

# Windstone Community Association II Inc.

September 28, 2023 • Sugar Grove, IL

FULL RESERVE STUDY





Long-term thinking. Everyday commitment.

Windstone Community Association II Inc.  
Sugar Grove, Illinois

Dear Board of Directors of Windstone Community Association II Inc.:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of Windstone Community Association II Inc. in Sugar Grove, Illinois and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, September 28, 2023.

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

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. We look forward to continuing to help Windstone Community Association II 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 October 18, 2023 by

*Reserve Advisors, LLC*

Visual Inspection and Report by: Megan F. Schmit  
Review by: Justin B. Klein, RS<sup>1</sup>, Senior Engineer  
Alan M. Ebert, RS, PRA<sup>2</sup>, Director of Quality Assurance



<sup>1</sup> 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.

<sup>2</sup> 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:** Windstone Community Association II Inc. (Windstone)

**Location:** Sugar Grove, Illinois

**Reference:** 232029

**Property Basics:** Windstone Community Association II Inc. is a homeowners association which is responsible for the common elements shared by 306 single-family homes and lots. The community was built from 1986 to the mid-2000s. The community contains a lake and two sport courts.

**Reserve Components Identified:** 14 Reserve Components.

**Inspection Date:** September 28, 2023.

**Funding Goal:** The Funding Goal of this Reserve Study is to maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures. Our recommended Funding Plan does not recognize a threshold funding year in the next 30 years, the end of this study's Cash Flow Analysis. Rather, the Reserve Funding Plan recommends 2053 year end accumulated reserves of approximately \$320,400. We judge this amount of accumulated reserves in 2053 necessary to fund the likely sediment removal at the lake after 2053. These future needs, although beyond the limit of the Cash Flow Analysis of this Reserve Study, are reflected in the amount of accumulated 2053 year end reserves.

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

- Current and future local costs of replacement
- 2.2% average current annual rate of return on invested reserves
- 3.3% future Inflation Rate for estimating Future Replacement Costs

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

**Unaudited Cash Status of Reserve Fund:**

- \$327,367 as of August 31, 2023
- 2023 budgeted Reserve Contributions of \$37,141

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

- Replacement of the tennis court surface and asphalt access drive
- Replacement of the large dock due to noted deterioration
- Replacement of the small docks
- Color coat applications at the sport courts

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

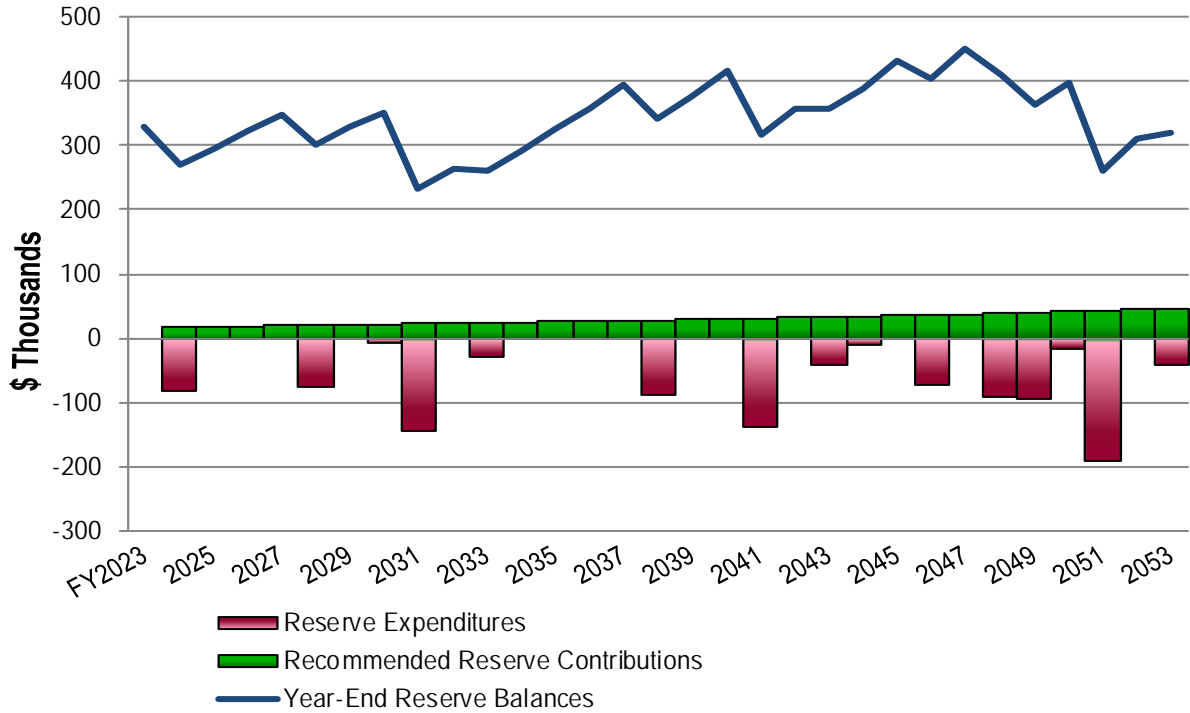
- We recommend the Association adopt a reserve budget of \$18,000 in 2024
- Inflationary increases thereafter through 2053, the limit of this study's Cash Flow Analysis



- 2024 Reserve Contribution of \$18,000 is equivalent to an average annual contribution of \$58.82 per homeowner.

