,600	64,900	69,200	73,500	74,700	75,900	77,100	78,300	51,000	51,800	52,600	53,400	54,300
Plus Estimated Interest Earned, During Year (Note 3)	297	1,020	1,360	1,710	2,107	2,651	2,965	2,731	2,167	1,592	947	741	1,098	1,416	1,739	1,994
Less Anticipated Expenditures, By Year	(49,599)	(7,625)	(46,004)	(15,312)	(47,489)	0	(95,762)	(97,434)	(152,536)	(100,577)	(165,547)	0	(44,838)	(8,721)	(46,285)	(22,420)
Anticipated Reserves at Year End	\$62,782	\$108,185	\$119,841	\$166,839	\$186,357	\$258,208	\$238,911	\$218,908	\$144,439	\$122,554	\$36,254	\$87,995	\$96,055	\$141,350	\$150,204	\$184,078
Predicted Reserves based on 2018 funding level of: \$52,008	62,782	108,185	115,523	153,825	160,217	214,460	173,017	129,395	29,817	(18,686)	(133,130)					

(NOTE 5)

(continued)

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

	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
Reserves at Beginning of Year	184,078	193,753	252,515	253,774	315,067	303,293	366,991	379,592	435,935	449,670	519,148	534,133	471,994	327,797	219,255
Total Recommended Reserve Contributions	55,200	56,100	57,000	57,900	58,800	59,700	60,700	61,700	62,700	63,700	64,700	65,700	66,800	67,900	69,000
Plus Estimated Interest Earned, During Year	2,253	2,662	3,020	3,393	3,688	3,998	4,453	4,864	5,282	5,778	6,282	6,001	4,770	3,263	1,681
Less Anticipated Expenditures, By Year	(47,778)	0	(58,761)	0	(74,262)	0	(52,552)	(10,221)	(54,247)	0	(55,997)	(133,840)	(215,767)	(179,705)	(227,404)
Anticipated Reserves at Year End	\$193,753	\$252,515	\$253,774	\$315,067	\$303,293	\$366,991	\$379,592	\$435,935	\$449,670	\$519,148	\$534,133	\$471,994	\$327,797	\$219,255	\$62,532

(NOTE 4&5)

Explanatory Notes:

- 1) Year 2017 starting reserves are as of July 31, 2017; FY2017 starts January 1, 2017 and ends December 31, 2017.
- 2) Reserve Contributions for 2017 are the remaining budgeted 5 months; 2018 is budgeted; 2019 is the first year of recommended contributions.
- 3) 1.2% is the estimated annual rate of return on invested reserves; 2017 is a partial year of interest earned.
- 4) Accumulated year 2047 ending reserves consider the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Year (reserve balance at critical point).

4. RESERVE COMPONENT DETAIL

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

Asphalt Pavement, Crack Repair, Patch and Seal Coat

Line Item: 4.020

Quantity: Approximately 11,820 square yards of driveways

History: Primarily original. The Association will complete remaining repairs and seal coat applications in 2017.

Condition: Good overall

Useful Life: Up to two years based on historic practices

Component Detail Notes: Proposals for seal coat applications should include crack repairs and patching. The contractor should only apply seal coat applications after repairs are completed. A seal coat does not bridge or close cracks, therefore, unrepaired cracks render the seal coat applications useless.

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We include the Management provided remaining expenditure of \$18,150 for driveway repairs and seal coat applications in 2017. Our cost includes an allowance for crack repairs and patching of up to two percent (2%) of the pavement.

Asphalt Pavement, Repaving

Line Items: 4.045 and 4.046

Quantity: Approximately 11,250 total square yards of driveways. Of this quantity, approximately 570 square yards is located at 1610-1612 and 1700 Augusta Lane.

History: Primarily original. The Association overlaid the pavement at 1612 and 1700 Augusta Lane in 2017. These two locations are currently still underdevelopment and therefore the pavement will likely be modified and expanded as the remaining homes

are completed. However, an estimated completion date was unknown at the time of our inspection.

Condition: Good to fair overall with various cracks, edge deterioration and settlement, and previous repairs throughout the community evident. We also note typical locations of settlement adjacent to the garage thresholds.



