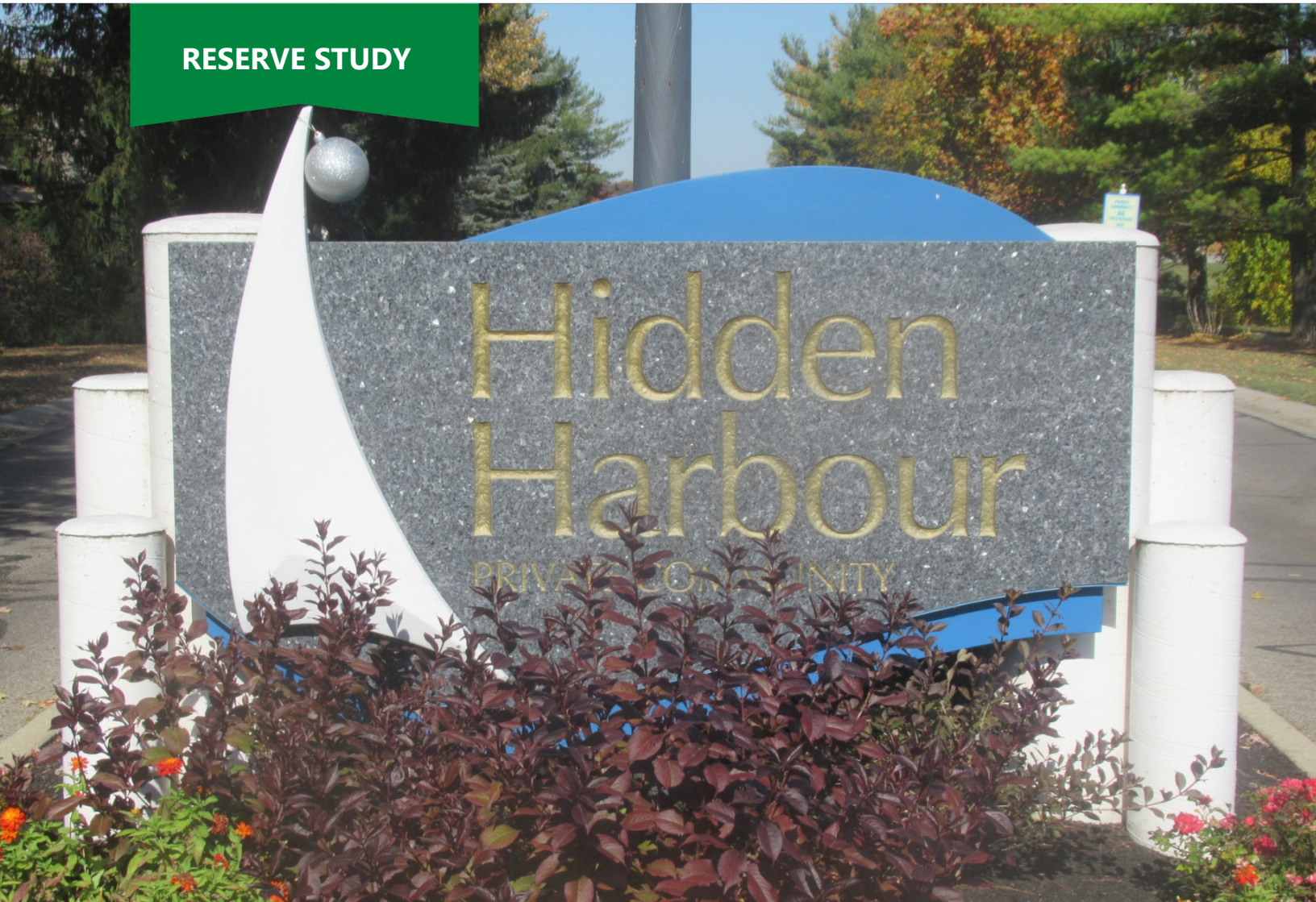


Hidden Harbour Homeowners Association

Holland, Ohio • October 24, 2022

RESERVE STUDY



Hidden Harbour Homeowners Association
Holland, Ohio

Dear Board of Directors of Hidden Harbour Homeowners Association:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Reserve Study* of Hidden Harbour Homeowners Association in Holland, Ohio and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, October 24, 2022.

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 Hidden Harbour Homeowners Association plan for a successful future.

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

Respectfully submitted on November 15, 2022 by

Reserve Advisors, LLC

Visual Inspection and Report by: Timothy J. Matthiesen, 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>.