**Windstone**  
Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2024	18,000	271,175	2034	24,900	292,295	2044	34,400	387,769
2025	18,600	295,805	2035	25,700	324,556	2045	35,500	431,988
2026	19,200	321,571	2036	26,500	358,319	2046	36,700	403,722
2027	19,800	348,498	2037	27,400	393,717	2047	37,900	450,709
2028	20,500	300,622	2038	28,300	340,512	2048	39,200	408,985
2029	21,200	328,513	2039	29,200	377,347	2049	40,500	364,673
2030	21,900	349,465	2040	30,200	415,985	2050	41,800	398,977
2031	22,600	233,697	2041	31,200	317,754	2051	43,200	259,302
2032	23,300	262,272	2042	32,200	357,132	2052	44,600	309,956
2033	24,100	261,505	2043	33,300	355,901	2053	46,100	320,383





## 2. RESERVE STUDY REPORT

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

**Windstone Community Association II Inc.**

**Sugar Grove, Illinois**

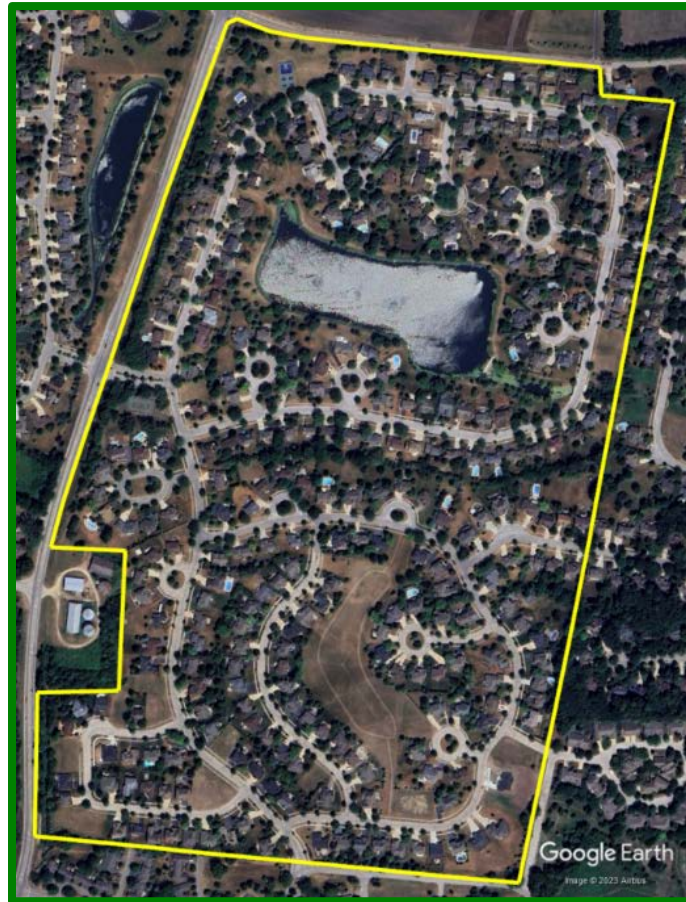
and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, September 28, 2023.

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

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



## IDENTIFICATION OF PROPERTY



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

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

- Reserve Components
- Long-Lived Property Elements
- Operating Budget Funded Repairs and Replacements
- Property Maintained by Homeowners
- Property Maintained by The Village of Sugar Grove

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:

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

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

- Electrical Systems, Common
- Retaining Walls, Concrete and Stone, Total Replacement
- Spillway, Total Replacement

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

- General Maintenance to the Common Elements
- Expenditures less than \$2,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Asphalt Pavement, Tennis Court Access Drive, Crack Repairs and Patch
- Catch Basins, Landscape
- Concrete Stairs, Basketball and Pickleball Court
- Detention Basin, East of Brighton Drive, Maintenance
- Detention Basin, Southwest of Sheffield Court, Maintenance
- Docks, Wood, Interim Repairs
- Irrigation System, Backflow Testing
- Irrigation System, Controls and Maintenance
- Lake, Bathymetric Study
- Lake, Channel, Liner (Our inspection notes a liner exists at a portion of the channel downstream of the spillway. We were not able to determine the size of the liner at the time of our inspection. Based on discussions with the Board, we assume the liner is small and recommend the Association plan to fund replacement through the operating budget. Future updates to this Reserve Study will consider the need to budget funds for replacement through reserves.)
- Lake, Shoreline Maintenance (The Association installed a buffer zone comprising natural plantings along the majority of the lake shoreline approximately five years ago. The Association should plan to maintain the



buffer zone and isolated areas of stone or turf shoreline using funds from the operating budget.)

- Landscape
- Paint Finishes, Touch Up
- Security Cameras, Sport Courts, Proposed (The Association plans to install a security camera at each sport court. We do not anticipate the need to budget funds through reserves for maintenance or future replacement of the proposed security cameras. Future updates to this study will consider including the security cameras as a reserve component if needed.)
- Signage, Lake Windstone
- Signage, Sport Courts
- Sport Courts, Basketball Hoop and Tennis/Pickleball Nets
- Trash Receptacles, Sport Courts
- Other Repairs normally funded through the Operating Budget



**Basketball hoop**



**Concrete stairs at pickleball and basketball courts**



**Lake signage**



**Pickleball net**





**Sport court signage**



**Trash receptacle at tennis court**

**Homeowners' Responsibility** - Items designated as the responsibility of the homeowners to repair or replace at their cost. Property Maintained by Homeowners, including items billed back to Homeowners, relates to unit:

- Homes and Lots (Including Driveways and Mailboxes)
- Pipes, Subsurface Utilities, Branches to Units
- Sidewalks (Jointly maintained by the homeowners and The Village of Sugar Grove.)