Asphalt pavement driveway



Asphalt pavement driveway



Location of near term repair scheduled



Pavement cracks and previous repairs at 1705 and 1707 Augusta Lane



Isolated area of raveling at 1710-1718 Augusta Lane



Example of typical settlement adjacent to garage threshold (1602 Devonshire Lane)



Alligator cracks at 1611-1619 Devonshire Lane



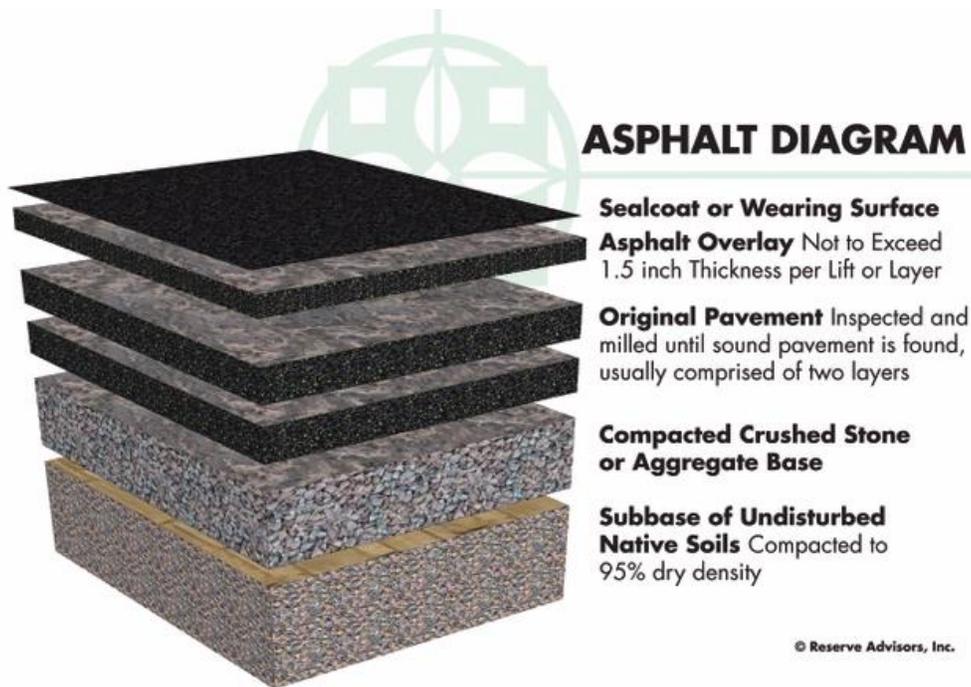
Settlement evident along edge at 1710-1718 Devonshire Lane



Recent overlay at 1612 Augusta Lane and location of adjacent vacant lots

Useful Life: 15- to 20-years

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



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

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 the good to fair overall condition and historical repair practices, we defer a phased replacement until 2024 concluding by

2027. Updates to the reserve study will revisit the quantity of asphalt pavement at 1610-1700 Augusta Lane.

Concrete Aprons

Line Item: 4.140

Quantity: 4,850 square feet

Condition: Good to fair overall with locations of spalled concrete and isolated/minor cracks evident



Concrete apron



Spalled concrete at 1601-1609 Devonshire Lane



Spalled concrete at 1611-1619 Augusta Lane



Minor concrete cracks at 1710-1718 Augusta Lane

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

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We estimate that up to 1,950 square feet of concrete aprons, or forty percent (40.2%) of the total, will require replacement during the next 30 years.

Concrete Sidewalks

Line Item: 4.140

Quantity: The Board informs us the exact locations of common sidewalks versus homeowner maintained sidewalks vary throughout the property and depends on the lot lines. At the direction of the Board, we assume that approximately seventy-five percent (75%), or 4,780 square feet, of the total quantity of sidewalks is common. The Village of Shorewood maintains the sidewalks along the streets.

Condition: Good to fair overall with cracks, settlement and spalled concrete evident



Recent mud jacking at concrete sidewalk



Spalled and settled sidewalk



Sidewalk crack

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

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We include the Management provided expenditure of \$2,525 for sidewalk repairs in 2017. Subsequently, we estimate that up to 1,920 square feet of concrete sidewalks, or forty percent (40.2%) of the total, will require replacement during the next 30 years.

Creek

Line Item: 4.202

History: The Association is currently completing an extensive bank stabilization project at the creek which runs through the middle of the community. This project includes:

- Removal of the timber retaining walls
- Slope stabilization/regrading and reseeding of both sides
- Installation of stone rip rap along the bottom
- Installation of plantings (sumac bushes)
- Installation of retaining wall systems at the culverts



Creek currently under repairs and bank stabilization



Bank stabilization in progress



Culvert location

Useful Life: Inspections and capital repairs up to every 10 years

Component Detail Notes: Periodic maintenance of the creek, including the plantings and stone rip rap, will help maintain an attractive appearance and prevent soil erosion.

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The 2017 bank stabilization project is being funded through a special assessment. Subsequently, we recommend the Association budget for inspections, replenishment of stone rip rap and regrading as needed by 2027 and every 10 years thereafter.

