

Revised
FULL RESERVE STUDY
Spring Mills
Unit Owners' Association, Inc.



Falling Waters, West Virginia
Inspected - January 24, 2019
Revised - January 13, 2020



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Spring Mills Unit Owners' Association, Inc.
Falling Waters, West Virginia

Dear Board of Directors of Spring Mills Unit Owners' Association, Inc.:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Reserve Study* of Spring Mills Unit Owners' Association, Inc. in Falling Waters, West Virginia and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, January 24, 2019.

This *Reserve Study* exceeds the Association of Professional Reserve Analysts (APRA) standards fulfilling the requirements of a "Level II 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. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. We look forward to continuing to help Spring Mills Unit Owners' 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 January 13, 2020 by

Reserve Advisors, Inc.

Visual Inspection and Report by: Nicholas R. Julia, RS¹
Review by: Alan M. Ebert, RS, 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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1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Spring Mills Unit Owners' Association, Inc. (Spring Mills)

Location: Falling Waters, West Virginia

Reference: 131685

Property Basics: Spring Mills Unit Owners' Association, Inc. is a planned unit development which is responsible for the common elements shared by 580 units. The buildings were built from 1989 to 2019.

Reserve Components Identified: 31 Residential Reserve Components and two Shared Commercial Components.

Inspection Date: January 24, 2019. We conducted the original inspection on January 29, 2014.

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 **Residential Funding Plan** does not recognize a critical year. Rather, the **Residential Reserve Funding Plan** recommends 2048 year end accumulated reserves of approximately \$880,000. We judge this amount of accumulated reserves in 2048 necessary to fund the likely total replacement of the remaining asphalt pavement shortly after 2048. Future replacement costs beyond the next 30 years for the asphalt pavement are likely to more than double the current cost of replacement. These future needs, although beyond the limit of the Cash Flow Analysis of this Reserve Study, are reflected in the amount of accumulated 2048 year end reserves.

Our recommended **Shared Commercial Funding Plan** recognizes this threshold funding critical year in 2029 due to repaving the asphalt pavement streets at T.J Jackson Drive and Spring Mills Lane.

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
- 1.7% anticipated annual rate of return on invested reserves
- 2.8% 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 the Residential Reserve Fund:

- \$282,263 as of December 31, 2018
- 2018 budgeted Reserve Contributions of \$54,101¹
- 2019 budgeted Reserve Contributions of \$55,183

¹ The Fiscal Year (FY 2018) for Spring Mills begins May 1, 2018 and ends April 30, 2019. For brevity, we refer to the Fiscal Year by its beginning year, i.e. Fiscal Year 2018-19 is FY 2018 or simply 2018.



Cash Status of the Shared Commercial Reserve Fund:

- \$39,089 as of December 31, 2018
- 2018 budgeted Reserve Contributions of \$11,967
- 2019 budgeted Reserve Contributions of \$12,155

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:

- Repaving the asphalt pavement streets at Ambler Lane North and Morningside Drive
- Repaving the remaining asphalt pavement walking paths
- Replacement of the mailbox stations at Morningside Drive
- Application of a color coat and crack repairs at the tennis courts
- Replacement of the vinyl pool covers
- Replacement of the plaster and tile finishes at the pool

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

- Phased increases of approximately \$15,200 from 2020 through 2024
- Inflationary increases through 2048, the limit of this study's Cash Flow Analysis
- Initial recommended adjustment in Reserve Contributions of \$15,217 represents an average monthly increase of \$2.19 per homeowner and about a five percent (5.4%) adjustment in the 2019 total Operating Budget of \$283,160.
- At the request of Management and the Board, we include an alternate set of expenditure and funding plan spreadsheets removing total replacement of the pavement. These alternate spreadsheets do not represent the recommendation of Reserve Advisors, Inc.

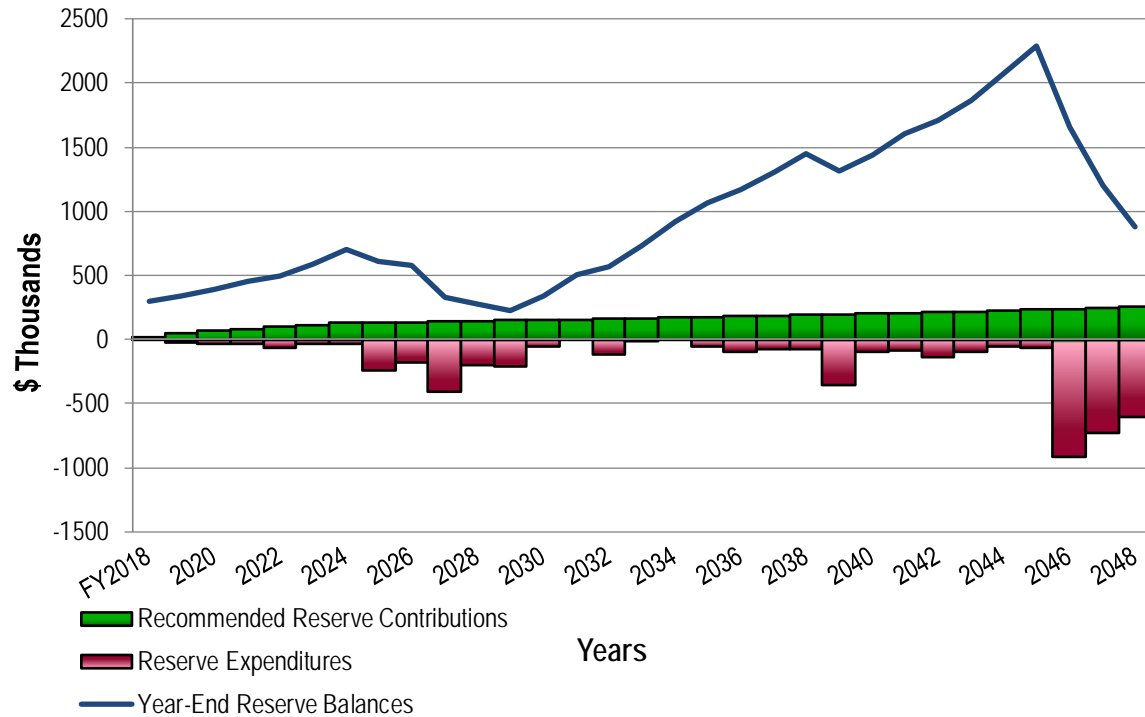
Recommended Shared Commercial Reserve Funding: We recommend the following in order to achieve a stable and equitable Funding Plan:

- Increased stable contributions of \$13,000 from 2020 through 2023
- Inflationary increases through 2048, the limit of this study's Cash Flow Analysis
- Initial recommended adjustment in Reserve Contributions of \$845 represents an average monthly increase of \$0.12 per homeowner and about a less than one percent (0.3%) adjustment in the 2019 total Operating Budget of \$283,160.
- At the request of Management and the Board, we include an alternate set of expenditure and funding plan spreadsheets removing total replacement of the pavement. These alternate spreadsheets do not represent the recommendation of Reserve Advisors, Inc.

Spring Mills

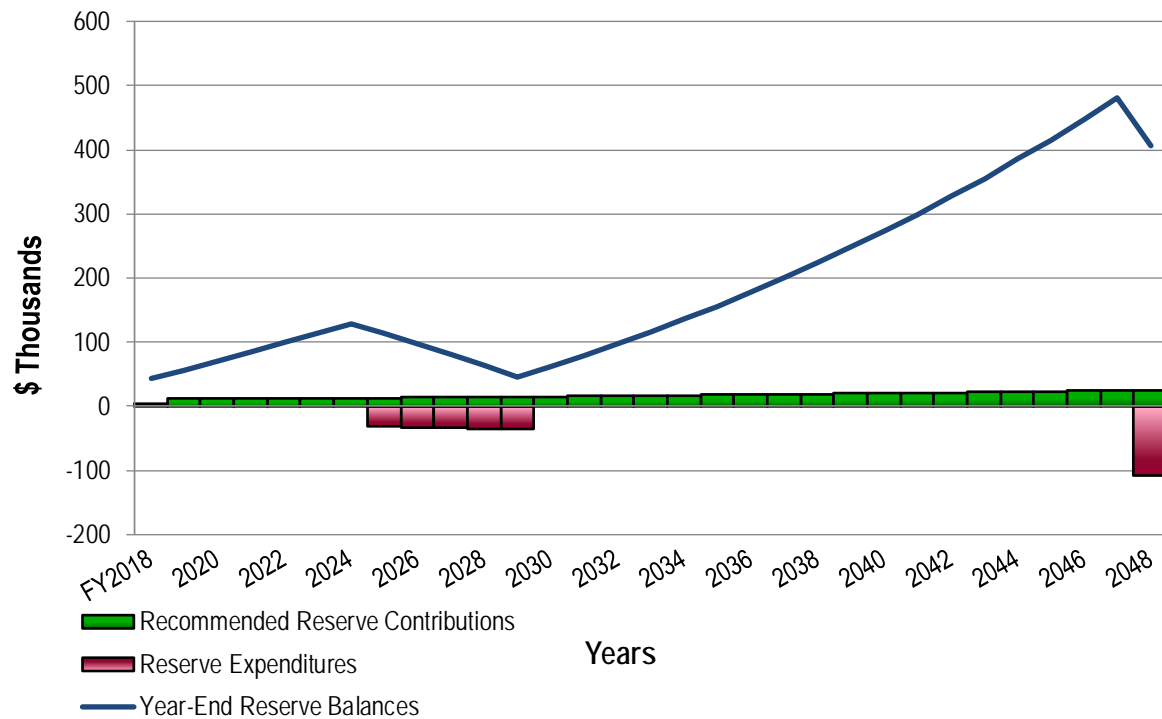
Recommended Residential Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2019	55,183	343,066	2029	150,700	229,740	2039	198,600	1,311,905
2020	70,400	389,394	2030	154,900	340,416	2040	204,200	1,443,457
2021	85,600	449,036	2031	159,200	506,756	2041	209,900	1,600,311
2022	100,800	496,718	2032	163,700	570,164	2042	215,800	1,712,060
2023	116,000	590,107	2033	168,300	737,074	2043	221,800	1,866,853
2024	131,200	699,516	2034	173,000	924,075	2044	228,000	2,075,593
2025	134,900	605,636	2035	177,800	1,062,619	2045	234,400	2,289,835
2026	138,700	576,017	2036	182,800	1,167,720	2046	241,000	1,654,590
2027	142,600	325,978	2037	187,900	1,306,733	2047	247,700	1,204,022
2028	146,600	278,729	2038	193,200	1,446,911	2048	254,600	880,032



