

Bayridge Subdivision Homeowners Association, Inc.

September 7, 2023 • Palm Bay, FL

FULL RESERVE STUDY



Bayridge Subdivision Homeowners Association, Inc.
Palm Bay, Florida

Dear Board of Directors of Bayridge Subdivision Homeowners Association, Inc.:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of Bayridge Subdivision Homeowners Association, Inc. in Palm Bay, Florida and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, September 7, 2023.

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

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

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

Respectfully submitted on September 19, 2023 by

Reserve Advisors, LLC

Visual Inspection and Report by: Jared Kelley

Review by: Alan M. Ebert, RS¹, PRA², Director of Quality Assurance



¹ RS (Reserve Specialist) is the reserve provider professional designation of the Community Associations Institute (CAI) representing America's more than 300,000 condominium, cooperative and homeowners associations.

² PRA (Professional Reserve Analyst) is the professional designation of the Association of Professional Reserve Analysts. Learn more about APRA at <http://www.apra-usa.com>.



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Table of Contents

1. RESERVE STUDY EXECUTIVE SUMMARY	1.1
2. RESERVE STUDY REPORT	2.1
3. RESERVE EXPENDITURES and FUNDING PLAN.....	3.1
4. RESERVE COMPONENT DETAIL.....	4.1
Property Site Elements	4.1
Asphalt Pavement, Repaving	4.1
Catch Basins	4.4
Concrete Gutters	4.6
Concrete Sidewalks	4.7
Irrigation System, Pump	4.9
Irrigation System, Replacement.....	4.10
Mailbox Stations	4.11
Pond, Aerator	4.12
Pond, Erosion Control	4.12
Signage, Monument	4.14
Signage, Street and Traffic.....	4.15
Reserve Study Update	4.17
5. METHODOLOGY	5.1
6. CREDENTIALS	6.1
7. DEFINITIONS	7.1
8. PROFESSIONAL SERVICE CONDITIONS	8.1



1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Bayridge Subdivision Homeowners Association, Inc. (Bayridge Subdivision)

Location: Palm Bay, Florida

Reference: 231509

Property Basics: Bayridge Subdivision Homeowners Association, Inc. is responsible for the common elements shared by 143 single family homes. The community was built in 2019.

Reserve Components Identified: 12 Reserve Components.

Inspection Date: September 7, 2023.

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 2039 due to the repaving of the streets. In addition, the Reserve Funding Plan recommends 2053 year end accumulated reserves of approximately \$511,200. We judge this amount of accumulated reserves in 2053 necessary to fund the likely repaving of the streets after 2053. Future replacement costs beyond the next 30 years for the repaving of the streets are likely to more than double the current cost of repaving, now estimated at approximately \$187,000 (11,000 square yards times \$17.00 per square yard). These future needs, although beyond the limit of the Cash Flow Analysis of this Reserve Study, are reflected in the amount of accumulated 2053 year end reserves.

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

- Current and future local costs of replacement
- 2.0% anticipated annual rate of return on invested reserves
- 3.5% 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.

Unaudited Cash Status of Reserve Fund:

- \$76,300 as of July 31, 2023
- 2023 budgeted Reserve Contributions of \$5,914
- A potential deficit in reserves might occur by 2026 based upon continuation of the most recent annual reserve contribution of \$5,914 and the identified Reserve Expenditures.

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

- Irrigation System, Expansion Project
- Pond, Aerators

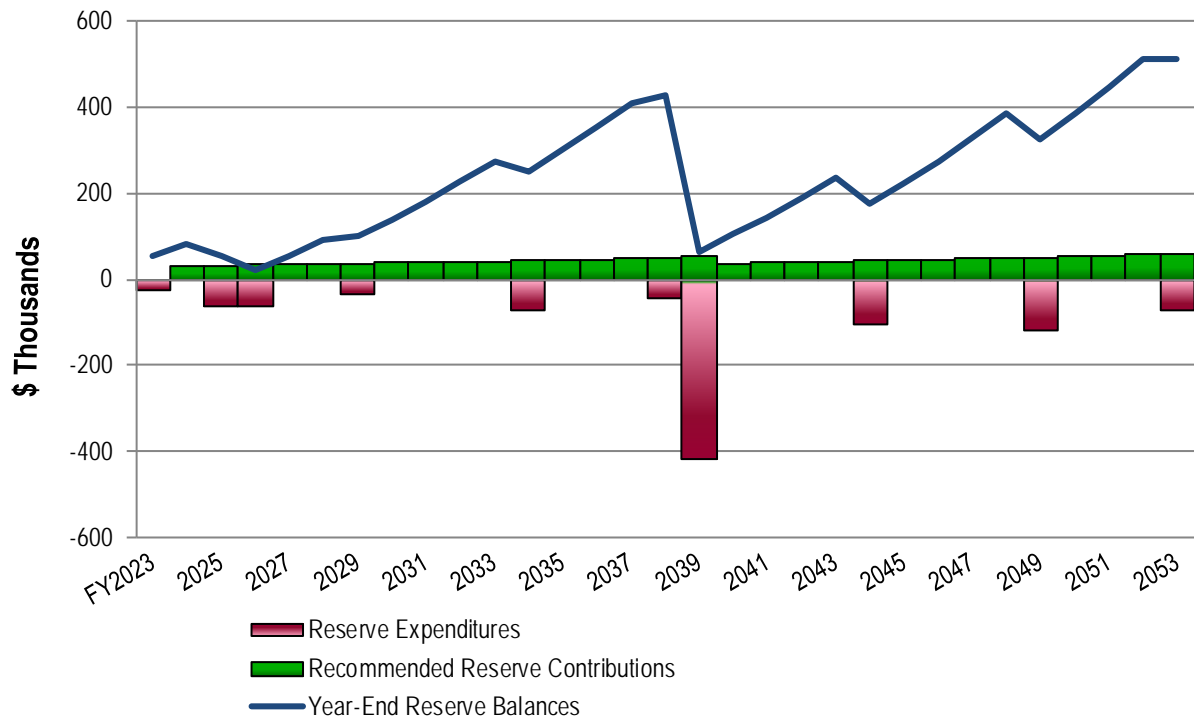
Recommended Reserve Funding: We recommend the following in order to achieve a stable and equitable Cash Flow Methodology Funding Plan:



- Increase to \$30,800 in 2024
- Inflationary increases from 2025 through 2039
- Decrease to \$37,400 by 2040 due to fully funding for repaving of the streets
- Inflationary increases thereafter through 2053, the limit of this study's Cash Flow Analysis
- Initial adjustment of \$24,886 is equivalent to an increase of \$14.50 in the monthly contributions per homeowner.

Bayridge Subdivision
Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2024	30,800	83,977	2034	43,500	251,160	2044	43,000	174,213
2025	31,900	52,310	2035	45,000	301,633	2045	44,500	222,642
2026	33,000	21,178	2036	46,600	354,732	2046	46,100	273,656
2027	34,200	56,144	2037	48,200	410,509	2047	47,700	327,306
2028	35,400	93,021	2038	49,900	426,815	2048	49,400	383,746
2029	36,600	98,952	2039	51,600	64,356	2049	51,100	323,401
2030	37,900	139,210	2040	37,400	103,417	2050	52,900	383,298
2031	39,200	181,586	2041	38,700	144,572	2051	54,800	446,312
2032	40,600	226,224	2042	40,100	187,964	2052	56,700	512,505
2033	42,000	273,168	2043	41,500	233,638	2053	58,700	511,170





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

Bayridge Subdivision Homeowners Association, Inc.

Palm Bay, Florida

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, September 7, 2023.

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

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

IDENTIFICATION OF PROPERTY



Our investigation includes Reserve Components or property elements as set forth in your Declaration. 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 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:

- Bayridge Subdivision responsibility
- Limited useful life expectancies
- Predictable remaining useful life expectancies
- Replacement cost above a minimum threshold

Long-Lived Property Elements – These 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 the 30-year Reserve Expenditures at this time.

- Electrical Systems, Common
- Inlet/Outlet Structures, Concrete, Storm Water Management System
- Irrigation System, Replacement
- Pipes, Subsurface Utilities



Storm water control structure

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 \$3,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Catch Basins, Landscape
- Irrigation System, Controls and Maintenance
- Landscape
- Paint Finishes, Touch Up, Entrance Monument
- Other Repairs normally funded through the Operating Budget

Homeowners' Responsibility - Items 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:

- Driveways and Aprons
- Homes and Lots

- Privacy Fences, Vinyl

Others' Responsibility - Items designated as the responsibility of others to repair or replace. Property Maintained by Others relates to:

- Canal along West Perimeter (Brevard County)
- Drainage Ditch along Gaynor Drive (Brevard County)
- Lift Station (City of Palm Bay)
- Light Poles and Fixtures (Florida Power & Light)



Drainage ditch



Lift station

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
- 2023 local cost of replacement
 - Per unit
 - Per phase
 - Replacement of total quantity
- Percentage of future expenditures anticipated during the next 30 years
- Schedule of estimated future costs for each reserve component including inflation

Reserve Funding Plan

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

Five-Year Outlook

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

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

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

RESERVE EXPENDITURES

**Bayridge Subdivision
Homeowners Association, Inc.**
Palm Bay, Florida

Explanatory Notes:

- 1) **3.5%** is the estimated Inflation Rate for estimating Future Replacement Costs.
- 2) FY2023 is Fiscal Year beginning January 1, 2023 and ending December 31, 2023.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$			Percentage of Future Expenditures	RUL = 0 FY2023	Anticipated Expenditures, By Year (\$1,013,930 over 30 years)																		
						Useful	Remaining	Unit (2023)	Per Phase (2023)	Total (2023)			1 2024	2 2025	3 2026	4 2027	5 2028	6 2029	7 2030	8 2031	9 2032	10 2033	11 2034	12 2035	13 2036	14 2037	15 2038				
Property Site Elements																															
4.020	11,000	11,000	Square Yards	Asphalt Pavement, Patch Repairs	2029	3 to 5	6	0.50	5,500	5,500	3.9%					6,761										8,030					
4.040	11,000	11,000	Square Yards	Asphalt Pavement, Mill and Overlay, Streets	2039	15 to 20	16	17.00	187,000	187,000	32.0%																				
4.100	15	15	Each	Catch Basins, Inspections and Capital Repairs	2039	15 to 20	16	900.00	13,500	13,500	2.3%																				
4.110	9,250	190	Linear Feet	Concrete Gutters, Partial	2029	to 65	6 to 30+	41.50	7,885	383,875	6.9%					9,693										11,512					
4.140	57,000	1,140	Square Feet	Concrete Sidewalks, Partial	2029	to 65	6 to 30+	11.50	13,110	655,500	11.5%					16,116										19,140					
4.410	1	1	Each	Irrigation System, Pump	2039	to 20	16	6,600.00	6,600	6,600	1.1%																				
4.420	135,000	67,500	Square Feet	Irrigation System, Replacement, Phased (2025 & 2026 is Planned Installation)	2025	to 40+	2 to 3	1.00	67,500	135,000	12.6%			62,666	64,860																
4.600	9	9	Each	Mailbox Stations	2044	to 25	21	2,800.00	25,200	25,200	5.1%																				
4.700	2	2	Each	Pond, Aerators	2023	10 to 15	0	12,500.00	25,000	25,000	13.5%	25,000															41,884				
4.710	3,400	510	Linear Feet	Pond, Erosion Control, Partial	2034	to 15	11	43.00	21,930	146,200	8.4%														32,017						
4.800	1	1	Allowance	Signage, Monument, Renovation	2039	15 to 20	16	8,500.00	8,500	8,500	1.5%																				
4.810	1	1	Allowance	Signage, Street and Traffic, Replacement	2039	15 to 20	16	5,000.00	5,000	5,000	0.9%																				
		1	Allowance	Reserve Study Update with Site Visit	2025	to 2	2	2,250.00	2,250	2,250	0.2%			2,250																	
Anticipated Expenditures, By Year (\$1,013,930 over 30 years)												25,000	0	64,916	64,860	0	0	32,570	0	0	0	0	0	0	0	70,699	0	0	0	0	41,884

RESERVE EXPENDITURES

**Bayridge Subdivision
Homeowners Association, Inc.**
Palm Bay, Florida

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$			Percentage of Future Expenditures	16 2039	17 2040	18 2041	19 2042	20 2043	21 2044	22 2045	23 2046	24 2047	25 2048	26 2049	27 2050	28 2051	29 2052	30 2053										
						Useful	Remaining	Unit (2023)	Per Phase (2023)	Total (2023)																										
Property Site Elements																																				
4.020	11,000	11,000	Square Yards	Asphalt Pavement, Patch Repairs	2029	3 to 5	6	0.50	5,500	5,500	3.9%						11,327									13,453										
4.040	11,000	11,000	Square Yards	Asphalt Pavement, Mill and Overlay, Streets	2039	15 to 20	16	17.00	187,000	187,000	32.0%	324,255																								
4.100	15	15	Each	Catch Basins, Inspections and Capital Repairs	2039	15 to 20	16	900.00	13,500	13,500	2.3%	23,409																								
4.110	9,250	190	Linear Feet	Concrete Gutters, Partial	2029	to 65	6 to 30+	41.50	7,885	383,875	6.9%	13,672					16,239									19,286										
4.140	57,000	1,140	Square Feet	Concrete Sidewalks, Partial	2029	to 65	6 to 30+	11.50	13,110	655,500	11.5%	22,733					26,999									32,067										
4.410	1	1	Each	Irrigation System, Pump	2039	to 20	16	6,600.00	6,600	6,600	1.1%	11,444																								
4.420	135,000	67,500	Square Feet	Irrigation System, Replacement, Phased (2025 & 2026 is Planned Installation)	2025	to 40+	2 to 3	1.00	67,500	135,000	12.6%																									
4.600	9	9	Each	Mailbox Stations	2044	to 25	21	2,800.00	25,200	25,200	5.1%						51,898																			
4.700	2	2	Each	Pond, Aerators	2023	10 to 15	0	12,500.00	25,000	25,000	13.5%															70,170										
4.710	3,400	510	Linear Feet	Pond, Erosion Control, Partial	2034	to 15	11	43.00	21,930	146,200	8.4%															53,640										
4.800	1	1	Allowance	Signage, Monument, Renovation	2039	15 to 20	16	8,500.00	8,500	8,500	1.5%	14,739																								
4.810	1	1	Allowance	Signage, Street and Traffic, Replacement	2039	15 to 20	16	5,000.00	5,000	5,000	0.9%	8,670																								
		1	Allowance	Reserve Study Update with Site Visit	2025	to 2	2	2,250.00	2,250	2,250	0.2%																									
Anticipated Expenditures, By Year (\$1,013,930 over 30 years)												418,922	0	0	0	0	0	106,463	0	0	0	0	0	118,446	0	0	0	0	0	0	0	0	0	0	0	70,170

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS

Bayridge Subdivision
Homeowners Association, Inc.