Guard House

Line Items: 4.371 and 4.372

Quantity:

- 100 square feet of asphalt shingles
- 40 linear feet of aluminum gutters and downspouts
- 100 square feet of masonry walls
- 200 square feet of vinyl siding, and aluminum soffit and fascia
- 70 square feet of windows and doors

History: Original

Condition: Good overall



Guard house



Guard house

Useful Lives: Complete exterior renovation every 40 years. Partial exterior renovations every 20 years.

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The complete renovation should include replacement of all the exterior components listed above.

These partial renovations should include the following:

- Replacement of the roof, gutters and downspouts
- Repairs at the brick masonry as needed

Landscaping

Line Item: 4.500

History: Mulch replenishment was last completed in 2017.

Useful Life: At the request of Management and the Board, we include a landscape allowance of \$16,000 plus inflation for mulch replenishments every two years based on historical practices.

Priority/Criticality: Per Board discretion

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

In addition, the Board informs us the Association is considering installation of a continuous length of trees along the north perimeter, or approximately 1,250 linear feet, within the next five- to seven-years. As these trees are not planned for near term installation and the actual timing and scope of the project is unknown, we have

excluded the project from the current study. However, for informational purposes we have provided an **Alternate Funding Plan** in Section 3 which depicts this proposed future project. Future updates of this study will revisit the need for future expenditures.

Retaining Walls, Masonry

Line Item: 4.745

Quantity: 690 square feet comprising seven retaining walls located between the homes

History: The Association began replacing the original timber retaining walls since approximately 2014

Condition: Good overall with isolated spalls evident



Masonry retaining wall

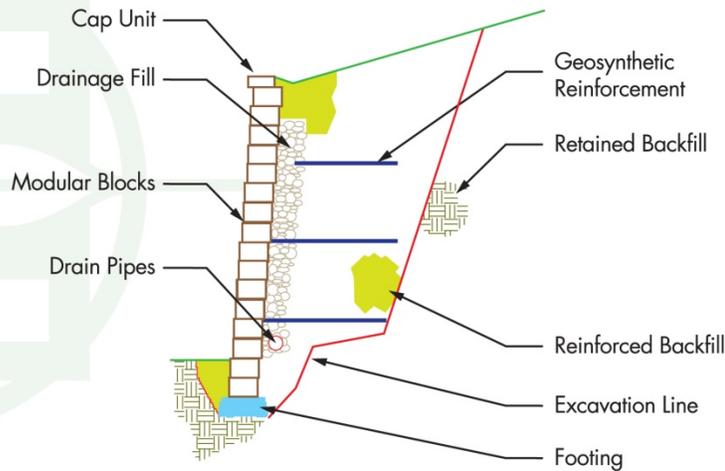


Masonry retaining wall

Useful Life: Up to 35 years

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

MASONRY RETAINING WALL DETAIL



© Reserve Advisors, Inc.

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.

Retaining Walls, Timber

Line Item: 4.760

Quantity: 890 square feet comprising 19 retaining walls located between the homes

History: Primarily original. The exception is one wall located at 1717 Devonshire Lane which was replaced since original construction.

Condition: Fair to poor overall with wood rot and deterioration, and leaning sections evident



Isolated location of a newer timber retaining wall at 1717 Devonshire Lane



Wood rot and movement at 1707 Devonshire Lane



Leaning retaining wall at 1612 Devonshire Lane



Wood rot and deterioration at 1723 Augusta Lane



Wood rot at 1606 Devonshire Lane

Useful Life: 15- to 20-years for timber retaining walls

Component Detail Notes: We advise Devonshire at Kipling Estates replace with a modular, interlocking dry-set masonry retaining wall system which we discuss in the previous narrative. The cost of dry-set masonry retaining walls is similar to the cost of timber walls.

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.

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 years. Budgeting for an Update demonstrates the Board's objective to continue fulfilling its fiduciary responsibility to maintain the commonly owned property and to fund reserves appropriately.

5.METHODOLOGY

Reserves for replacement are the amounts of money required for future expenditures to repair or replace Reserve Components that wear out before the entire facility or project wears out. Reserving funds for future repair or replacement of the Reserve Components is also one of the most reliable ways of protecting the value of the property's infrastructure and marketability.

Devonshire at Kipling Estates can fund capital repairs and replacements in any combination of the following:

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

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

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

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

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

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

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

- The past and current maintenance practices of Devonshire at Kipling Estates and their effects on remaining useful lives
- Financial information provided by the Association pertaining to the cash status of the reserve fund and budgeted reserve contribution
- The anticipated effects of appreciation of the reserves over time in accord with a return or yield on investment of your cash equivalent assets. (We did not consider the costs, if any, of Federal and State Taxes on income derived from interest and/or dividend income).
- The Funding Plan excludes necessary operating budget expenditures. It is our understanding that future operating budgets will provide for the ongoing normal maintenance of Reserve Components.