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

- Bridge, Queens Gate Circle, East of Spillway
- Landscape, Parkways
- Light Poles and Fixtures
- Pipes, Subsurface Utilities, Mains
- Pump House, 743 Queens Gate Circle
- Sidewalks (Jointly maintained by the homeowners and The Village of Sugar Grove.)
- Street Systems

### 3. RESERVE EXPENDITURES and FUNDING PLAN

The tables following this introduction present:

#### Reserve Expenditures

- Line item numbers
- Total quantities
- Quantities replaced per phase (in a single year)
- Reserve component inventory
- Estimated first year of event (i.e., replacement, application, etc.)
- Life analysis showing
  - useful life
  - remaining useful life
- 2023 local cost of replacement
  - Per unit
  - Per phase
  - Replacement of total quantity
- Percentage of future expenditures anticipated during the next 30 years
- Schedule of estimated future costs for each reserve component including inflation

#### Reserve Funding Plan

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

#### Five-Year Outlook

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

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

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

## RESERVE EXPENDITURES

**Windstone  
Community Association II Inc.**  
Sugar Grove, Illinois

**Explanatory Notes:**

- 1) **3.3%** is the estimated Inflation Rate for estimating Future Replacement Costs.
- 2) FY2023 is Fiscal Year beginning January 1, 2023 and ending December 31, 2023.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$			Percentage of Future Expenditures	RUL = 0 FY2023	1 2024	2 2025	3 2026	4 2027	5 2028	6 2029	7 2030	8 2031	9 2032	10 2033	11 2034	12 2035	13 2036	14 2037	15 2038		
						Useful	Remaining	Unit (2023)	Per Phase (2023)	Total (2023)																			
4.045	120	120	Square Yards	Asphalt Pavement, Access Drive, Tennis Court, Replacement	2024	15 to 20	1	44.00	5,280	5,280	1.4%	5,454																	
4.390	1	1	Each	Dock and Pilings, Wood, Large	2024	to 30	1	35,000.00	35,000	35,000	3.2%	36,155																	
4.391	6	6	Each	Docks and Pilings, Wood, Small	2028	to 30	5	8,000.00	48,000	48,000	5.0%						56,460												
4.420	1	1	Allowance	Irrigation System, West Entrance, Replacement	2033	to 40+	10	6,000.00	6,000	6,000	0.7%										8,301								
4.700	2	2	Each	Lake, Aerators	2031	10 to 15	8	7,700.00	15,400	15,400	4.7%										19,967								
4.730	42,400	2,000	Square Yards	Lake, Sediment Removal, Partial	2031	10 to 15	8	33.50	67,000	1,420,400	33.2%										86,872								
4.733	1	1	Allowance	Lake, Spillway, Inspections and Capital Repairs	2031	10 to 15	8	9,500.00	9,500	9,500	4.7%										12,318								
4.735	2,450	2,450	Square Feet	Retaining Walls, Concrete and Stone, Inspections and Capital Repairs	2031	10 to 15	8	8.00	19,600	19,600	5.9%										25,413								
4.800	1	1	Allowance	Signage, Entrance Monument	2030	15 to 20	7	6,500.00	6,500	6,500	2.1%										8,159								
4.820	1	1	Allowance	Site Furniture, Benches	2043	15 to 25	20	6,000.00	6,000	6,000	1.0%																		
4.830	1,600	1,600	Square Yards	Sport Courts, Color Coat	2028	4 to 6	5	10.00	16,000	16,000	12.4%										18,820			22,137			26,039		
4.840	720	720	Linear Feet	Sport Courts, Fences	2038	to 25	15	54.00	38,880	38,880	5.6%																63,275		
4.860	800	800	Square Yards	Sport Court, Surface Replacement, Basketball and Pickleball	2048	to 25	25	50.00	40,000	40,000	8.0%																		
4.861	800	800	Square Yards	Sport Court, Surface Replacement, Tennis	2024	to 25	1	50.00	40,000	40,000	11.9%	41,320																	
<b>Anticipated Expenditures, By Year (\$1,125,313 over 30 years)</b>												0	82,929	0	0	0	0	75,280	0	8,159	144,570	0	30,438	0	0	0	0	0	89,314