Palm Bay, Florida

Individual Reserve Budgets & Cash Flows for the Next 30 Years

	FY2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Reserves at Beginning of Year	(Note 1) 76,300	51,832	83,977	52,310	21,178	56,144	93,021	98,952	139,210	181,586	226,224	273,168	251,160	301,633	354,732	410,509
Total Recommended Reserve Contributions	(Note 2) 0	30,800	31,900	33,000	34,200	35,400	36,600	37,900	39,200	40,600	42,000	43,500	45,000	46,600	48,200	49,900
Estimated Interest Earned, During Year	(Note 3) 532	1,345	1,349	728	766	1,477	1,901	2,358	3,176	4,038	4,944	5,191	5,473	6,499	7,577	8,290
Anticipated Expenditures, By Year	(25,000)	0	(64,916)	(64,860)	0	0	(32,570)	0	0	0	0	(70,699)	0	0	0	(41,884)
Anticipated Reserves at Year End	<u>\$51,832</u>	<u>\$83,977</u>	<u>\$52,310</u>	<u>\$21,178</u>	<u>\$56,144</u>	<u>\$93,021</u>	<u>\$98,952</u>	<u>\$139,210</u>	<u>\$181,586</u>	<u>\$226,224</u>	<u>\$273,168</u>	<u>\$251,160</u>	<u>\$301,633</u>	<u>\$354,732</u>	<u>\$410,509</u>	<u>\$426,815</u>

(continued)

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

	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
Reserves at Beginning of Year	426,815	64,356	103,417	144,572	187,964	233,638	174,213	222,642	273,656	327,306	383,746	323,401	383,298	446,312	512,505
Total Recommended Reserve Contributions	51,600	37,400	38,700	40,100	41,500	43,000	44,500	46,100	47,700	49,400	51,100	52,900	54,800	56,700	58,700
Estimated Interest Earned, During Year	4,863	1,661	2,455	3,292	4,174	4,038	3,929	4,914	5,950	7,040	7,001	6,997	8,214	9,493	10,135
Anticipated Expenditures, By Year	(418,922)	0	0	0	0	(106,463)	0	0	0	0	(118,446)	0	0	0	(70,170)
Anticipated Reserves at Year End	<u>\$64,356</u>	<u>\$103,417</u>	<u>\$144,572</u>	<u>\$187,964</u>	<u>\$233,638</u>	<u>\$174,213</u>	<u>\$222,642</u>	<u>\$273,656</u>	<u>\$327,306</u>	<u>\$383,746</u>	<u>\$323,401</u>	<u>\$383,298</u>	<u>\$446,312</u>	<u>\$512,505</u>	<u>\$511,170</u>

(NOTE 5)

(NOTE 4)

Explanatory Notes:

- 1) Year 2023 ending reserves are as of July 31, 2023; FY2023 starts January 1, 2023 and ends December 31, 2023.
- 2) 2024 is the first year of recommended contributions.
- 3) 2.0% is the estimated annual rate of return on invested reserves; 2023 is a partial year of interest earned.
- 4) Accumulated year 2053 ending reserves consider the need to fund for repaving of the streets shortly after 2053, and the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Year (reserve balance at critical point).

RESERVE EXPENDITURES

**Bayridge Subdivision
Homeowners Association, Inc.**
Palm Bay, Florida

Line Item	Reserve Component Inventory	RUL = 0 FY2023	1 2024	2 2025	3 2026	4 2027	5 2028
<u>Property Site Elements</u>							
4.420	Irrigation System, Replacement, Phased (2025 & 2026 is Planned Installation)			62,666	64,860		
4.700	Pond, Aerators	25,000					
Reserve Study Update with Site Visit				2,250			
Anticipated Expenditures, By Year (\$1,013,930 over 30 years)		25,000	0	64,916	64,860	0	0

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.*

Property Site Elements

Asphalt Pavement, Repaving

Line Items: 4.020 and 4.040

Quantity: Approximately 11,000 square yards at the streets

History:

- Repaving: Original
- Repairs: Original

Condition: Good to fair overall with isolated cracks and settlement evident.