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

6. CREDENTIALS

HISTORY AND DEPTH OF SERVICE

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

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

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

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

TOTAL STAFF INVOLVEMENT

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

OUR GOAL

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

VAST EXPERIENCE WITH A VARIETY OF BUILDINGS

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

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

OLD TO NEW

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

QUALIFICATIONS

THEODORE J. SALGADO

Principal Owner

CURRENT CLIENT SERVICES

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



PRIOR RELEVANT EXPERIENCE

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

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

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

EXPERT WITNESS

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

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

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

American Association of Cost Engineers - Past President, Wisconsin Section

Association of Construction Inspectors - Certified Construction Inspector

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

Community Associations Institute - Member and Volunteer Leader of multiple chapters

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

Milwaukee School of Engineering - Member, Corporation Board

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

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

JOHN P. POEHLMANN, RS
Principal

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



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

PRIOR RELEVANT EXPERIENCE

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

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

INDUSTRY SERVICE AWARDS

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

EDUCATION

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

PROFESSIONAL AFFILIATIONS

Community Associations Institute (CAI) - Founding member of Reserve Committee;
former member of National Board of Trustees; Reserve Specialist (RS) designation;
Member of multiple chapters
Association of Condominium, Townhouse, & Homeowners Associations (ACTHA) –
member



STEPHANIE A. MUELLER, P.E., RS
Responsible Advisor

CURRENT CLIENT SERVICES

Stephanie A. Mueller, a Civil Engineer, is an Advisor for Reserve Advisors. Ms. Mueller 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 Analysis and Capital Replacement Forecast services on townhomes and planned unit developments.

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

Caswell Lofts Situated in lively Austin, Texas, five loft-style buildings comprise 42 condominiums. The buildings comprise brick masonry, fiber cement siding and flat roof assemblies. Homeowners can enjoy the fresh air on the extended open balconies.

Palazzo Tornabuoni Associazione Located in the heart of Florence, Italy, this 15th century palace includes 38 luxury residences. The ground floor includes upscale retail spaces and a restaurant. The building features many historic details such as the tile roofs and original fresco paintings. Members enjoy the private lounge, sauna and steam room.

Village at Washington's Landing This picturesque community on Herts Island overlooks downtown Pittsburgh. The 85 townhomes and 3 single family homes feature asphalt shingle and metal roofs, brick masonry and wood composite siding.

Carriage Manor RV Resort This attractive resort in Mesa, Arizona offers 911 recreational vehicle lots. The clubhouse and crafts building feature a banquet hall, billiards room, commercial kitchen and various club rooms. The buildings' exteriors comprise stucco walls, modified bitumen roofs and concrete tile roofs. Located throughout the resort are tennis courts, a pool, golf driving cages, putting greens and a dog park.

Beechnut Woods Located in Grafton, Wisconsin, this quaint community comprises 68 townhomes. The buildings feature brick masonry, vinyl siding and asphalt shingle roofs. The development contains a gazebo, pond, retaining walls and concrete flatwork.

Sonoma Homeowners Association This expansive community of 1,000 homeowners is located in Round Rock, Texas. Homeowners enjoy the use of two pools, splash area, water slide, playgrounds and a pavilion. Located throughout the property are perimeter fences, ponds and an irrigation system.

Holly Creek Located in Plymouth, Minnesota, this inviting community comprises 108 townhomes in 21 buildings. The buildings feature vinyl siding and asphalt shingle roofs. The development includes asphalt driveways and concrete sidewalks.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Ms. Mueller attended the University of Wisconsin in Madison, Wisconsin where she attained her Bachelor of Science degree in Civil Engineering. Her studies focused on structural engineering. At the University of Wisconsin, she managed a team responsible for the design of a new drinking water facility for a rural Wisconsin town.

EDUCATION

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

PROFESSIONAL AFFILIATIONS

Reserve Specialist (RS) - Community Associations Institute
Professional Engineer (P.E.) - Wisconsin 2015



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

CURRENT CLIENT SERVICES

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

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

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

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

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

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

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

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

PRIOR RELEVANT EXPERIENCE

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

EDUCATION

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

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

Professional Engineering License – Wisconsin, North Carolina

Reserve Specialist (RS) - Community Associations Institute

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

RESOURCES

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

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

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

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

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

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

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

7. DEFINITIONS

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

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

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

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

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

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

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

Long-Lived Property Component - Property component of Devonshire at Kipling Estates 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) Devonshire at Kipling Estates responsibility; 2) limited Useful Life expectancies; 3) predictable Remaining Useful Life expectancies; and 4) a replacement cost above a minimum threshold.

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

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

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

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

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

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

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

8. PROFESSIONAL SERVICE CONDITIONS

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

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

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

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

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

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

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

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

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