Recommended Shared Commercial Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2019	12,155	56,306	2029	15,400	44,687	2039	20,300	247,874
2020	13,000	70,374	2030	15,800	61,381	2040	20,900	273,166
2021	13,000	84,681	2031	16,200	78,762	2041	21,500	299,493
2022	13,000	99,231	2032	16,700	96,943	2042	22,100	326,872
2023	13,000	114,028	2033	17,200	115,937	2043	22,700	355,322
2024	13,400	129,480	2034	17,700	135,758	2044	23,300	384,861
2025	13,800	114,080	2035	18,200	156,421	2045	24,000	415,608
2026	14,200	97,938	2036	18,700	177,939	2046	24,700	447,583
2027	14,600	81,018	2037	19,200	200,327	2047	25,400	480,808
2028	15,000	63,281	2038	19,700	223,600	2048	26,100	406,954





2.RESERVE STUDY REPORT

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

Spring Mills Unit Owners' Association, Inc.

Falling Waters, West Virginia

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, January 24, 2019. We conducted the original inspection on January 29, 2014.

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 Management. 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:

- Spring Mills 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.

- Concrete Drainage Structures
- Electrical Systems, Common
- Foundation, Pool House
- Pipes, Interior Building, Water, Sanitary Waste, and Vent, Pool House
- Pipes, Subsurface Utilities
- Pool Structure
- Structural Frame, Pool 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 \$3,500 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Asphalt Pavement, Streets, Parking Areas, and Walking Paths, Crack Repair, Patch and Partial Seal Coat Applications (The Association funds for annual inspections and repairs at the streets, parking areas and walking paths. Therefore, we exclude expenditures related to these activities in the Reserve Study.)
- Building Services Equipment, Pool House
- Catch Basins, Landscape
- Detention Ponds, Maintenance
- Fences, Wood Privacy, Pool House Rest Rooms
- Furniture, Pool, Vinyl
- Landscape, Maintenance
- Masonry, Inspections and Repairs, Pool House
- Paint Finishes, Touch Up
- Pet Waste Stations
- Rest Rooms, Fixtures, Pool House
- Site Furniture
- Valves (We assume replacement as needed in lieu of an aggregate replacement of all small diameter valves as a single event.)
- Windows and Doors, Pool House
- 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:

- Concrete Sidewalks, Morningside Drive
- Homes and Lots, Residential
- Mailboxes, Single Family Homes
- Retaining Walls, Adjacent to Lots

Certain items have been designated as the responsibility of the commercial businesses to repair or replace. Property Maintained by the commercial buildings relates to:

- Buildings and Lots
- Asphalt Pavement Streets, T.J. Jackson Drive and Spring Mills Lane (The commercial business share responsibility of up to fifty percent (50%) of these two street systems with the Association.)

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
- 2018 local cost of replacement
 - Per unit
 - Per phase
 - Replacement of total quantity
- 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

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***.

Residential

RESERVE EXPENDITURES

Spring Mills Unit Owners' Association, Inc. Falling Waters, West Virginia										Explanatory Notes: 1) 2.8% is the estimated future Inflation Rate for estimating Future Replacement Costs. 2) FY2018 is Fiscal Year beginning May 1, 2018 and ending April 30, 2019.																			
Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Unit Cost, \$	Percentage Ownership	Costs, \$			RUL = 0 FY2018	1 2019	2 2020	3 2021	4 2022	5 2023	6 2024	7 2025	8 2026	9 2027	10 2028	11 2029	12 2030	13 2031	14 2032	15 2033	
Property Site Elements																													
4.040	9,430	9,430	Square Yards	Asphalt Pavement, Mill and Overlay, 2014-2015 Streets and Parking Areas	2039	20 to 25	21	14.00	100%	132,020	132,020	235,774																	
4.041	3,480	3,480	Square Yards	Asphalt Pavement, Mill and Overlay, 2018 Streets and Parking Areas	2043	20 to 25	25	14.00	100%	48,720	48,720	97,171																	
4.042	5,930	1,977	Square Yards	Asphalt Pavement, Mill and Overlay, Ambler Lane North and Morningside Drive	2023	20 to 25	5 to 7	14.00	100%	27,673	83,020	98,006						31,771	32,660	33,575									
4.044	51,050	10,210	Square Yards	Asphalt Pavement, Mill and Overlay, Remaining Streets and Parking Areas, Phased	2025	20 to 25	7 to 11	14.00	100%	142,940	714,700	917,050								173,423	178,278	183,270	188,402	193,677					
4.045	5,930	5,930	Square Yards	Asphalt Pavement, Total Replacement, Ambler Lane North and Morningside Drive	2046	20 to 25	28	25.50	100%	151,215	151,215	327,644																	
4.046	1,700	1,700	Square Yards	Asphalt Pavement, Total Replacement, Stanford Drive	2036	20 to 25	18	25.50	100%	43,350	43,350	71,263																	
4.048	51,050	10,210	Square Yards	Asphalt Pavement, Total Replacement, Remaining Streets and Parking Areas, Partial	2046	20 to 25	28 to 30+	25.50	100%	260,355	1,301,775	1,740,195																	
4.080	1	1	Allowance	Asphalt Pavement, Total Replacement, Walking Paths, Near Term (2019 Budgeted)	2019	15 to 20	1	19,500.00	100%	19,500	19,500	19,500		19,500															
4.081	1,590	795	Square Yards	Asphalt Pavement, Total Replacement, Walking Paths, Remaining, Phased	2020	15 to 20	2 to 4	36.00	100%	28,620	57,240	62,208			30,245		31,963												
4.082	2,800	700	Square Yards	Asphalt Pavement, Total Replacement, Walking Paths, Subsequent, Phased	2038	15 to 20	20 to 23	36.00	100%	25,200	100,800	182,609																	
4.100	19	10	Each	Catch Basins, Inspections and Capital Repairs, Phased	2029	15 to 20	11 to 21	800.00	100%	7,600	15,200	23,871												10,298					
4.110	9,800	490	Linear Feet	Concrete Curbs and Gutters, Partial	2025	to 65	7 to 30+	28.00	100%	13,720	274,400	111,803							16,646						19,110				
4.140	26,600	1,330	Square Feet	Concrete Sidewalks, Partial	2025	to 65	7 to 30+	10.00	100%	13,300	266,000	108,379							16,136							18,525			
4.260	250	250	Linear Feet	Fence, Vinyl	2038	15 to 20	20	42.00	100%	10,500	10,500	18,241																	
4.360	1	1	Each	Gazebo	2039	to 25	21	35,000.00	100%	35,000	35,000	62,506																	
4.600	16	16	Each	Mailbox Stations (Near Term Excl. Cavendish Way Stations)	2021	to 25	3	1,600.00	100%	25,600	25,600	76,823				24,335													
4.660	1	1	Allowance	Playground Equipment	2032	15 to 20	14	50,000.00	100%	50,000	50,000	73,599															73,599		
4.800	1	1	Allowance	Signage, Entrance Monuments, Renovation	2033	15 to 20	15	8,200.00	100%	8,200	8,200	12,408																12,408	
4.830	1,330	1,330	Square Yards	Tennis Courts, Color Coat	2022	4 to 6	4	9.50	100%	12,635	12,635	106,719					14,111										18,599		
4.840	440	440	Linear Feet	Tennis Courts, Fence	2027	to 25	9	35.00	100%	15,400	15,400	19,745									19,745								
4.860	1,330	1,330	Square Yards	Tennis Courts, Surface Replacement	2027	to 25	9	33.00	100%	43,890	43,890	56,273									56,273								
Pool Elements																													
6.200	7,790	7,790	Square Feet	Concrete Deck, Textured Coating, Partial Replacements and Repairs	2027	8 to 12	9	3.00	100%	23,370	23,370	121,513									29,964								
6.300	4,090	4,090	Square Feet	Covers, Vinyl	2022	6 to 8	4	2.00	100%	8,180	8,180	52,464					9,135							11,394					
6.400	400	400	Linear Feet	Fence, Chain Link	2036	to 25	18	26.00	100%	10,400	10,400	17,097																	
6.600	2	1	Allowance	Mechanical Equipment, Phased	2021	to 15	3 to 10	8,000.00	100%	8,000	16,000	47,549				8,691							10,544						
6.799	3,510	3,510	Square Feet	Pool Finishes, Paint Finishes	2022	4 to 6	4	1.50	100%	5,265	5,265	34,254					5,880										7,750		
6.800	3,510	3,510	Square Feet	Pool Finishes, Paint Finishes and Concrete Repairs	2027	10 to 15	9	13.50	100%	47,385	47,385	152,689									60,755								
6.801	540	540	Linear Feet	Pool Finishes, Tile	2027	15 to 25	9	42.00	100%	22,680	22,680	79,597									29,079								
6.864	11	11	Squares	Roof Assembly, Pool House	2036	to 10	18	450.00	100%	4,950	4,950	8,137																	
6.868	1	1	Allowance	Security System	2027	10 to15	9	16,500.00	100%	16,500	16,500	52,295									21,155								
6.948	2	2	Each	Umbrellas, Metal	2032	15 to 20	14	3,200.00	100%	6,400	6,400	9,421															9,421		
Anticipated Expenditures, By Year												\$4,996,803	0	19,500	30,245	33,026	61,089	31,771	32,660	239,780	178,278	400,241	198,946	203,975	49,029	0	109,369	12,408	