## RESERVE EXPENDITURES

**Windstone  
Community Association II Inc.**  
Sugar Grove, Illinois

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$			Percentage of Future Expenditures	16 2039	17 2040	18 2041	19 2042	20 2043	21 2044	22 2045	23 2046	24 2047	25 2048	26 2049	27 2050	28 2051	29 2052	30 2053	
						Useful	Remaining	Unit (2023)	Per Phase (2023)	Total (2023)																	
4.045	120	120	Square Yards	Asphalt Pavement, Access Drive, Tennis Court, Replacement	2024	15 to 20	1	44.00	5,280	5,280	1.4%						10,441										
4.390	1	1	Each	Dock and Pilings, Wood, Large	2024	to 30	1	35,000.00	35,000	35,000	3.2%																
4.391	6	6	Each	Docks and Pilings, Wood, Small	2028	to 30	5	8,000.00	48,000	48,000	5.0%																
4.420	1	1	Allowance	Irrigation System, West Entrance, Replacement	2033	to 40+	10	6,000.00	6,000	6,000	0.7%																
4.700	2	2	Each	Lake, Aerators	2031	10 to 15	8	7,700.00	15,400	15,400	4.7%								32,496								
4.730	42,400	2,000	Square Yards	Lake, Sediment Removal, Partial	2031	10 to 15	8	33.50	67,000	1,420,400	33.2%			120,193											166,297		
4.733	1	1	Allowance	Lake, Spillway, Inspections and Capital Repairs	2031	10 to 15	8	9,500.00	9,500	9,500	4.7%			17,042												23,579	
4.735	2,450	2,450	Square Feet	Retaining Walls, Concrete and Stone, Inspections and Capital Repairs	2031	10 to 15	8	8.00	19,600	19,600	5.9%								41,358								
4.800	1	1	Allowance	Signage, Entrance Monument	2030	15 to 20	7	6,500.00	6,500	6,500	2.1%														15,618		
4.820	1	1	Allowance	Site Furniture, Benches	2043	15 to 25	20	6,000.00	6,000	6,000	1.0%					11,486											
4.830	1,600	1,600	Square Yards	Sport Courts, Color Coat	2028	4 to 6	5	10.00	16,000	16,000	12.4%					30,629											42,377
4.840	720	720	Linear Feet	Sport Courts, Fences	2038	to 25	15	54.00	38,880	38,880	5.6%																
4.860	800	800	Square Yards	Sport Court, Surface Replacement, Basketball and Pickleball	2048	to 25	25	50.00	40,000	40,000	8.0%														90,067		
4.861	800	800	Square Yards	Sport Court, Surface Replacement, Tennis	2024	to 25	1	50.00	40,000	40,000	11.9%															93,040	
<b>Anticipated Expenditures, By Year (\$1,125,313 over 30 years)</b>												0	0	137,235	0	42,115	10,441	0	73,854	0	90,067	93,040	15,618	189,876	0	42,377	

# RESERVE FUNDING PLAN

## CASH FLOW ANALYSIS

Windstone  
Community Association II Inc.

Sugar Grove, Illinois

Individual Reserve Budgets & Cash Flows for the Next 30 Years

		FY2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Reserves at Beginning of Year	(Note 1)	327,367	329,713	271,175	295,805	321,571	348,498	300,622	328,513	349,465	233,697	262,272	261,505	292,295	324,556	358,319	393,717
Total Recommended Reserve Contributions	(Note 2)	0	18,000	18,600	19,200	19,800	20,500	21,200	21,900	22,600	23,300	24,100	24,900	25,700	26,500	27,400	28,300
Estimated Interest Earned, During Year	(Note 3)	2,346	6,391	6,030	6,566	7,127	6,904	6,691	7,211	6,202	5,275	5,571	5,890	6,561	7,263	7,998	7,809
Anticipated Expenditures, By Year		0	(82,929)	0	0	0	(75,280)	0	(8,159)	(144,570)	0	(30,438)	0	0	0	0	(89,314)
Anticipated Reserves at Year End		<u>\$329,713</u>	<u>\$271,175</u>	<u>\$295,805</u>	<u>\$321,571</u>	<u>\$348,498</u>	<u>\$300,622</u>	<u>\$328,513</u>	<u>\$349,465</u>	<u>\$233,697</u>	<u>\$262,272</u>	<u>\$261,505</u>	<u>\$292,295</u>	<u>\$324,556</u>	<u>\$358,319</u>	<u>\$393,717</u>	<u>\$340,512</u>

(continued)

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

		2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
Reserves at Beginning of Year		340,512	377,347	415,985	317,754	357,132	355,901	387,769	431,988	403,722	450,709	408,985	364,673	398,977	259,302	309,956
Total Recommended Reserve Contributions		29,200	30,200	31,200	32,200	33,300	34,400	35,500	36,700	37,900	39,200	40,500	41,800	43,200	44,600	46,100
Estimated Interest Earned, During Year		7,635	8,438	7,804	7,178	7,584	7,909	8,719	8,888	9,087	9,143	8,228	8,122	7,001	6,054	6,704
Anticipated Expenditures, By Year		0	0	(137,235)	0	(42,115)	(10,441)	0	(73,854)	0	(90,067)	(93,040)	(15,618)	(189,876)	0	(42,377)
Anticipated Reserves at Year End		<u>\$377,347</u>	<u>\$415,985</u>	<u>\$317,754</u>	<u>\$357,132</u>	<u>\$355,901</u>	<u>\$387,769</u>	<u>\$431,988</u>	<u>\$403,722</u>	<u>\$450,709</u>	<u>\$408,985</u>	<u>\$364,673</u>	<u>\$398,977</u>	<u>\$259,302</u>	<u>\$309,956</u>	<u>\$320,383</u>

(NOTE 4)

**Explanatory Notes:**

- 1) Year 2023 starting reserves are as of August 31, 2023; FY2023 starts January 1, 2023 and ends December 31, 2023.
- 2) 2024 is the first year of recommended contributions.
- 3) 2.2% is the estimated annual rate of return on invested reserves; 2023 is a partial year of interest earned.
- 4) Accumulated year 2053 ending reserves consider the need to fund for sediment removal of the lake shortly after 2053, and the age, size, overall condition and complexity of the property.