Pavement overview



Pavement overview



Pavement overview



Pavement overview



Pavement overview



Vehicle fluid stains



Pavement deterioration



Pavement deterioration

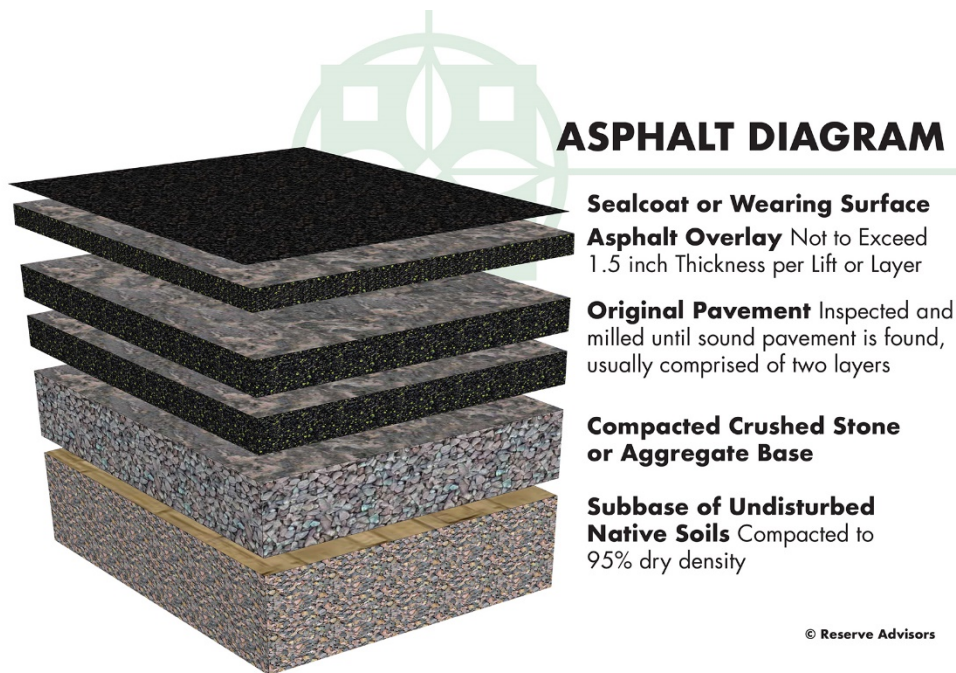


Pavement cracks

Useful Life: 15- to 20-years with the benefit of patch repairs events every three- to five-years

Component Detail Notes: Patch repairs are conducted at areas exhibiting settlement, potholes, or excessive cracking. These conditions typically occur near high traffic areas, catch basins, and pavement edges.

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 Bayridge Subdivision:



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

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

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

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost for repair includes an allowance for patching of up to two percent (2%) of the pavement. Our cost for milling and overlayment includes area patching of up to ten percent (10%).

Catch Basins

Line Item: 4.100

Quantity: 15 catch basins¹

History: Original

Condition: Good to fair overall without settlement, collar damage and debris accumulation evident.

¹ We utilize the terminology catch basin to refer to all storm water collection structures including curb inlets.



Catch basin



Catch basin



Catch basin collar damage



Catch basin collar damage



Debris accumulation near catch basin

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

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

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

- Annually:
 - Inspect and repair any settlement and collar cracks
 - Ensure proper drainage and inlets are free of debris
 - If property drainage is not adequate in heavy rainfall events, typically bi-annual cleaning of the catch basins is recommended

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

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

Concrete Gutters

Line Item: 4.110

Quantity: Approximately 9,250 linear feet

Condition: Good to fair overall with isolated cracks, spalled concrete and damage evident.



Concrete gutter



Concrete gutter



Concrete spalls

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

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

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

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We estimate that up to 950 linear feet of gutters, or ten percent (10.3%) of the total, will require replacement during the next 30 years.

Concrete Sidewalks

Line Item: 4.140

Quantity: Approximately 57,000 square feet

Condition: Good to fair overall with isolated cracks and spalled concrete evident.



Concrete sidewalk



Concrete sidewalk



Concrete sidewalk



Concrete parking area at the mailbox stations



Concrete sidewalk



Sidewalk cracks

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

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

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

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We estimate that up to 5,700 square feet of concrete sidewalks, or ten percent (10%) of the total, will require replacement during the next 30 years.

Irrigation System, Pump

Line Item: 4.410

Quantity: One two-horsepower (2-HP) irrigation pump and well

History: Original

Condition: Reported satisfactory without operational deficiencies. We note rust at the electrical panel.



Irrigation pump



Rust at electrical panel

Useful Life: Up to 20 years

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our estimate of cost includes an allowance for replacement or installation of a variable frequency drive.

Irrigation System, Replacement

Line Item: 4.420

Quantity: The Association currently maintains approximately 18,000 square feet, or eight zones, of irrigated area near the entrance monument. The Association plans to irrigate additional areas totaling approximately 117,000 square feet. The total irrigated area at the completion of this project will be approximately 135,000 square feet.

History: The Association currently maintains an irrigation system south of the entrance monument that is original to 2019 development. The Association plans to expand the existing irrigation system to increase coverage north and south of the entrance monument in 2025 or 2026. The Association also plans to add irrigation systems at the six common park areas throughout the community as part of that project.

Condition: The existing irrigation system is in satisfactory operational condition



Location of proposed irrigation system



Location of proposed irrigation system

Useful Life: Up to and sometimes beyond 40 years

Component Detail Notes: Irrigation systems typically include the following components:

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

Bayridge Subdivision should anticipate interim and partial replacements of the system network supply pipes and other components as normal maintenance to maximize the useful life of the irrigation system. The Association should fund these ongoing seasonal repairs through the operating budget.

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

- Semi-annually:
 - Conduct seasonal repairs which includes valve repairs, controller repairs, partial head replacements and pipe repairs

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The exact scope of work and cost for the installation of additional irrigation system coverage was unavailable at the time of our inspection. Future updates to the Reserve Study will account for changes in project scope, timing, and cost.