Residential

RESERVE EXPENDITURES

Spring Mills Unit Owners' Association, Inc. Falling Waters, West Virginia				Estimated 1st Year of Event	Life Analysis, Years		Unit Cost, \$	Percentage Ownership	Costs, \$			16 2034	17 2035	18 2036	19 2037	20 2038	21 2039	22 2040	23 2041	24 2042	25 2043	26 2044	27 2045	28 2046	29 2047	30 2048									
Line Item	Total Quantity	Per Phase Quantity	Units		Reserve Component Inventory	Useful			Remaining	Per Phase (2018)	Total (2018)																30-Year Total (Inflated)								
Property Site Elements																																			
4.040	9,430	9,430	Square Yards	Asphalt Pavement, Mill and Overlay, 2014-2015 Streets and Parking Areas	2039	20 to 25	21	14.00	100%	132,020	132,020	235,774																235,774							
4.041	3,480	3,480	Square Yards	Asphalt Pavement, Mill and Overlay, 2018 Streets and Parking Areas	2043	20 to 25	25	14.00	100%	48,720	48,720	97,171																97,171							
4.042	5,930	1,977	Square Yards	Asphalt Pavement, Mill and Overlay, Ambler Lane North and Morningside Drive	2023	20 to 25	5 to 7	14.00	100%	27,673	83,020	98,006																							
4.044	51,050	10,210	Square Yards	Asphalt Pavement, Mill and Overlay, Remaining Streets and Parking Areas, Phased	2025	20 to 25	7 to 11	14.00	100%	142,940	714,700	917,050																							
4.045	5,930	5,930	Square Yards	Asphalt Pavement, Total Replacement, Ambler Lane North and Morningside Drive	2046	20 to 25	28	25.50	100%	151,215	151,215	327,644																327,644							
4.046	1,700	1,700	Square Yards	Asphalt Pavement, Total Replacement, Stanford Drive	2036	20 to 25	18	25.50	100%	43,350	43,350	71,263																71,263							
4.048	51,050	10,210	Square Yards	Asphalt Pavement, Total Replacement, Remaining Streets and Parking Areas, Partial	2046	20 to 25	28 to 30+	25.50	100%	260,355	1,301,775	1,740,195																564,122	579,918	596,155					
4.080	1	1	Allowance	Asphalt Pavement, Total Replacement, Walking Paths, Near Term (2019 Budgeted)	2019	15 to 20	1	19,500.00	100%	19,500	19,500	19,500																							
4.081	1,590	795	Square Yards	Asphalt Pavement, Total Replacement, Walking Paths, Remaining, Phased	2020	15 to 20	2 to 4	36.00	100%	28,620	57,240	62,208																							
4.082	2,800	700	Square Yards	Asphalt Pavement, Total Replacement, Walking Paths, Subsequent, Phased	2038	15 to 20	20 to 23	36.00	100%	25,200	100,800	182,609																43,779	45,005	46,265	47,560				
4.100	19	10	Each	Catch Basins, Inspections and Capital Repairs, Phased	2029	15 to 20	11 to 21	800.00	100%	7,600	15,200	23,871																13,573							
4.110	9,800	490	Linear Feet	Concrete Curbs and Gutters, Partial	2025	to 65	7 to 30+	28.00	100%	13,720	274,400	111,803																21,940				25,189			28,918
4.140	26,600	1,330	Square Feet	Concrete Sidewalks, Partial	2025	to 65	7 to 30+	10.00	100%	13,300	266,000	108,379																21,268				24,417			28,033
4.260	250	250	Linear Feet	Fence, Vinyl	2038	15 to 20	20	42.00	100%	10,500	10,500	18,241																18,241							
4.360	1	1	Each	Gazebo	2039	to 25	21	35,000.00	100%	35,000	35,000	62,506																62,506							
4.600	16	16	Each	Mailbox Stations (Near Term Excl. Cavendish Way Stations)	2021	to 25	3	1,600.00	100%	25,600	25,600	76,823																			52,488				
4.660	1	1	Allowance	Playground Equipment	2032	15 to 20	14	50,000.00	100%	50,000	50,000	73,599																							
4.800	1	1	Allowance	Signage, Entrance Monuments, Renovation	2033	15 to 20	15	8,200.00	100%	8,200	8,200	12,408																							
4.830	1,330	1,330	Square Yards	Tennis Courts, Color Coat	2022	4 to 6	4	9.50	100%	12,635	12,635	106,719																21,352				24,514			28,143
4.840	440	440	Linear Feet	Tennis Courts, Fence	2027	to 25	9	35.00	100%	15,400	15,400	19,745																							
4.860	1,330	1,330	Square Yards	Tennis Courts, Surface Replacement	2027	to 25	9	33.00	100%	43,890	43,890	56,273																							
Pool Elements																																			
6.200	7,790	7,790	Square Feet	Concrete Deck, Textured Coating, Partial Replacements and Repairs	2027	8 to 12	9	3.00	100%	23,370	23,370	121,513																39,494				52,055			
6.300	4,090	4,090	Square Feet	Covers, Vinyl	2022	6 to 8	4	2.00	100%	8,180	8,180	52,464																14,211				17,724			
6.400	400	400	Linear Feet	Fence, Chain Link	2036	to 25	18	26.00	100%	10,400	10,400	17,097																17,097							
6.600	2	1	Allowance	Mechanical Equipment, Phased	2021	to 15	3 to 10	8,000.00	100%	8,000	16,000	47,549																12,793				15,521			
6.799	3,510	3,510	Square Feet	Pool Finishes, Paint Finishes	2022	4 to 6	4	1.50	100%	5,265	5,265	34,254																8,897				11,727			
6.800	3,510	3,510	Square Feet	Pool Finishes, Paint Finishes and Concrete Repairs	2027	10 to 15	9	13.50	100%	47,385	47,385	152,689																91,934							
6.801	540	540	Linear Feet	Pool Finishes, Tile	2027	15 to 25	9	42.00	100%	22,680	22,680	79,597																			50,518				
6.864	11	11	Squares	Roof Assembly, Pool House	2036	to 10	18	450.00	100%	4,950	4,950	8,137																8,137							
6.868	1	1	Allowance	Security System	2027	10 to15	9	16,500.00	100%	16,500	16,500	52,295																31,140							
6.948	2	2	Each	Umbrellas, Metal	2032	15 to 20	14	3,200.00	100%	6,400	6,400	9,421																							
Anticipated Expenditures, By Year											\$4,996,803	0	56,001	96,497	69,743	76,231	356,858	95,871	78,700	131,969	97,171	52,488	56,951	909,490	722,361	596,155									

RESERVE FUNDING PLAN

Residential

CASH FLOW ANALYSIS

Spring Mills

Unit Owners' Association, Inc.

Falling Waters, West Virginia

Unit Owners' Association, Inc.		Individual Reserve Budgets & Cash Flows for the Next 30 Years															
Falling Waters, West Virginia		FY2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Reserves at Beginning of Year (Note 1)	282,263	301,948	343,066	389,394	449,036	496,718	590,107	699,516	605,636	576,017	325,978	278,729	229,740	340,416	506,756	570,164
	Total Recommended Reserve Contributions (Note 2)	18,034	55,183	70,400	85,600	100,800	116,000	131,200	134,900	138,700	142,600	146,600	150,700	154,900	159,200	163,700	168,300
Plus	Estimated Interest Earned, During Year (Note 3)	1,651	5,436	6,173	7,067	7,971	9,160	10,869	11,000	9,959	7,602	5,097	4,286	4,805	7,140	9,077	11,018
Less	Anticipated Expenditures, By Year	0	(19,500)	(30,245)	(33,026)	(61,089)	(31,771)	(32,660)	(239,780)	(178,278)	(400,241)	(198,946)	(203,975)	(49,029)	0	(109,369)	(12,408)
	Anticipated Reserves at Year End	<u>\$301,948</u>	<u>\$343,066</u>	<u>\$389,394</u>	<u>\$449,036</u>	<u>\$496,718</u>	<u>\$590,107</u>	<u>\$699,516</u>	<u>\$605,636</u>	<u>\$576,017</u>	<u>\$325,978</u>	<u>\$278,729</u>	<u>\$229,740</u>	<u>\$340,416</u>	<u>\$506,756</u>	<u>\$570,164</u>	<u>\$737,074</u>

(continued)

		Individual Reserve Budgets & Cash Flows for the Next 30 Years, Continued														
		2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
Reserves at Beginning of Year		737,074	924,075	1,062,619	1,167,720	1,306,733	1,446,911	1,311,905	1,443,457	1,600,311	1,712,060	1,866,853	2,075,593	2,289,835	1,654,590	1,204,022
Total Recommended Reserve Contributions		173,000	177,800	182,800	187,900	193,200	198,600	204,200	209,900	215,800	221,800	228,000	234,400	241,000	247,700	254,600
Plus	Estimated Interest Earned, During Year	14,001	16,745	18,798	20,856	23,209	23,252	23,223	25,654	27,918	30,164	33,228	36,793	33,245	24,093	17,565
Less	Anticipated Expenditures, By Year	0	(56,001)	(96,497)	(69,743)	(76,231)	(356,858)	(95,871)	(78,700)	(131,969)	(97,171)	(52,488)	(56,951)	(909,490)	(722,361)	(596,155)
Anticipated Reserves at Year End		<u>\$924,075</u>	<u>\$1,062,619</u>	<u>\$1,167,720</u>	<u>\$1,306,733</u>	<u>\$1,446,911</u>	<u>\$1,311,905</u>	<u>\$1,443,457</u>	<u>\$1,600,311</u>	<u>\$1,712,060</u>	<u>\$1,866,853</u>	<u>\$2,075,593</u>	<u>\$2,289,835</u>	<u>\$1,654,590</u>	<u>\$1,204,022</u>	<u>\$880,032</u>
		(NOTE 4)														

Explanatory Notes:

- 1) Year 2018 starting reserves are as of December 31, 2018; FY2018 starts May 1, 2018 and ends April 30, 2019.
- 2) Reserve Contributions for 2018 are the remaining budgeted 4 months; 2019 is budgeted; 2020 is the first year of recommended contributions.
- 3) 1.7% is the estimated annual rate of return on invested reserves; 2018 is a partial year of interest earned.
- 4) Accumulated year 2048 ending reserves consider the need to fund for replacement of the remaining asphalt pavement shortly after 2048, and the age, size, overall condition and complexity of the property.