**RESERVE EXPENDITURES**

**Windstone  
Community Association II Inc.**  
Sugar Grove, Illinois

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Line Item	Reserve Component Inventory	RUL = 0 FY2023	1 2024	2 2025	3 2026	4 2027	5 2028
4.045	Asphalt Pavement, Access Drive, Tennis Court, Replacement		5,454				
4.390	Dock and Pilings, Wood, Large		36,155				
4.391	Docks and Pilings, Wood, Small						56,460
4.830	Sport Courts, Color Coat						18,820
4.861	Sport Court, Surface Replacement, Tennis		41,320				
<b>Anticipated Expenditures, By Year (\$1,125,313 over 30 years)</b>		0	82,929	0	0	0	75,280



## 4. RESERVE COMPONENT DETAIL

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

### **Asphalt Pavement, Repaving**

---

**Line Item:** 4.045

**Quantity:** Approximately 120 square yards at the tennis court access drive

**History:** The age was unavailable at the time of our inspection.

**Condition:** Fair to poor overall with systemic cracks and raveling evident.



**Pavement overview**



**Alligator cracks and raveling**



**Alligator cracks and raveling**

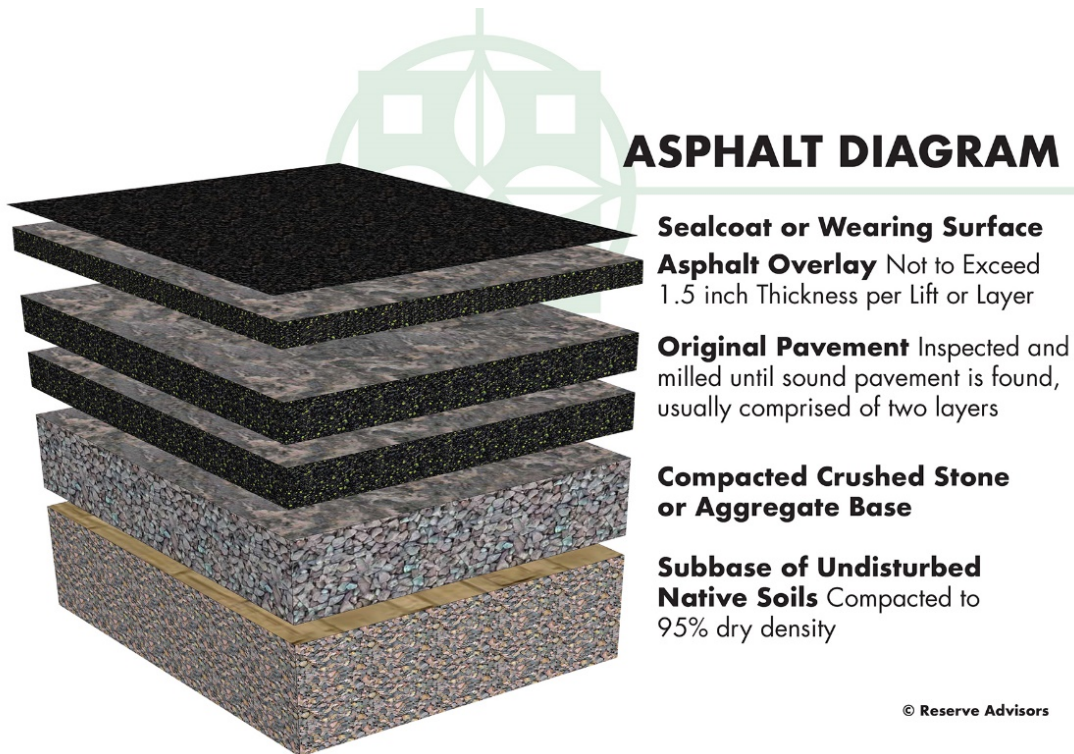


**Transverse crack**

**Useful Life:** 15- to 20-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 Windstone:





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

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

- Annually:
  - Inspect for settlement, large cracks and trip hazards, and ensure proper drainage
- As needed:
  - Perform crack repairs and patching

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

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

## **Docks and Pilings, Wood**

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**Line Items:** 4.390 and 4.391

**Quantity:** The Association maintains six small wood docks and one large wood dock.

**History:** Varied ages. The Association conducted repairs to the small docks in 2023.

**Condition:** The small docks are in fair condition overall with periodic wood rot and weathered wood evident. The large dock is in poor overall condition with systemic wood rot, loose fasteners, and weathered wood evident.



**Small wood dock**



**Large wood dock**



**Weathered small wood dock**



**Deck board deflection at small dock**



**Weathered deck boards at small dock**



**Wood rot at large dock railing**





**Wood rot at large dock railings**



**Piling deterioration at large dock**



**Weathered deck boards at large dock**

**Useful Life:** Up to 30 years

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

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our estimate of cost includes an allowance for removal and disposal of the existing docks and installation of new docks. Windstone should plan to fund interim repairs through the operating budget.

## **Irrigation System**

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**Line Item:** 4.420

**Quantity:** The irrigation system services the main entrance at Windstone Lane.

**History:** Original; The Association expanded the irrigation system to cover a wider area in 2022 and replaced the valves in 2023.

**Condition:** Satisfactory operational condition



**Irrigation system head**



**Irrigation system controller**

**Useful Life:** Up to and sometimes beyond 40 years although we defer near-term replacement due to recent additions and partial replacements.