Mailbox Stations

Line Item: 4.600

Quantity: Nine stations

History: Original

Condition: Good to fair overall



Mailbox stations

Useful Life: Up to 25 years

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

- As-needed:
 - Inspect and repair damage, vandalism, and finish deterioration
 - Verify posts are anchored properly

Priority/Criticality: Per Board discretion

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

Pond, Aerator

Line Item: 4.700

Quantity: Two 2.5-HP fountain-style aerators

History: The Association plans to install the aerators by the end of 2023

Useful Life: 10- to 15-years

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

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our estimate of cost is based on information provided by the Association and includes an allowance for the installation of electrical infrastructure. Subsequent replacements may not require replacement of electrical equipment. Future updates to the Reserve Study will account for changes to the estimated cost of future replacement events.

Pond, Erosion Control

Line Item: 4.710

Quantity: 3,400 linear feet of natural vegetation shorelines

History: Original

Condition: Good to fair overall with minor shoreline erosion, vegetation overgrowth and algae growth evident.



Pond overview



Pond shoreline



Algae overgrowth



Pond overview



Minor shoreline erosion

Useful Life: Shorelines are subject to fluctuations in water levels, increased plant growth and migrating storm and ground water resulting in the need for erosion control measures up to every 15 years.

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

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

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

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association plan to install a combination of plantings and rip rap around the pond along 510 linear feet, or approximately fifteen percent (15%), of the shoreline per event.

Signage, Monument

Line Item: 4.800

Quantity: The property identification signage includes the following elements:

- Letters
- Tile
- Stucco
- Masonry
- Landscape

History: Original

Condition: Good to fair overall



Entrance monument



Entrance monument

Useful Life: 15- to 20-years

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

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

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

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost for renovation includes repairs to the tile and masonry, paint finish applications to the stucco, and replacement of the remaining components listed above.

Signage, Street and Traffic

Line Item: 4.810

Quantity: Approximately 20 signs on approximately 9 posts. The signage at Bayridge Subdivision includes street identification, stop, speed limit, and miscellaneous signage.

History: The signage is largely original. The speed limit signs were replaced in 2022.

Condition: Good to fair overall



Traffic management signage

Useful Life: 15- to 20-years

Component Detail Notes: The community signs contribute to the overall aesthetic appearance of the property to owners and potential buyers. Replacement of community signs is often predicated upon the desire to "update" the perceived identity of the community rather than for utilitarian concerns. Therefore, the specific time for replacement of the signs is discretionary.

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

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

Priority/Criticality: Per Board discretion

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

Reserve Study Update

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

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

Periodic updates incorporate these variable changes since the last Reserve Study or Update. The Association can expense the fee for an Update with site visit from the reserve account. This fee is included in the Reserve Funding Plan. We base this budgetary amount on updating the same property components and quantities of this Reserve Study report. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. Budgeting for an Update demonstrates the Board's objective to continue fulfilling its fiduciary responsibility to maintain the commonly owned property and to fund reserves appropriately.

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.

Bayridge Subdivision 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 Association of Professional Reserve Analysts (APRA) fulfilling the requirements of a "Level I Full Reserve Study." These standards require a Reserve Component to have a "predictable remaining Useful Life." Estimating Remaining Useful Lives and Reserve Expenditures beyond 30 years is often indeterminate. Long-Lived Property Elements are necessarily excluded from this analysis. We considered the following factors in our analysis:

- The Cash Flow Method to compute, project and illustrate the 30-year Reserve Funding Plan
- 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 Palm Bay, Florida at an annual inflation rate³. Isolated or regional markets of greater

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

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

³ Derived from Marshall & Swift, historical costs and the Bureau of Labor Statistics.

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

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

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



6. CREDENTIALS

HISTORY AND DEPTH OF SERVICE

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

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

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

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

TOTAL STAFF INVOLVEMENT

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

OUR GOAL

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

VAST EXPERIENCE WITH A VARIETY OF BUILDINGS

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

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

OLD TO NEW

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

JARED W. KELLEY
Responsible Advisor

CURRENT CLIENT SERVICES

Jared Kelley, a Mechanical Engineer, is an Advisor for Reserve Advisors. Mr. Kelley 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 Jared Kelley demonstrating his breadth of experiential knowledge of community associations in construction and related buildings systems.

RedTail Community Association - Located in Sorrento, Florida, this upscale homeowners association contains 229 units. The Association maintains a decorative covered bridge, two gate houses, landscape and maintenance equipment, and an expansive road system.

Avea Pointe Homeowners Association - This newly completed townhome development is located in Lutz, Florida. An expansive community consisting of 29 buildings, Avea Pointe maintains the diverse building exteriors as well as a modern pool amenity area. The Association is also responsible for landscaping, irrigation, and multiple ponds.

Phillips Landing Master Community Association - Located in Orlando, Florida, Phillips Landing maintains two tennis courts and playgrounds, a community dock and gazebo that extends over Big Sand Lake, and an elegant gate house with a copper and slate roof. The community also maintains four storm water retention ponds and a decorative masonry perimeter wall.

Kellerton Place Homeowners Association - This new development comprises two separate subdivisions which include 226 townhome and single family homes. This Community Association is located in Monroe, North Carolina. A lake, four storm water retention ponds, a pool and clubhouse, a playground, and multiple retaining walls are a few of the elements maintained by the Association.