Residential
FIVE YEAR OUTLOOK

Spring Mills
Unit Owners' Association, Inc.
Falling Waters, West Virginia

Line Item	Reserve Component Inventory	Percentage Ownership	RUL = 0 FY2018	1 2019	2 2020	3 2021	4 2022	5 2023
<u>Property Site Elements</u>								
4.042	Asphalt Pavement, Mill and Overlay, Ambler Lane North and Morningside Drive	100%						31,771
4.080	Asphalt Pavement, Total Replacement, Walking Paths, Near Term (2019 Budgeted)	100%		19,500				
4.081	Asphalt Pavement, Total Replacement, Walking Paths, Remaining, Phased	100%			30,245		31,963	
4.600	Mailbox Stations (Near Term Excl. Cavendish Way Stations)	100%				24,335		
4.830	Tennis Courts, Color Coat	100%					14,111	
<u>Pool Elements</u>								
6.300	Covers, Vinyl	100%					9,135	
6.600	Mechanical Equipment, Phased	100%				8,691		
6.799	Pool Finishes, Paint Finishes	100%					5,880	
Anticipated Expenditures, By Year			0	19,500	30,245	33,026	61,089	31,771

Shared Commercial

RESERVE EXPENDITURES

Years 2018 to 2033

Spring Mills Unit Owners' Association, Inc. Falling Waters, West Virginia										Explanatory Notes: 1) 2.8% is the estimated future Inflation Rate for estimating Future Replacement Costs. 2) FY2018 is Fiscal Year beginning May 1, 2018 and ending April 30, 2019.																			
Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Unit Cost, \$	Percentage Ownership	Per Phase (2018)	Costs, \$ Total (2018)	30-Year Total (Inflated)	RUL = 0 FY2018	1 2019	2 2020	3 2021	4 2022	5 2023	6 2024	7 2025	8 2026	9 2027	10 2028	11 2029	12 2030	13 2031	14 2032	15 2033	
<u>Property Site Elements</u>																													
4.043	18,400	3,680	Square Yards	Asphalt Pavement, Mill and Overlay, T.J. Jackson Drive and Spring Mills Lane	2025	20 to 25	7 to 11	14.00	50%	25,760	128,800	165,267								31,253	32,129	33,028	33,953	34,904					
4.047	18,400	3,680	Square Yards	Asphalt Pavement, Total Replacement, T.J. Jackson Drive and Spring Mills Lane	2048	20 to 25	30 to 30+	25.50	50%	46,920	234,600	107,436																	
Anticipated Expenditures, By Year																													
												\$272,703	0	0	0	0	0	0	0	31,253	32,129	33,028	33,953	34,904	0	0	0	0	

Shared Commercial

RESERVE EXPENDITURES

Years 2034 to 2048

Spring Mills Unit Owners' Association, Inc. Falling Waters, West Virginia																											
Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Unit Cost, \$	Percentage Ownership	Costs, \$			16 2034	17 2035	18 2036	19 2037	20 2038	21 2039	22 2040	23 2041	24 2042	25 2043	26 2044	27 2045	28 2046	29 2047	30 2048
						Useful	Remaining			Per Phase (2018)	Total (2018)	30-Year Total (Inflated)															
Property Site Elements																											
4.043	18,400	3,680	Square Yards	Asphalt Pavement, Mill and Overlay, T.J. Jackson Drive and Spring Mills Lane	2025	20 to 25	7 to 11	14.00	50%	25,760	128,800	165,267															
4.047	18,400	3,680	Square Yards	Asphalt Pavement, Total Replacement, T.J. Jackson Drive and Spring Mills Lane	2048	20 to 25	30 to 30+	25.50	50%	46,920	234,600	107,436															107,436
Anticipated Expenditures, By Year											\$272,703	0	0	0	0	0	0	0	0	0	0	0	0	0	0	107,436	

RESERVE FUNDING PLAN

Shared Commercial

CASH FLOW ANALYSIS

Spring Mills

Unit Owners' Association, Inc.

Individual Reserve Budgets & Cash Flows for the Next 30 Years

Falling Waters, West Virginia		FY2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Reserves at Beginning of Year (Note 1)		39,089	43,311	56,306	70,374	84,681	99,231	114,028	129,480	114,080	97,938	81,018	63,281	44,687	61,381	78,762	96,943
Total Recommended Reserve Contributions (Note 2)		3,989	12,155	13,000	13,000	13,000	13,000	13,400	13,800	14,200	14,600	15,000	15,400	15,800	16,200	16,700	17,200
Plus	Estimated Interest Earned, During Year (Note 3)	233	840	1,068	1,307	1,550	1,797	2,052	2,053	1,787	1,508	1,216	910	894	1,181	1,481	1,794
Less	Anticipated Expenditures, By Year	0	0	0	0	0	0	0	(31,253)	(32,129)	(33,028)	(33,953)	(34,904)	0	0	0	0
Anticipated Reserves at Year End		<u>\$43,311</u>	<u>\$56,306</u>	<u>\$70,374</u>	<u>\$84,681</u>	<u>\$99,231</u>	<u>\$114,028</u>	<u>\$129,480</u>	<u>\$114,080</u>	<u>\$97,938</u>	<u>\$81,018</u>	<u>\$63,281</u>	<u>\$44,687</u> (NOTE 5)	<u>\$61,381</u>	<u>\$78,762</u>	<u>\$96,943</u>	<u>\$115,937</u>

(continued)

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

		2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
Reserves at Beginning of Year		115,937	135,758	156,421	177,939	200,327	223,600	247,874	273,166	299,493	326,872	355,322	384,861	415,608	447,583	480,808
Total Recommended Reserve Contributions		17,700	18,200	18,700	19,200	19,700	20,300	20,900	21,500	22,100	22,700	23,300	24,000	24,700	25,400	26,100
Plus	Estimated Interest Earned, During Year	2,121	2,463	2,818	3,188	3,573	3,974	4,392	4,827	5,279	5,750	6,239	6,747	7,275	7,825	7,482
Less	Anticipated Expenditures, By Year	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(107,436)
Anticipated Reserves at Year End		<u>\$135,758</u>	<u>\$156,421</u>	<u>\$177,939</u>	<u>\$200,327</u>	<u>\$223,600</u>	<u>\$247,874</u>	<u>\$273,166</u>	<u>\$299,493</u>	<u>\$326,872</u>	<u>\$355,322</u>	<u>\$384,861</u>	<u>\$415,608</u>	<u>\$447,583</u>	<u>\$480,808</u>	<u>\$406,954</u> (NOTE 4)

Explanatory Notes:

- 1) Year 2018 starting reserves are as of December 31, 2018; FY2018 starts May 1, 2018 and ends April 30, 2019.
- 2) Reserve Contributions for 2018 are the remaining budgeted 4 months; 2019 is budgeted; 2020 is the first year of recommended contributions.
- 3) 1.7% is the estimated annual rate of return on invested reserves; 2018 is a partial year of interest earned.
- 4) Accumulated year 2048 ending reserves consider the need to fund for replacement of the remaining asphalt pavement shortly after 2048, and the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Year (reserve balance at critical point).

Alternate Residential
RESERVE EXPENDITURES

Spring Mills
Unit Owners' Association, Inc.
Falling Waters, West Virginia

Explanatory Notes:

- 1) 2.8% is the estimated future Inflation Rate for estimating Future Replacement Costs.
2) FY2018 is Fiscal Year beginning May 1, 2018 and ending April 30, 2019.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Unit Cost, \$	Percentage Ownership	Costs, \$			RUL = 0 FY2018	1 2019	2 2020	3 2021	4 2022	5 2023	6 2024	7 2025	8 2026	9 2027	10 2028	11 2029	12 2030	13 2031	14 2032	15 2033
						Useful	Remaining			Per Phase (2018)	Total (2018)	30-Year Total (Inflated)																
Property Site Elements																												
4.040	9,430	9,430	Square Yards	Asphalt Pavement, Mill and Overlay, 2014-2015 Streets and Parking Areas	2039	20 to 25	21	14.00	100%	132,020	132,020	235,774																
4.041	3,480	3,480	Square Yards	Asphalt Pavement, Mill and Overlay, 2018 Streets and Parking Areas	2043	20 to 25	25	14.00	100%	48,720	48,720	97,171																
4.042	5,930	1,977	Square Yards	Asphalt Pavement, Mill and Overlay, Ambler Lane North and Morningside Drive	2023	20 to 25	5 to 7	14.00	100%	27,673	83,020	282,973					31,771	32,660	33,575									
4.044	51,050	10,210	Square Yards	Asphalt Pavement, Mill and Overlay, Remaining Streets and Parking Areas, Phased	2025	20 to 25	7 to 11	14.00	100%	142,940	714,700	1,244,351							173,423	178,278	183,270	188,402	193,677					
4.080	1	1	Allowance	Asphalt Pavement, Total Replacement, Walking Paths, Near Term (2019 Budgeted)	2019	15 to 20	1	19,500.00	100%	19,500	19,500	19,500		19,500														
4.081	1,590	795	Square Yards	Asphalt Pavement, Total Replacement, Walking Paths, Remaining, Phased	2020	15 to 20	2 to 4	36.00	100%	28,620	57,240	62,208			30,245		31,963											
4.082	2,800	700	Square Yards	Asphalt Pavement, Total Replacement, Walking Paths, Subsequent, Phased	2038	15 to 20	20 to 23	36.00	100%	25,200	100,800	182,609																
4.100	19	10	Each	Catch Basins, Inspections and Capital Repairs, Phased	2029	15 to 20	11 to 21	800.00	100%	7,600	15,200	23,871											10,298					
4.110	9,800	490	Linear Feet	Concrete Curbs and Gutters, Partial	2025	to 65	7 to 30+	28.00	100%	13,720	274,400	111,803							16,646					19,110				
4.140	26,600	1,330	Square Feet	Concrete Sidewalks, Partial	2025	to 65	7 to 30+	10.00	100%	13,300	266,000	108,379							16,136						18,525			
4.260	250	250	Linear Feet	Fence, Vinyl	2038	15 to 20	20	42.00	100%	10,500	10,500	18,241																
4.360	1	1	Each	Gazebo	2039	to 25	21	35,000.00	100%	35,000	35,000	62,506																
4.600	16	16	Each	Mailbox Stations (Near Term Excl. Cavendish Way Stations)	2021	to 25	3	1,600.00	100%	25,600	25,600	76,823				24,335												
4.660	1	1	Allowance	Playground Equipment	2032	15 to 20	14	50,000.00	100%	50,000	50,000	73,599														73,599		
4.800	1	1	Allowance	Signage, Entrance Monuments, Renovation	2033	15 to 20	15	8,200.00	100%	8,200	8,200	12,408															12,408	
4.830	1,330	1,330	Square Yards	Tennis Courts, Color Coat	2022	4 to 6	4	9.50	100%	12,635	12,635	106,719					14,111									18,599		
4.840	440	440	Linear Feet	Tennis Courts, Fence	2027	to 25	9	35.00	100%	15,400	15,400	19,745								19,745								
4.860	1,330	1,330	Square Yards	Tennis Courts, Surface Replacement	2027	to 25	9	33.00	100%	43,890	43,890	56,273								56,273								
Pool Elements																												
6.200	7,790	7,790	Square Feet	Concrete Deck, Textured Coating, Partial Replacements and Repairs	2027	8 to 12	9	3.00	100%	23,370	23,370	121,513								29,964								
6.300	4,090	4,090	Square Feet	Covers, Vinyl	2022	6 to 8	4	2.00	100%	8,180	8,180	52,464					9,135							11,394				
6.400	400	400	Linear Feet	Fence, Chain Link	2036	to 25	18	26.00	100%	10,400	10,400	17,097																
6.600	2	1	Allowance	Mechanical Equipment, Phased	2021	to 15	3 to 10	8,000.00	100%	8,000	16,000	47,549				8,691							10,544					
6.799	3,510	3,510	Square Feet	Pool Finishes, Paint Finishes	2022	4 to 6	4	1.50	100%	5,265	5,265	34,254					5,880									7,750		
6.800	3,510	3,510	Square Feet	Pool Finishes, Paint Finishes and Concrete Repairs	2027	10 to 15	9	13.50	100%	47,385	47,385	152,689									60,755							
6.801	540	540	Linear Feet	Pool Finishes, Tile	2027	15 to 25	9	42.00	100%	22,680	22,680	79,597									29,079							
6.864	11	11	Squares	Roof Assembly, Pool House	2036	to 10	18	450.00	100%	4,950	4,950	8,137																
6.868	1	1	Allowance	Security System	2027	10 to15	9	16,500.00	100%	16,500	16,500	52,295									21,155							
6.948	2	2	Each	Umbrellas, Metal	2032	15 to 20	14	3,200.00	100%	6,400	6,400	9,421														9,421		
Anticipated Expenditures, By Year												\$3,369,969	0	19,500	30,245	33,026	61,089	31,771	32,660	239,780	178,278	400,241	198,946	203,975	49,029	0	109,369	12,408

Alternate Residential

RESERVE EXPENDITURES

Years 2034 to 2048

Spring Mills Unit Owners' Association, Inc. Falling Waters, West Virginia				Estimated 1st Year of Event	Life Analysis, Years		Unit Cost, \$	Percentage Ownership	Costs, \$			16 2034	17 2035	18 2036	19 2037	20 2038	21 2039	22 2040	23 2041	24 2042	25 2043	26 2044	27 2045	28 2046	29 2047	30 2048				
Line Item	Total Quantity	Per Phase Quantity	Units		Reserve Component Inventory	Useful			Remaining	Per Phase (2018)	Total (2018)																30-Year Total (Inflated)			
Property Site Elements																														
4.040	9,430	9,430	Square Yards	Asphalt Pavement, Mill and Overlay, 2014-2015 Streets and Parking Areas	2039	20 to 25	21	14.00	100%	132,020	132,020	235,774																235,774		
4.041	3,480	3,480	Square Yards	Asphalt Pavement, Mill and Overlay, 2018 Streets and Parking Areas	2043	20 to 25	25	14.00	100%	48,720	48,720	97,171																97,171		
4.042	5,930	1,977	Square Yards	Asphalt Pavement, Mill and Overlay, Ambler Lane North and Morningside Drive	2023	20 to 25	5 to 7	14.00	100%	27,673	83,020	282,973																59,961	61,640	63,366
4.044	51,050	10,210	Square Yards	Asphalt Pavement, Mill and Overlay, Remaining Streets and Parking Areas, Phased	2025	20 to 25	7 to 11	14.00	100%	142,940	714,700	1,244,351																327,301		
4.080	1	1	Allowance	Asphalt Pavement, Total Replacement, Walking Paths, Near Term (2019 Budgeted)	2019	15 to 20	1	19,500.00	100%	19,500	19,500	19,500																		
4.081	1,590	795	Square Yards	Asphalt Pavement, Total Replacement, Walking Paths, Remaining, Phased	2020	15 to 20	2 to 4	36.00	100%	28,620	57,240	62,208																		
4.082	2,800	700	Square Yards	Asphalt Pavement, Total Replacement, Walking Paths, Subsequent, Phased	2038	15 to 20	20 to 23	36.00	100%	25,200	100,800	182,609					43,779	45,005	46,265	47,560										
4.100	19	10	Each	Catch Basins, Inspections and Capital Repairs, Phased	2029	15 to 20	11 to 21	800.00	100%	7,600	15,200	23,871					13,573													
4.110	9,800	490	Linear Feet	Concrete Curbs and Gutters, Partial	2025	to 65	7 to 30+	28.00	100%	13,720	274,400	111,803	21,940						25,189					28,918						
4.140	26,600	1,330	Square Feet	Concrete Sidewalks, Partial	2025	to 65	7 to 30+	10.00	100%	13,300	266,000	108,379	21,268						24,417					28,033						
4.260	250	250	Linear Feet	Fence, Vinyl	2038	15 to 20	20	42.00	100%	10,500	10,500	18,241					18,241													
4.360	1	1	Each	Gazebo	2039	to 25	21	35,000.00	100%	35,000	35,000	62,506					62,506													
4.600	16	16	Each	Mailbox Stations (Near Term Excl. Cavendish Way Stations)	2021	to 25	3	1,600.00	100%	25,600	25,600	76,823																52,488		
4.660	1	1	Allowance	Playground Equipment	2032	15 to 20	14	50,000.00	100%	50,000	50,000	73,599																		
4.800	1	1	Allowance	Signage, Entrance Monuments, Renovation	2033	15 to 20	15	8,200.00	100%	8,200	8,200	12,408																		
4.830	1,330	1,330	Square Yards	Tennis Courts, Color Coat	2022	4 to 6	4	9.50	100%	12,635	12,635	106,719					21,352					24,514					28,143			
4.840	440	440	Linear Feet	Tennis Courts, Fence	2027	to 25	9	35.00	100%	15,400	15,400	19,745																		
4.860	1,330	1,330	Square Yards	Tennis Courts, Surface Replacement	2027	to 25	9	33.00	100%	43,890	43,890	56,273																		
Pool Elements																														
6.200	7,790	7,790	Square Feet	Concrete Deck, Textured Coating, Partial Replacements and Repairs	2027	8 to 12	9	3.00	100%	23,370	23,370	121,513					39,494											52,055		
6.300	4,090	4,090	Square Feet	Covers, Vinyl	2022	6 to 8	4	2.00	100%	8,180	8,180	52,464					14,211					17,724								
6.400	400	400	Linear Feet	Fence, Chain Link	2036	to 25	18	26.00	100%	10,400	10,400	17,097					17,097													
6.600	2	1	Allowance	Mechanical Equipment, Phased	2021	to 15	3 to 10	8,000.00	100%	8,000	16,000	47,549	12,793						15,521											
6.799	3,510	3,510	Square Feet	Pool Finishes, Paint Finishes	2022	4 to 6	4	1.50	100%	5,265	5,265	34,254					8,897											11,727		
6.800	3,510	3,510	Square Feet	Pool Finishes, Paint Finishes and Concrete Repairs	2027	10 to 15	9	13.50	100%	47,385	47,385	152,689																91,934		
6.801	540	540	Linear Feet	Pool Finishes, Tile	2027	15 to 25	9	42.00	100%	22,680	22,680	79,597																50,518		
6.864	11	11	Squares	Roof Assembly, Pool House	2036	to 10	18	450.00	100%	4,950	4,950	8,137					8,137													
6.868	1	1	Allowance	Security System	2027	10 to15	9	16,500.00	100%	16,500	16,500	52,295																31,140		
6.948	2	2	Each	Umbrellas, Metal	2032	15 to 20	14	3,200.00	100%	6,400	6,400	9,421																		
Anticipated Expenditures, By Year											\$3,369,969	0	56,001	25,234	69,743	76,231	356,858	95,871	78,700	131,969	97,171	52,488	56,951	77,685	204,083	390,667				

RESERVE FUNDING PLAN

Alternate Residential

This Alternate Funding Plan is provided at the request of Management and does not represent the recommendation of Reserve Advisors, Inc.

CASH FLOW ANALYSIS

Spring Mills

Unit Owners' Association, Inc.