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

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

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

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

- Semi-annually:
  - Conduct seasonal repairs which includes valve repairs, controller repairs, partial head replacements and pipe repairs
  - Blow out irrigation water lines and drain building exterior faucets each fall if applicable

**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 is based on information provided by the Association.



## Lake, Aerators

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**Line Item:** 4.700

**Quantity:** Two bubbler aerators

**History:** One aerator was replaced in 2014 and the other was replaced in 2021.

**Condition:** Reported satisfactory without operational deficiencies



**Aerator pumps**

**Useful Life:** 10- to 15-years

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

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

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Based on discussions with the Board, our cost includes an upgrade at the time of replacement to fountain aerators. Future updates to this study will consider the need to adjust costs as needed.

## Lake, Sediment Removal

---

**Line Item:** 4.730

**Quantity:** Approximately 42,400 square yards of water surface area at the lake and channel downstream of the spillway.

**History:** The Association conducted sediment removal at the lake and channel within the last few years.



**Condition:** Good to fair overall with algae growth and sediment accumulation evident primarily at the channel downstream of the spillway.



**Lake overview**



**Channel downstream of spillway**



**Rip rap and vegetation buffer zone between spillway and channel**



**Natural vegetation shoreline**



**Algae growth at channel**



**Algae growth at spillway inlet**



**Useful Life:** Based on the visual condition, construction, and adjacent deciduous trees, we recommend the Association anticipate the need to remove sediment primarily from the channel and northwest portion of the lake every 10- to 15-years.

**Component Detail Notes:** The gradual build-up of natural debris, including tree leaves, branches and silt, may eventually change the topography of areas of the lake. Silt typically accumulates at inlets, outlets and areas of shoreline erosion. Sediment removal of lakes becomes necessary if this accumulation alters the quality of lake water or the functionality of the lakes as storm water management structures. Sediment removal is the optimal but also the most capital intensive method of lake management. Excavation equipment used for sediment removal includes clamshells, draglines and suction pipe lines. Sediment removal can also include shoreline regrading. Regrading includes removal of collapsed and eroded soil, and redefining the shoreline.

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

- Annually:
  - Inspect and remediate shoreline erosion and areas of sediment accumulation
  - Clear and remove debris and vegetation overgrowth at lake edges, and inlet and outlet structures
  - Inspect for algae blooms and remedy as needed through a chemical treatment program or aeration

**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. For reserve budgeting purposes, we estimate the need to remove sediment from the entire channel and portions of the lake, primarily near the northwest corner, which comprises approximately five percent (5%) of the total surface area. However, the actual volume of material to remove may vary dependent upon an invasive analysis at the time of removal. A visual inspection of a body of water cannot reveal the amount of accumulated silt. This is especially true on larger bodies of water. It is therefore inaccurate to assume an entire body of water will require sediment removal. It is more cost effective to spot remove in areas of intense silt accumulation as noted through bathymetric surveys. The amount or depth of silt is determined through prodding into the silt until a relatively solid base is found or through bathymetric surveys. A bathymetric survey establishes a base of data about the depth of the body of water over many locations against which the data of future surveys is compared. These invasive procedures are beyond the scope of a Reserve Study and require multiple visits to the site. We recommend Windstone contract with a local engineer for periodic bathymetric surveys. Future updates of the Reserve Study can incorporate future anticipated expenditures based on the results of the bathymetric surveys.

Unit costs per cubic yard to remove can vary significantly based on the type of equipment used, quantity of removed material and disposal of removed material. Sediment removal costs must also include mobilization, or getting the equipment to and from the site. Also, the portion of the overall cost to remove associated with mobilization varies based on the

volume removed. Costs for sediment disposal also vary depending on the site. Compact sites will require hauling and in some cases disposal fees.

## Lake, Spillway

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**Line Item:** 4.733

**Quantity:** The Association maintains a spillway comprising approximately 1,500 square feet of concrete and six metal covers.

**History and Condition:** The Association has recently conducted several inspections of the spillway. The most recent inspection was conducted in 2023. We are informed the spillway is in satisfactory operational condition. Our inspection notes periodic concrete cracks and rust at the metal covers.



**Spillway overview**



**Spillway opening with metal cover**



**Concrete crack**



**Concrete cracks and spall**





**Concrete cracks and spall**



**Metal cover rust**

**Useful Life:** Spillways have a long and often indeterminate useful life. We anticipate the need for inspections and capital repairs every 10- to 15-years.

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

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost includes inspection of the spillway, replacement of the metal covers, and repairs or replacement of up to ten percent (10%) of the concrete.

## **Retaining Walls, Concrete and Stone**

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**Line Item:** 4.735

**Quantity:** Approximately 1,850 square feet of concrete and approximately 600 square feet of mortar-set stone comprise the retaining walls on either side of the channel downstream of the spillway.

**History:** Original

**Condition:** Good to fair overall with isolated missing stones and minor wall movement evident.





**Concrete retaining wall**



**Concrete retaining wall**



**Mortar-set stone retaining wall**



**Mortar-set stone retaining wall**



**Missing section**



**Minor wall movement**

**Useful Life:** Concrete and stone retaining walls have indeterminate useful lives. However, we recommend the Association plan for inspections and capital repairs every 10- to 15-years to forestall deterioration.



**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 includes an allowance for an inspection and crack repairs of up to ten percent (10%) of the concrete and up to twenty percent (20%) of the mortar-set stone. Updates of this Reserve Study will continue to monitor the rate of deterioration and incorporate any available inspection reports.

## Signage, Entrance Monument

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**Line Item:** 4.800

**Quantity:** The entrance comprises two concrete retaining walls with a masonry facade and concrete property identification signs, four lights at the landscape beds and signs, and three landscape beds at the walls and between the entrance roads.