University Downs Condominiums - Located in Tuscaloosa, Alabama, this large condominium development maintains the common elements shared by 272 units. In addition to the 13 two- and three-story residential buildings, the Association has a shared responsibility to maintain three pools and a large multi-story clubhouse with exercise facilities, offices, and common areas.

Deer Creek Village Homeowners Association - This large community is located in Orlando, Florida, and is responsible for the common elements shared by 553 single family homes. The Association maintains a clubhouse with a kitchen and multiple event spaces, a pool and pool house, tennis and basketball courts, a large playground, and multiple common spaces throughout the community.

PRIOR RELEVANT EXPERIENCE

Mr. Kelley earned his Bachelor of Science degree in Mechanical Engineering from the University of Central Florida. His relevant course work includes mechanical systems, materials science, computer aided design, and HVAC systems engineering.

EDUCATION

University of Central Florida - B.S. Mechanical Engineering

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

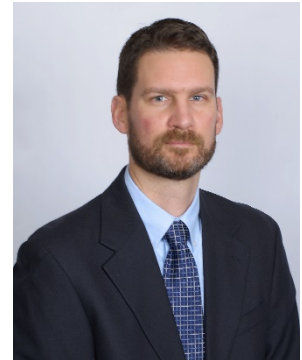
Engineer Intern (EI) Certification – Florida Board of Professional Engineers
Educated Business Partner (EBP) – Community Associations Institute

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

CURRENT CLIENT SERVICES

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

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



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

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

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

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

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

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

PRIOR RELEVANT EXPERIENCE

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

EDUCATION

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

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

Professional Engineering License – Wisconsin, North Carolina, Illinois, Colorado

Reserve Specialist (RS) - Community Associations Institute

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



RESOURCES

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

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

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

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

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

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

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

7. DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



8. PROFESSIONAL SERVICE CONDITIONS

Our Services - Reserve Advisors, LLC ("RA") performs its services as an independent contractor in accordance with our professional practice standards and its compensation is not contingent upon our conclusions. The purpose of our reserve study is to provide a budget planning tool that identifies the current status of the reserve fund, and an opinion recommending an annual funding plan, to create reserves for anticipated future replacement expenditures of the subject property. The purpose of our energy benchmarking services is to track, collect and summarize the subject property's energy consumption over time for your use in comparison with other buildings of similar size and establishing a performance baseline for your planning of long-term energy efficiency goals.

Our inspection and analysis of the subject property is limited to visual observations, is noninvasive and is not meant to nor does it include investigation into statutory, regulatory or code compliance. RA inspects sloped roofs from the ground and inspects flat roofs where safe access (stairs or ladder permanently attached to the structure) is available. Our energy benchmarking services with respect to the subject property is limited to collecting energy and utility data and summarizing such data in the form of an Energy Star Portfolio Manager Report or any other similar report, and hereby expressly excludes any recommendations with respect to the results of such energy benchmarking services or the accuracy of the energy information obtained from utility companies and other third-party sources with respect to the subject property. The reserve report and any energy benchmarking report (i.e., any Energy Star Portfolio Manager Report) (including any subsequent revisions thereto pursuant to the terms hereof, collectively, the "Report") are based upon a "snapshot in time" at the moment of inspection. RA may note visible physical defects in the Report. The inspection is made by employees generally familiar with real estate and building construction. Except to the extent readily apparent to RA, RA cannot and shall not opine on the structural integrity of or other physical defects in the property under any circumstances. Without limitation to the foregoing, RA cannot and shall not opine on, nor is RA responsible for, the property's conformity to specific governmental code requirements for fire, building, earthquake, occupancy or otherwise.

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

RA assumes, without independent verification, the accuracy of all data provided to it. Except to the extent resulting from RA's willful misconduct in connection with the performance of its obligations under this agreement, you agree to indemnify, defend, and hold RA and its affiliates, officers, managers, employees, agents, successors and assigns (each, an "RA Party") harmless from and against (and promptly reimburse each RA Party for) any and all losses, claims, actions, demands, judgments, orders, damages, expenses or liabilities, including, without limitation, reasonable attorneys' fees, asserted against or to which any RA Party may become subject in connection with this engagement, including, without limitation, as a result of any false, misleading or incomplete information which RA relied upon that was supplied by you or others under your direction, or which may result from any improper use or reliance on the Report by you or third parties under your control or direction or to whom you provided the Report. NOTWITHSTANDING ANY OTHER PROVISION HEREIN TO THE CONTRARY, THE AGGREGATE LIABILITY (IF ANY) OF RA WITH RESPECT TO THIS AGREEMENT AND RA'S OBLIGATIONS HEREUNDER IS LIMITED TO THE AMOUNT OF THE FEES ACTUALLY RECEIVED BY RA FROM YOU FOR THE SERVICES AND REPORT PERFORMED BY RA UNDER THIS AGREEMENT, WHETHER ARISING IN CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY OR OTHERWISE. YOUR REMEDIES SET FORTH HEREIN ARE EXCLUSIVE AND ARE YOUR SOLE REMEDIES FOR ANY FAILURE OF RA TO COMPLY WITH ITS OBLIGATIONS HEREUNDER OR OTHERWISE. RA SHALL NOT BE LIABLE FOR ANY SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES OF ANY KIND, INCLUDING, BUT NOT LIMITED TO, ANY LOST PROFITS AND LOST SAVINGS, LOSS OF USE OR INTERRUPTION OF BUSINESS, HOWEVER CAUSED, WHETHER ARISING IN CONTRACT, TORT (INCLUDING NEGLIGENCE), BREACH OF WARRANTY, STRICT LIABILITY OR OTHERWISE, EVEN IF RA HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT WILL RA BE LIABLE FOR THE COST OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES. RA DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED OR OF ANY NATURE, WITH REGARD TO THE SERVICES AND THE REPORT, INCLUDING, WITHOUT LIMITATION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Report - RA will complete the services in accordance with the Proposal. The Report represents a valid opinion of RA's findings and recommendations with respect to the reserve study and is deemed complete. RA will consider any additional information made available to RA within 6 months of issuing the Report and issue a revised Report based on such additional information if a timely request for a revised Report is made by you. RA retains the right to withhold