Falling Waters, West Virginia

Individual Reserve Budgets & Cash Flows for the Next 30 Years

	FY2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Reserves at Beginning of Year (Note 1)	282,263	301,948	343,066	385,360	436,865	472,238	549,075	637,617	521,910	469,488	195,653	123,598	48,776	132,575	270,976	305,264
Total Recommended Reserve Contributions (Note 2)	18,034	55,183	66,400	77,600	88,800	100,000	111,200	114,300	117,500	120,800	124,200	127,700	131,300	135,000	138,800	142,700
Plus Estimated Interest Earned, During Year (Note 3)	1,651	5,436	6,139	6,930	7,662	8,608	10,002	9,773	8,356	5,606	2,691	1,453	1,528	3,401	4,857	6,297
Less Anticipated Expenditures, By Year	0	(19,500)	(30,245)	(33,026)	(61,089)	(31,771)	(32,660)	(239,780)	(178,278)	(400,241)	(198,946)	(203,975)	(49,029)	0	(109,369)	(12,408)
Anticipated Reserves at Year End	<u>\$301,948</u>	<u>\$343,066</u>	<u>\$385,360</u>	<u>\$436,865</u>	<u>\$472,238</u>	<u>\$549,075</u>	<u>\$637,617</u>	<u>\$521,910</u>	<u>\$469,488</u>	<u>\$195,653</u>	<u>\$123,598</u>	<u>\$48,776</u>	<u>\$132,575</u>	<u>\$270,976</u>	<u>\$305,264</u>	<u>\$441,853</u>
												(NOTE 5)				

(continued)

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

	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
Reserves at Beginning of Year	441,853	597,311	703,070	845,891	950,589	1,055,062	882,938	975,833	1,092,465	1,162,401	1,273,763	1,437,426	1,604,816	1,759,789	1,795,673
Total Recommended Reserve Contributions	146,700	150,800	155,000	159,300	163,800	168,400	173,100	177,900	182,900	188,000	193,300	198,700	204,300	210,000	215,900
Plus Estimated Interest Earned, During Year	8,758	10,960	13,055	15,141	16,904	16,334	15,666	17,432	19,005	20,533	22,851	25,641	28,358	29,967	29,041
Less Anticipated Expenditures, By Year	0	(56,001)	(25,234)	(69,743)	(76,231)	(356,858)	(95,871)	(78,700)	(131,969)	(97,171)	(52,488)	(56,951)	(77,685)	(204,083)	(390,667)
Anticipated Reserves at Year End	<u>\$597,311</u>	<u>\$703,070</u>	<u>\$845,891</u>	<u>\$950,589</u>	<u>\$1,055,062</u>	<u>\$882,938</u>	<u>\$975,833</u>	<u>\$1,092,465</u>	<u>\$1,162,401</u>	<u>\$1,273,763</u>	<u>\$1,437,426</u>	<u>\$1,604,816</u>	<u>\$1,759,789</u>	<u>\$1,795,673</u>	<u>\$1,649,947</u>
															(NOTE 4)

Explanatory Notes:

- 1) Year 2018 starting reserves are as of December 31, 2018; FY2018 starts May 1, 2018 and ends April 30, 2019.
- 2) Reserve Contributions for 2018 are the remaining budgeted 4 months; 2019 is budgeted; 2020 is the first year of recommended contributions.
- 3) 1.7% is the estimated annual rate of return on invested reserves; 2018 is a partial year of interest earned.
- 4) Accumulated year 2048 ending reserves consider the need to fund for replacement of the remaining asphalt pavement shortly after 2048, and the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Year (reserve balance at critical point).

Alternate Residential
FIVE YEAR OUTLOOK

Spring Mills
Unit Owners' Association, Inc.
Falling Waters, West Virginia

Line Item	Reserve Component Inventory	Percentage Ownership	RUL = 0 FY2018	1 2019	2 2020	3 2021	4 2022	5 2023
<u>Property Site Elements</u>								
4.042	Asphalt Pavement, Mill and Overlay, Ambler Lane North and Morningside Drive	100%						31,771
4.080	Asphalt Pavement, Total Replacement, Walking Paths, Near Term (2019 Budgeted)	100%		19,500				
4.081	Asphalt Pavement, Total Replacement, Walking Paths, Remaining, Phased	100%			30,245		31,963	
4.600	Mailbox Stations (Near Term Excl. Cavendish Way Stations)	100%				24,335		
4.830	Tennis Courts, Color Coat	100%					14,111	
<u>Pool Elements</u>								
6.300	Covers, Vinyl	100%					9,135	
6.600	Mechanical Equipment, Phased	100%				8,691		
6.799	Pool Finishes, Paint Finishes	100%					5,880	
Anticipated Expenditures, By Year			0	19,500	30,245	33,026	61,089	31,771

Alternate Shared Commercial

RESERVE EXPENDITURES

Years 2018 to 2033

Spring Mills Unit Owners' Association, Inc. Falling Waters, West Virginia										<div>Explanatory Notes:</div> <div>1) 2.8% is the estimated future Inflation Rate for estimating Future Replacement Costs.</div> <div>2) FY2018 is Fiscal Year beginning May 1, 2018 and ending April 30, 2019.</div>																			
Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Unit Cost, \$	Percentage Ownership	Per Phase (2018)	Costs, \$ Total (2018)	30-Year Total (Inflated)	RUL = 0 FY2018	1 2019	2 2020	3 2021	4 2022	5 2023	6 2024	7 2025	8 2026	9 2027	10 2028	11 2029	12 2030	13 2031	14 2032	15 2033	
Property Site Elements																													
4.043	18,400	3,680	Square Yards	Asphalt Pavement, Mill and Overlay, T.J. Jackson Drive and Spring Mills Lane	2025	20 to 25	7 to 11	14.00	50%	25,760	128,800	224,252								31,253	32,129	33,028	33,953	34,904					
Anticipated Expenditures, By Year													\$224,252	0	0	0	0	0	0	0	31,253	32,129	33,028	33,953	34,904	0	0	0	0

Alternate Shared Commercial

RESERVE EXPENDITURES

Years 2034 to 2048

Spring Mills Unit Owners' Association, Inc. Falling Waters, West Virginia																											
Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Unit Cost, \$	Percentage Ownership	Costs, \$			16 2034	17 2035	18 2036	19 2037	20 2038	21 2039	22 2040	23 2041	24 2042	25 2043	26 2044	27 2045	28 2046	29 2047	30 2048
						Useful	Remaining			Per Phase (2018)	Total (2018)	30-Year Total (Inflated)															
Property Site Elements																											
4.043	18,400	3,680	Square Yards	Asphalt Pavement, Mill and Overlay, T.J. Jackson Drive and Spring Mills Lane	2025	20 to 25	7 to 11	14.00	50%	25,760	128,800	224,252														58,985	
Anticipated Expenditures, By Year												224,252	0	0	0	0	0	0	0	0	0	0	0	0	0	58,985	

RESERVE FUNDING PLAN

Alternate Shared Commercial

This Alternate Funding Plan is provided at the request of Management and does not represent the recommendation of Reserve Advisors, Inc.

CASH FLOW ANALYSIS																	
Spring Mills																	
Unit Owners' Association, Inc.		Individual Reserve Budgets & Cash Flows for the Next 30 Years															
Falling Waters, West Virginia		FY2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Reserves at Beginning of Year (Note 1)	39,089	43,311	56,306	70,374	84,681	99,231	114,028	129,480	114,080	97,938	81,018	63,281	44,687	55,027	65,846	77,151
	Total Recommended Reserve Contributions (Note 2)	3,989	12,155	13,000	13,000	13,000	13,000	13,400	13,800	14,200	14,600	15,000	15,400	9,500	9,800	10,100	10,400
Plus	Estimated Interest Earned, During Year (Note 3)	233	840	1,068	1,307	1,550	1,797	2,052	2,053	1,787	1,508	1,216	910	840	1,019	1,205	1,400
Less	Anticipated Expenditures, By Year	0	0	0	0	0	0	0	(31,253)	(32,129)	(33,028)	(33,953)	(34,904)	0	0	0	0
	Anticipated Reserves at Year End	<u>\$43,311</u>	<u>\$56,306</u>	<u>\$70,374</u>	<u>\$84,681</u>	<u>\$99,231</u>	<u>\$114,028</u>	<u>\$129,480</u>	<u>\$114,080</u>	<u>\$97,938</u>	<u>\$81,018</u>	<u>\$63,281</u>	<u>\$44,687</u>	<u>\$55,027</u>	<u>\$65,846</u>	<u>\$77,151</u>	<u>\$88,951</u>
													(NOTE 5)				

(continued)		Individual Reserve Budgets & Cash Flows for the Next 30 Years, Continued														
		2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
Reserves at Beginning of Year		88,951	101,254	114,069	127,404	141,268	155,671	170,621	186,128	202,302	219,154	236,696	254,940	273,897	293,580	314,001
Total Recommended Reserve Contributions		10,700	11,000	11,300	11,600	11,900	12,200	12,500	12,900	13,300	13,700	14,100	14,500	14,900	15,300	15,700
Plus	Estimated Interest Earned, During Year	1,603	1,815	2,035	2,264	2,503	2,750	3,007	3,274	3,552	3,842	4,144	4,457	4,783	5,121	4,970
Less	Anticipated Expenditures, By Year	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(58,985)
Anticipated Reserves at Year End		<u>\$101,254</u>	<u>\$114,069</u>	<u>\$127,404</u>	<u>\$141,268</u>	<u>\$155,671</u>	<u>\$170,621</u>	<u>\$186,128</u>	<u>\$202,302</u>	<u>\$219,154</u>	<u>\$236,696</u>	<u>\$254,940</u>	<u>\$273,897</u>	<u>\$293,580</u>	<u>\$314,001</u>	<u>\$275,686</u> (NOTES 4&5)

Explanatory Notes:

- 1) Year 2018 starting reserves are as of December 31, 2018; FY2018 starts May 1, 2018 and ends April 30, 2019.
- 2) Reserve Contributions for 2018 are the remaining budgeted 4 months; 2019 is budgeted; 2020 is the first year of recommended contributions.
- 3) 1.7% is the estimated annual rate of return on invested reserves; 2018 is a partial year of interest earned.
- 4) Accumulated year 2048 ending reserves consider the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Years (reserve balance at critical point).