**History:** Original

**Condition:** Fair overall with periodic masonry cracks and mortar deterioration evident.



Entrance monument



Mortar deterioration



Entrance monument functions as a concrete retaining wall with masonry facade



Masonry cracks and mortar deterioration





**Missing mortar**



**Concrete sign**



**Sign lighting**



**Masonry 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.

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

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

**Priority/Criticality:** Per Board discretion

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost for renovation includes repairs to the concrete retaining wall, tuckpointing at the masonry facade, and replacement of the light and landscape elements.

## Site Furniture, Benches

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**Line Item:** 4.820

**Quantity and History:** The Association purchased seven benches in 2023. The Association will install one bench at each sport court and five surrounding the lake.

**Condition:** Good overall. The benches were not yet installed at the time of our inspection and we were unable to view them, however we assume the benches to be in good condition.

**Useful Life:** 15- 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 cost is based on information provided by the Association.

## Sport Courts, Fences

---

**Line Item:** 4.840

**Quantity:** Approximately 720 linear feet total at the two sport courts

**History:** Replaced in 2015.

**Condition:** Good to fair overall with isolated rust and warped webbing evident



Chain link fence at tennis court



Chain link fence at pickleball and basketball courts





**Gate lock rust at tennis court**



**Fence warped webbing at tennis court**

**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.

## **Sport Courts, Color Coat and Surface Replacement**

**Line Items:** 4.830, 4.860 and 4.861

**Quantity:** Two sport courts comprising approximately 1,600 square yards of asphalt. The sport court near the main entrance comprises one tennis court. The sport court at the northwest corner of the property comprises two pickleball courts and one half basketball court.

### **History:**

- **Basketball and Pickleball:**
  - The surface was replaced and color coated in 2023.
- **Tennis Court:**
  - The surface was overlaid in 2011. The age of the color coat was unavailable at the time of our inspection.

### **Condition:**

- **Basketball and Pickleball:**
  - Good overall with no significant deterioration evident.
- **Tennis Court:**
  - Fair to poor overall with cracks and color coat fade evident.





**Pickleball and basketball courts overview**



**Surface cracks at tennis court**



**Surface cracks at tennis court**



**Surface cracks extending across entire length of tennis court**



**Surface cracks at tennis court**

**Useful Life:** Up to 25 years for replacement of the surface with the benefit of color coat applications and repairs every four- to six-years

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

- Annually:
  - Inspect and repair large cracks, trip hazards and possibly safety hazards
  - Verify gate and fencing is secure
  - Verify lighting is working properly if applicable
  - Inspect and repair standards and windscreens 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. The Board provided us a project cost for surface replacement. We opine this cost appears to be low based on comparable historical bids received and potential differences in project scope compared to our recommended replacement activities. Our cost for surface replacement includes removal of the asphalt surface, installation of a new asphalt surface, and color coat application.

## 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.

Windstone 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 standards<sup>1</sup> set forth by the Association of Professional Reserve Analysts (APRA) fulfilling the requirements of a "Level I Full Reserve Study." These standards require a Reserve Component to have a "predictable remaining Useful Life." Estimating Remaining Useful Lives and Reserve Expenditures beyond 30 years is often indeterminate. Long-Lived Property Elements are necessarily excluded from this analysis. We considered the following factors in our analysis:

- The Cash Flow Method to compute, project and illustrate the 30-year Reserve Funding Plan
- Local<sup>2</sup> 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 Sugar Grove, Illinois at an annual inflation rate<sup>3</sup>. Isolated or regional markets of greater

<sup>1</sup> Identified in the APRA "Standards - Terms and Definitions" and the CAI "Terms and Definitions".

<sup>2</sup> See Credentials for additional information on our use of published sources of cost data.

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



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

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

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



## 6. CREDENTIALS

### HISTORY AND DEPTH OF SERVICE

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

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

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

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

### TOTAL STAFF INVOLVEMENT

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

### OUR GOAL

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

### VAST EXPERIENCE WITH A VARIETY OF BUILDINGS

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

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

### OLD TO NEW

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

**MEGAN F. SCHMIT**  
**Responsible Advisor**

**CURRENT CLIENT SERVICES**

Megan F. Schmit, a Mechanical Engineer, is an Advisor for Reserve Advisors. Megan is responsible for the inspection and analysis of the condition of clients' property, and recommending engineering solutions to prolong the lives of the components. She also forecasts capital expenditures for the repair and/or replacement of the property components and prepares technical reports on assignments. She is responsible for conducting Life Cycle Cost Analysis and Capital Replacement Forecast services and the preparation of Reserve Study Reports for condominiums, townhomes and homeowner associations.



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

**Quaker Ridge Homeowners Association** in Akron, Ohio, is responsible for the common element shared by 50 homeowners. The attached single family homes in this development were built in 1981. The property contains extensive concrete sidewalks and stairs, as well as a concrete street shared with the neighboring property.

**The Preserves Townhome Association** is located in Orland Park, Illinois. This townhome style development consists of 106 units in 26 buildings and was built from 1998 to 2002. The building exteriors comprise vinyl siding, masonry walls, and asphalt shingle roofs. The property contains several manicured ponds and asphalt walking paths.

**Nor'Easter Cove Condominiums** is located in Port Clinton, Ohio, on the coast of Lake Erie. This small community consists of eight units in four buildings. The buildings comprise fiber cement siding, asphalt shingle roofs and balconies, and the property contains floating docks in a marina.