a revised Report if payment for services was not tendered in a timely manner. All information received by RA and all files, work papers or documents developed by RA during the course of the engagement shall remain the property of RA and may be used for whatever purpose it sees fit. RA reserves the right to, and you acknowledge and agree that RA may, use any data provided by you in connection with the services, or gathered as a result of providing such services, including in connection with creating and issuing any Report, in a de-identified and aggregated form for RA's business purposes.

Your Obligations - You agree to provide us access to the subject property for an inspection. You agree to provide RA all available, historical and budgetary information, the governing documents, and other information that we request and deem necessary to complete the Report. Additionally, you agree to provide historical replacement schedules, utility bills and historical energy usage files that RA requests and deems necessary to complete the energy benchmarking services, and you agree to provide any utility release(s) reasonably requested by RA permitting RA to obtain any such data and/or information from any utility representative or other third party. You agree to pay actual attorneys' fees and any other costs incurred to collect on any unpaid balance for RA's services.

Use of Our Report and Your Name - Use of the Report is limited to only the purpose stated herein. You acknowledge that RA is the exclusive owner of all intellectual property rights in and relating to the Report. You hereby acknowledge that any use or reliance by you on the Report for any unauthorized purpose is at your own risk and that you will be liable for the consequences of any unauthorized use or distribution of the Report. Use or possession of the Report by any unauthorized third party is prohibited. The Report in whole or in part **is not and cannot be used as a design specification for design engineering purposes or as an appraisal**. You may show the Report in its entirety to the following third parties: members of your organization (including your directors, officers, tenants and prospective purchasers), your accountants, attorneys, financial institutions and property managers who need to review the information contained herein, and any other third party who has a right to inspect the Report under applicable law including, but not limited to, any government entity or agency, or any utility companies. Without the written consent of RA, you shall not disclose the Report to any other third party. By engaging our services, you agree that the Report contains intellectual property developed (and owned solely) by RA and agree that you will not reproduce or distribute the Report **to any party that conducts reserve studies without the written consent of RA**.

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

Payment Terms, Due Dates and Interest Charges - If reserve study and energy benchmarking services are performed by RA, then the retainer payment is due upon execution of this agreement and prior to the inspection by RA, and any balance is due net 30 days from the Report shipment date. If only energy benchmarking services are performed by RA, then the retainer payment is due upon execution of this agreement and any balance is due net 30 days from the Report shipment date. In any case, any balance remaining 30 days after delivery of the Report shall accrue an interest charge of 1.5% per month. Unless this agreement is earlier terminated by RA in the event you breach or otherwise fail to comply with your obligations under this agreement, RA's obligations under this agreement shall commence on the date you execute and deliver this agreement and terminate on the date that is 6 months from the date of delivery of the Report by RA. Notwithstanding anything herein to the contrary, each provision that by its context and nature should survive the expiration or early termination of this agreement shall so survive, including, without limitation, any provisions with respect to payment, intellectual property rights, limitations of liability and governing law.

Miscellaneous – Neither party shall be liable for any failures or delays in performance due to fire, flood, strike or other labor difficulty, act of God, act of any governmental authority, riot, embargo, fuel or energy shortage, pandemic, wrecks or delays in transportation, or due to any other cause beyond such party's reasonable control; provided, however, that you shall not be relieved from your obligations to make any payment(s) to RA as and when due hereunder. In the event of a delay in performance due to any such cause, the time for completion or date of delivery will be extended by a period of time reasonably necessary to overcome the effect of such delay. You may not assign or otherwise transfer this agreement, in whole or in part, without the prior written consent of RA. RA may freely assign or otherwise transfer this agreement, in whole or in part, without your prior consent. This agreement shall be governed by the laws of the State of Wisconsin without regard to any principles of conflicts of law that would apply the laws of another jurisdiction. Any dispute with respect to this agreement shall be exclusively venued in Milwaukee County Circuit Court or in the United States District Court for the Eastern District of Wisconsin. Each party hereto agrees and hereby waives the right to a trial by jury in any action, proceeding or claim brought by or on behalf of the parties hereto with respect to any matter related to this agreement.