4.RESERVE COMPONENT DETAIL

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

Property Site Elements

Asphalt Pavement, Repaving

Line Items: 4.040 through 4.048

Quantities, Histories and Conditions: We refer to the following table below for a complete break out of the quantities, histories, and conditions of the asphalt pavement streets and parking areas at Spring Mills:

Street Name	Year Constructed / Repaved	Quantity (Square Yards)	Overall Condition
Akron Court	2018	390	Good Overall
Ambler Lane - North	1990	1,830	Fair with cracks, settlement and previous patching evident
Ambler Lane - South	1993	1,700	Good to fair overall with crack repairs and small areas of patching evident
Amherst Lane	1999	4,280	Good with isolated cracks and small areas of patching evident
Bryn Mawr Court	1993	400	Good to fair with isolated cracks and small areas of patching evident
Cavendish Way	2015	1,900	Good overall
Chagrin Drive	2014	1,140	Good overall
Chalcot Place	2015	1,800	Good overall
Chennault Trail	2014	1,590	Good overall
Cheval Place	2014	1,390	Good overall
Clemson Lane	2001	2,200	Good to fair with isolated cracks and small areas of patching evident
Colorado Court	1998	700	Good with minor centerline cracks evident
Cotsworld Lane	2015	1,610	Good overall
Dartmouth Lane	1998	3,300	Good to fair with isolated cracks, crack repairs and small areas of patching evident
Finch Lane	1993	1,200	Good to fair with isolated cracks and small areas of patching evident
Harvard Court	2001	4,780	Good to fair with isolated cracks and small areas of patching evident
Hastings Drive	2001	2,960	Good to fair with isolated cracks and small areas of patching evident
Haverford Court	1998	1,300	Good to fair with minor settlement, crack repairs and patching evident
Heron Lane	1995	1,000	Good with isolated cracks and small areas of patching evident
Hummingbird Lane	1995	1,000	Good with isolated cracks and small areas of patching evident
Jamestown Drive	1989	3,230	Good to fair with cracks and patching evident
Marietta Lane	2002	1,840	Good with isolated cracks and small areas of patching evident
Mercer Lane	2003	1,420	Good with isolated cracks and small areas of patching evident
Morningside Drive	1989	4,100	Fair with cracks and multiple patching evident
Oberlin Drive	2001	2,960	Good with isolated cracks and small areas of patching evident
Orchid Lane	1994	1,700	Good with isolated cracks and small areas of patching evident
Oriole Lane	1995	1,400	Good with isolated cracks and small areas of patching evident
Osprey Lane	1993	1,100	Good with isolated cracks and small areas of patching evident
Pembroke Lane	1993	1,660	Good with isolated cracks and small areas of patching evident
Phoenix Lane	1997	1,170	Good with isolated cracks and small areas of patching evident
Pool Parking Area	1989	1,040	Good to fair with cracks, crack repairs and patching evident
Radcliffe Lane	1997	1,190	Good to fair with cracks, settlement and previous patching evident
Saffron Terrace	2018	2,700	Good overall
Spring Mills Lane	2000	1,500	Good to fair with isolated cracks, settlement and patching evident
Stanford Lane	2011	1,700	Good overall; the original pavement dates to 1991 and was milled and overlaid in 2011
Swallow Court	1992	400	Good to fair with isolated cracks evident
T.J Jackson Drive	1992	16,900	Good to fair with minor cracks evident; shoulder repairs were completed in 2012
Trebek Court	2018	390	Good Overall
Whippoorwill Lane	1991	1,100	Good to fair with isolated cracks, crack repairs and small areas of patching evident
Wisteria Lane	1998	700	Good with minor centerline cracks evident
Yale Lane	1992	3,620	Good to fair with isolated cracks, minor settlement and small areas of patching evident

Additionally, Management informs us the Association most recently conducted pavement patching at Morningside Drive.



Swallow Court pavement overview



Oriole Lane pavement overview



Cavendish Way pavement overview



Marietta Lane overview



Patching at Radcliffe Lane



Pavement crack at Hummingbird Lane



Patching and crack repairs at Whippoorwill Lane



Pavement settlement and ponding water at Ambler Lane North



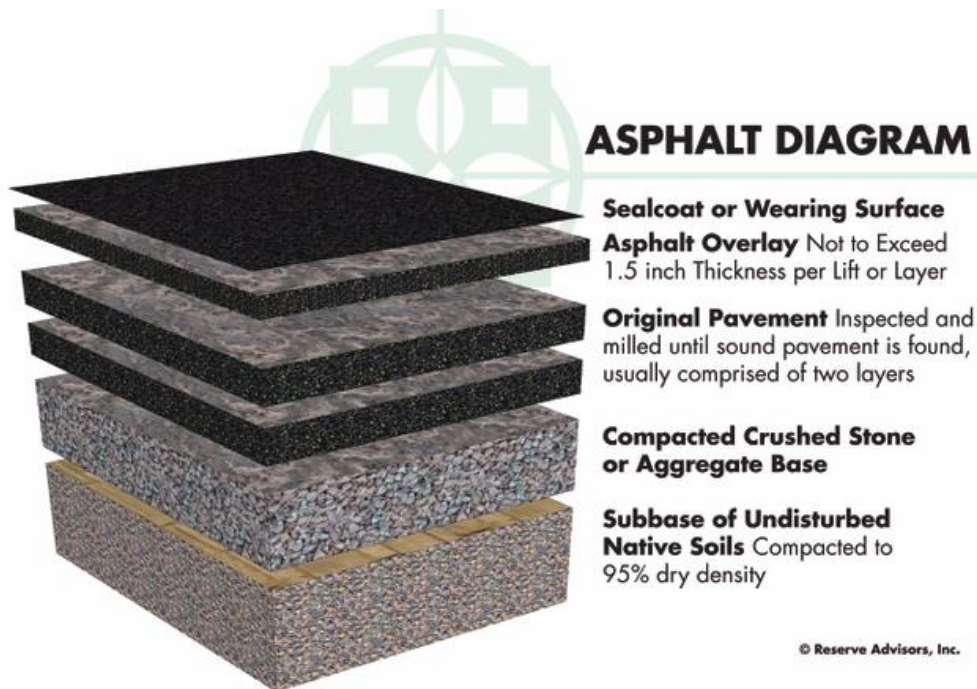
Previous patching at Morningside Drive



Cracks and patching at Morningside Drive

Useful Life: 20- to 25-years with the benefit of timely crack repairs and patching

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 Spring Mills:



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

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost for milling and overlayment includes area patching of up to ten percent (10%). Additionally, the Association shares responsibility of up to fifty percent (50%) of the asphalt pavement streets at T.J. Jackson Drive and Spring Mills Lane located at the Quality Inn.

Asphalt Pavement, Repaving, Walking Paths

Line Items: 4.080, 4.081 and 4.082

Quantity: Approximately 2,800 square yards comprise the walking paths located between Stanford and Ambler Lane, behind Hastings Drive, at the pool house and tennis courts, and at the nature area.

History: The Association replaced a portion of the walking paths from Orchid Lane up to Vanguard Lane in 2018 and plans to replace an additional portion of the walking paths continuing from Vanguard Lane to the nature area in 2019. The remaining walking paths are an unknown age.

Condition: Varying from good to poor overall with organic growth, cracks, patching, heave, and deterioration evident at a portion of the walking paths



Walking path overview at the nature area



2018 repaved walking path near Vanguard Lane



Walking path cracks



Walking path cracks, patching and deterioration



Walking path cracks and deterioration



Walking path crack

Useful Life: The need to maintain a safe pedestrian surface results in a useful life of 15- 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. We include the budgeted allowance of \$19,500 to repave a portion of the walking paths in 2019 and include repaving of the remaining walking paths beginning in 2020 and concluding by 2022. We recommend subsequent repaving of the walking paths beginning by 2038 and concluding by 2041.

Catch Basins

Line Item: 4.100

Quantity: 19 each; this includes the trench drain located at the intersection of Oak Grove Lane and Jamestown Lane

History: Mainly original; however, the catch basins range in age from the mid-1990's to 2018.

Condition: Good overall with no major settlement visible at the time of inspection



Catch basin overview



Catch basin overview

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.

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 when possible.

Concrete Curbs and Gutters

Line Item: 4.110

Quantity: Approximately 9,800 linear feet line the pavement at Akron Court, Cavendish Way, Chagrin Drive, Chalcot Place, Chenault Trail, Cheval Place, Cotsworld Lane, the pool house parking area, Saffron Terrace, Trebek Court and the median islands at the entrances.

Condition: Good to fair overall with cracks and settlement evident



Concrete curb crack



Concrete curb cracks



Concrete curb settlement

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 2,450 linear feet of curbs and gutters, or twenty-five percent (25%) of the total, will require replacement during the next 30 years.

Concrete Sidewalks

Line Item: 4.140

Quantity: Approximately 26,600 square feet located at Akron Court, Cavendish Way, Chagrin Drive, Chalcot Place, Chenault Trail, Cheval Place, Cotsworld Lane, the pool house parking area, Saffron Terrace, and Trebek Court.

Condition: Good overall



Concrete sidewalk installed in 2018



Concrete sidewalk at the pool house

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 6,650 square feet of concrete sidewalks, or twenty-five percent (25%) of the total, will require replacement during the next 30 years.

Fence, Vinyl

Line Item: 4.260

Quantity: 250 linear feet

History: The Association replaced the fence in 2018

Condition: Good overall



Vinyl fence overview

Useful Life: 15- to 20-years

Priority/Criticality: Per Board discretion

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

Gazebo

Line Item: 4.360

Quantity: One located adjacent to the pool area and tennis courts

History: Installed in 2014

Condition: Good overall



Gazebo overview

Useful Life: Up to 25 years with periodic maintenance

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost is based on information provided by the Association at the time of installation.