**The Oaks of Aurora Condominium Association** is located in Aurora, Ohio, and was built from 1991 to 2002. The association is responsible for the common property elements and the exterior components of 28 buildings. The exteriors comprise cedar and fiber cement siding, masonry walls, and asphalt shingle roofs. The property contains a pond and gazebo.

**Averill's Arbors Homeowner's Association** in Geneva, Illinois, is a community of 17 unit owners. The exteriors of the seven buildings comprise wood siding and decks, masonry walls, and asphalt shingle roofs. The property boasts many trees and interlocking block retaining walls.

**Red Tail Master Homeowners Association** is located in Avon, Ohio. This community began construction in 2000 and is still in development. The association is responsible for the common elements shared by over 470 single family homes. The property contains an assortment of ponds varying in size and style. In recent years, the association conducted major renovations to the impressive property entrance monuments.

**PRIOR RELEVANT EXPERIENCE**

Before joining Reserve Advisors, Megan attended The University of Akron in Akron, Ohio where she attained her Bachelor of Science degree in Mechanical Engineering. Her studies focused on automation and design engineering. Megan also worked as a manufacturing engineer for Little Tikes, a widely-known toy manufacturer, where she managed automation projects to increase the efficiency of manufacturing processes.

**EDUCATION**

The University of Akron - B.S. in Mechanical Engineering

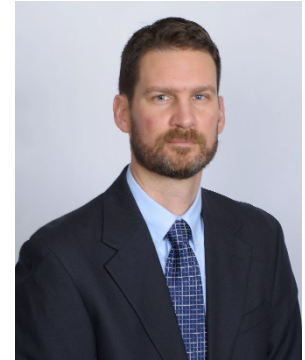


**ALAN M. EBERT, P.E., PRA, RS**  
**Director of Quality Assurance**

**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

**JUSTIN B. KLEIN, RS**  
**Senior Engineer**

**CURRENT CLIENT SERVICES**

Justin B. Klein, a Senior Engineer, is an Advisor for Reserve Advisors, LLC. Mr. Klein 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 and Transition Study Reports for apartments, high rises, condominiums, townhomes, and homeowners associations.



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

**Springfield Golf and Country Club** – This private club, established in 1960, is located in Springfield, Virginia. Home to an 18-hole golf course, multiple practice putting greens, a driving range, outdoor pool facility, a fitness center and studio, a golf simulator, four indoor tennis courts, and six outdoor tennis courts including two clay courts, members of this Club can enjoy an extensive array of amenities.

**Glenmore Community Association** – Located in Keswick, Virginia, this master community association features 980 single family homes and counting. The community maintains a private equestrian center located on a 61-acre parcel of land. The equestrian center is equipped with two outdoor riding rings and 13 fenced paddocks in addition to the 27 stalls at the Main Barn. The Association also maintains over 10 miles of roads, three earthen dams, eight ponds, a dog park, and playground.

**California House** – Built in 1900 and converted to condominiums in 1978, this six story building is located in the historic Kalorama neighborhood in Washington D.C. Sharing its footprint with a sister building, the Association's 27 residents can enjoy the decorative cornice, ornate marble tiled lobby and welcoming courtyard.

**Villages of Five Points** – Conveniently nestled east of Route 1 in Lewes, Delaware, this master association of over 580 units comprising condos, townhouses and single-family homes is a short drive to the shores of the Atlantic Ocean. The Association maintains a clubhouse, two pool houses and pools, eight tennis courts and over 1.5 miles of pavement walking paths.

**Windsor Park Residences** – Located within the Windsor Club in Vero Beach, Florida, this condominium Association features 12 residences within five connected three-story buildings with a private reflecting pool centerpiece at the courtyard. Owners can take advantage of direct access elevators and garages for their vehicles and golf carts.

**PRIOR RELEVANT EXPERIENCE**

Before joining Reserve Advisors, LLC, Mr. Klein attended Rose-Hulman Institute of Technology in Terre Haute, Indiana where he attained his Bachelor of Science degree in Mechanical Engineering. His rigorous coursework focused on using problem solving to understand mechanical systems and principles. During his undergraduate education, Mr. Klein worked to develop a debris displacement apparatus to be mounted inside a D-155 bulldozer for Komatsu America Corporation.

**EDUCATION**

Rose-Hulman Institute of Technology - B.S. Mechanical Engineering

**PROFESSIONAL AFFILIATIONS**

*Reserve Specialist (RS) – Community Association Institute*  
*Engineer in Training (E.I.T) – State of Virginia*





## RESOURCES

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

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

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

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

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

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

## 7. DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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





## 8. PROFESSIONAL SERVICE CONDITIONS

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

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

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

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

**Report** - RA will complete the services in accordance with the Proposal. The Report represents a valid opinion of RA's findings and recommendations with respect to the reserve study and is deemed complete. RA will consider any additional information made available to RA within 6 months of issuing the Report and issue a revised Report based on such additional information if a timely request for a revised Report is made by you. RA retains the right to withhold a revised Report if payment for services was not tendered in a timely manner. All information received by RA and all files, work papers or documents developed by RA during the course of the engagement shall remain the property of



RA and may be used for whatever purpose it sees fit. RA reserves the right to, and you acknowledge and agree that RA may, use any data provided by you in connection with the services, or gathered as a result of providing such services, including in connection with creating and issuing any Report, in a de-identified and aggregated form for RA's business purposes.

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

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

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

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

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