Mailbox Stations

Line Item: 4.600

Quantity: 16 stations; 14 are located at Morningside Drive and two are located at Cavendish Way.

History: The Morningside Drive stations date back to the mid-1990's and the Cavendish Way stations date back to 2015. Management informs us one post at Morningside Drive was replaced due to rust.

Condition: The Morningside Drive mailbox stations are in fair to poor overall condition with rust evident. The Cavendish Way mailbox stations are in good overall condition



Morningside Drive mailbox stations



Cavendish Way mailbox station



Mailbox station rust



Mailbox station rust and finish deterioration

Useful Life: Up to 25 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our near term replacement cost by 2021 excludes the two stations at Cavendish Way.

Playground Equipment

Line Item: 4.660

Quantity: One set of playground equipment is located near the pool house and tennis courts.

History: Installed in 2012; the Association replaced one slide in 2018 due to vandalism

Condition: Good overall



Playground equipment overview

Useful Life: 15- to 20-years

Component Detail Notes: Safety is the major purpose for maintaining playground equipment. We recommend an annual inspection of the playground equipment to identify and repair as normal maintenance loose connections and fasteners or damaged elements. We suggest the Association learn more about the specific requirements of playground equipment at PlaygroundSafety.org. We recommend the use of a specialist for the design or replacement of the playground equipment environment.

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 include an allowance in the unit cost for replacement of the safety surface and border.

Signage, Entrance Monuments

Line Item: 4.800

Quantity: The Association maintains three entrance monuments; two are located at Dartmouth Drive entrance and one located at the corner of T.J Jackson Road and Hammonds Mill Road

History: The Association replaced the capstones at the Dartmouth Drive monuments in 2012 and the signage in 2014.

Condition: Good to fair overall with masonry discoloration, organic growth and minor cracks



Entrance monument overview at Dartmouth Drive



Masonry wall at the entrance monument located at Dartmouth Drive



Masonry organic growth and cracks

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. The signage includes the following elements:

- Light fixtures
- Masonry
- Signage
- Landscape elements

Priority/Criticality: Per Board discretion

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

Tennis Courts, Color Coat

Line Item: 4.830

Quantity: 1,330 square yards comprising two tennis courts

History: Color coat and crack repairs were last completed in 2017

Condition: Fair overall with cracks evident



Tennis courts overview



Tennis court crack



Tennis court cracks

Useful Life: Four- to six-years

Component Detail Notes: Prior to the application of the color coat, the Association should require the contractor to rout and fill all cracks with hot emulsion. This deters water infiltration and further deterioration of the asphalt playing surface.

Priority/Criticality: Not recommended to defer

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

Tennis Courts, Fence

Line Item: 4.840

Quantity: 440 linear feet

History: Dates back to the mid-1990's

Condition: Good to fair overall with rust evident



Fence overview



Fence rust

Useful Life: Up to 25 years

Priority/Criticality: Per Board discretion

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

Tennis Courts, Surface

Line Item: 4.860

Quantity: 1,330 square yards of asphalt comprising two tennis courts

History: Date back to the mid-1990's

Condition: Good to fair overall with cracks and crack repairs evident

Useful Life: Up to 25 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.

Pool Elements



Pool overview



Pool house overview

Concrete Deck

Line Item: 6.200

Quantity: 7,790 square feet of textured concrete decking surround the pools

History: The deck was coated and repaired in 2017

Condition: Good to fair condition with cracks evident



Concrete deck overview



Deck crack



Deck crack

Useful Life: The useful life of a concrete pool deck is up to 60 years or more with timely repairs. We recommend the Association conduct inspections, partial replacements and repairs to the deck every 8- to 12-years in conjunction with coating replacements.

Component Detail Notes: We recommend the Association budget for the following:

- Selective cut out and replacements of up to five percent (5%) of concrete
- Crack repairs as needed
- Mortar joint repairs
- Caulk replacement
- Coating replacement

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.

Covers, Vinyl

Line Item: 6.300

Quantity: 4,090 square feet comprising the main pool and wading pool

History: Unknown ages

Condition: Satisfactory condition

Useful Life: Six- to eight-years

Priority/Criticality: Per Board discretion

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

Fence, Chain Link

Line Item: 6.400

Quantity: 400 linear feet surround the pool area

History: Replaced in 2012

Condition: Good overall condition



Chain link fence

Useful Life: Up to 25 years

Priority/Criticality: Not recommended to defer

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

Mechanical Equipment

Line Item: 6.600

Quantity:

- Automatic chlorinators
- Controls
- Filters
- Interconnected pipe, fittings and valves
- Pumps

History: Unknown ages

Condition: Reported satisfactory



Pool mechanical equipment

Useful Life: Up to 15 years

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Failure of the pool mechanical equipment as a single event is unlikely. Therefore, we include replacement of up to fifty percent (50%) of the equipment per event. We consider interim replacement of motors and minor repairs as normal maintenance.

Pool Finishes, Plaster and Tile

Line Items: 6.800 and 6.801

Quantity: 3,510 square feet of plaster based on the horizontal surface area and approximately 540 linear feet of tile

History: The plaster finish was last redone in 2012

Condition: Reported in satisfactory condition; we were unable to inspect the pools due to the covers.

Useful Life: 8- to 12-years for the plaster and 15- to 25-years for the tile

Component Detail Notes: Removal and replacement provides the opportunity to inspect the pool structures and to allow for partial repairs of the underlying concrete surfaces as needed. To maintain the integrity of the pool structures, we recommend the Association budget for the following:

- Removal and replacement of the plaster finishes
- Partial replacements of the scuppers and coping as needed
- Replacement of tiles as needed
- Replacement of joint sealants as needed

- Concrete structure repairs as needed

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association budget for full tile replacement every other plaster replacement event.

Roof Assembly, Asphalt Shingles

Line Item: 6.864

Quantity: 11 squares¹ of asphalt shingles and 100 linear feet of gutters and downspouts

History: Replaced in 2018

Condition: Good overall condition



Asphalt shingle roof overview

Useful Life: 15- 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.

Security System

Line Item: 6.868

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

Quantity: Spring Mills utilizes the following security system components:

- Cameras (10)
- Multiplexer (1)
- Recorder (1)
- Light poles and fixtures (2)

History: Installed in 2013

Condition: Reported satisfactory



Recorder and multiplexer



Security cameras

Useful Life: Up to 15 years

Priority/Criticality: Per Board discretion

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

Umbrellas, Metal

Line Item: 6.948

History: Installed in 2013

Conditions: Good overall condition; at the time of inspection the umbrella canvases were in storage

Useful Life: 15- to 20-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend interim replacement of the umbrella canvases be funded as needed through the operating budget.

Reserve Study Update

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

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

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

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.

Spring Mills 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 "Level II Reserve Study Update." 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 Falling

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

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

Waters, West Virginia at an annual inflation rate³. Isolated or regional markets of greater construction (development) activity may experience slightly greater rates of inflation for both construction materials and labor.

- The past and current maintenance practices of Spring Mills 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.

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



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 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

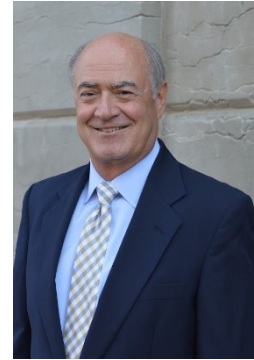
Professional Engineer, Wisconsin (1982) and North Carolina (2014)

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



NICHOLAS R. JULIA, RS
Regional Engineering Manager, Northeast Region

CURRENT CLIENT SERVICES

Nicholas R. Julia, a Civil Engineer, is an Advisor for Reserve Advisors. Mr. Julia is responsible for the inspection and analysis of the condition of clients' property, 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 Analysis and Capital Replacement Forecast services and the preparation of Reserve Study Reports for condominiums, townhomes and homeowner associations. Nicholas Julia often serves as Quality Assurance Reviewer for all types of developments to ensure our reports maintain the level of quality which is expected of our firm.

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

One Park Crest Condominium is an upscale 19-story high rise building located in McLean, Virginia just outside of Washington, D.C. Residents enjoy an 18th floor club room and outdoor pool with expansive views of the surrounding landscape. The building also contains an exercise room, library, professionally decorated lobby and underground parking.

The Maryland Club is an exclusive club located in the heart of Baltimore, Maryland. The elegant white marble main building dates back to 1892. The club contains squash courts, a banquet area, a dining hall, and a professional kitchen amongst many other amenities.

Town of St. Michaels This quaint and scenic town is located on the Eastern Shore of Maryland. The town includes an administrative building, police station, public works garage and offices, and a historic log cabin. The municipality also maintains the asphalt pavement streets throughout the town, multiple parks, two water towers and a complex arsenic removal water treatment system.

One Loudoun Neighborhood Association is an upscale planned unit development comprising townhomes and single family homes located in Ashburn, Virginia. The property includes a high-end clubhouse with over 12,000 square feet of interior space including a gymnasium and yoga studio. The property also includes walking trails, multiple playgrounds, a tennis court, sports court, and a pool.

3883 Connecticut Avenue Condominium is a 10-story midrise located in Washington, D.C. The building was constructed in 2002 and contains luxurious amenities including an elevated outdoor pool on the 8th floor, party room, exercise facility and an underground parking garage.

Lake Petersburg Association This man-made lake community of 380 single family homes is located in Petersburg, Illinois. Components of the property include a community boat launch, dock, three tennis courts, a basketball court, two maintenance buildings, an office, and vehicular equipment. The Association also maintains an earthen dam on the far side of the lake.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Mr. Julia attended Marquette University in Milwaukee, Wisconsin where he attained his Bachelor of Science degree in Civil Engineering. His studies focused on transportation engineering and construction management engineering.

EDUCATION

Marquette University - B.S. Civil Engineering

PROFESSIONAL AFFILIATIONS / DESIGNATIONS

Engineer in Training (E.I.T.) – Washington D.C.

Reserve Specialist (RS) - Community Association 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, 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 Spring Mills 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) Spring Mills 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, 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. 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.