Long-term thinking. Everyday commitment.



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1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Hidden Harbour Homeowners Association (Hidden Harbour)

Location: Holland, Ohio

Reference: 061138

Property Basics: Hidden Harbour Homeowners Association is a planned unit development which is responsible for the common elements shared by 133 units. The community was built in 1985.

Reserve Components Identified: 12 Reserve Components.

Inspection Date: October 24, 2022. We conducted previous inspections in 2007, 2013 and 2017.

Funding Goal: The Funding Goal of this Reserve Study is to maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures. Our recommended Funding Plan recognizes these threshold funding years in 2035 and again in 2046 due to major repaving events.

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
- 1.2% average current annual rate of return on invested reserves
- 3.5% future Inflation Rate for estimating Future Replacement Costs

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

Unaudited Cash Status of Reserve Fund:

- \$323,149 as of October 31, 2022
- 2022 budgeted Reserve Contributions of \$39,585

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:

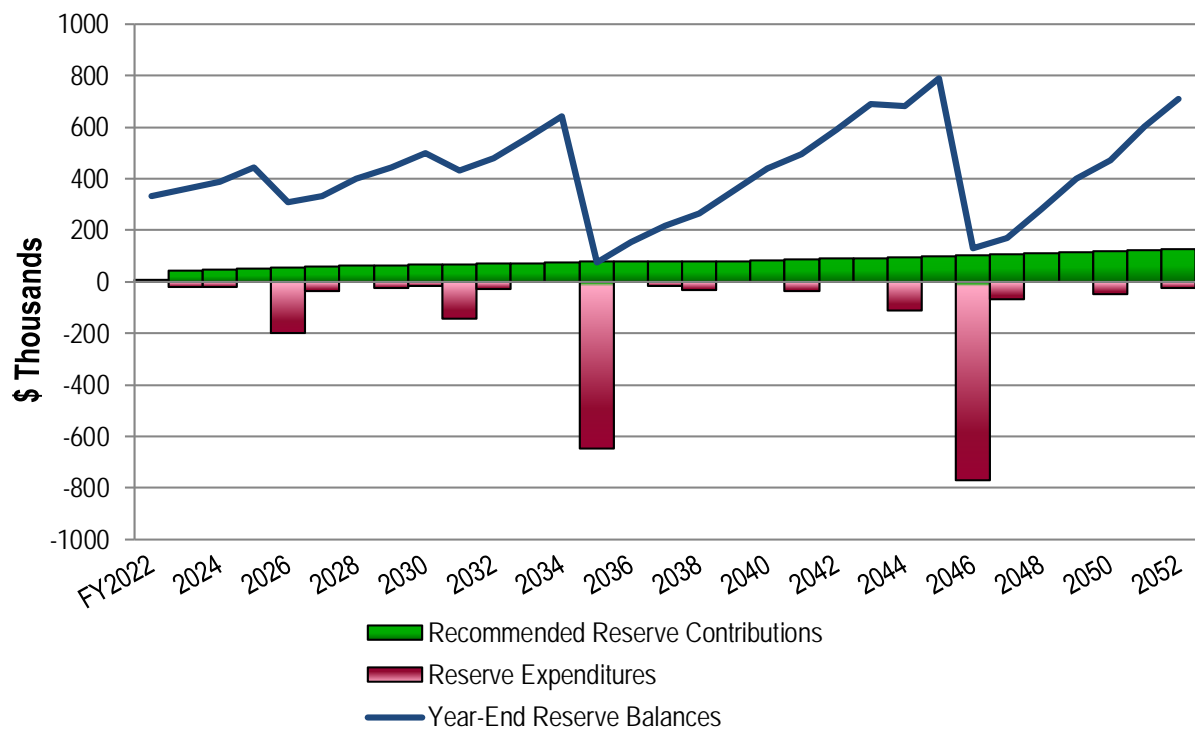
- Repaving of East Shoreline Drive and North Moon Lake Drive
- Repairs including crack repairs and patching to the remaining pavement
- Replacement of signage as necessary

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

- Phased increases in the reserve contribution of approximately \$3,900 from 2023 through 2027
- Inflationary increases in the reserve contribution from 2028 through 2035
- Stable reserve contributions of \$77,800 from 2036 through 2038
- Beginning in 2039, inflationary increases in the reserve contribution through 2052, the limit of this study's Cash Flow Analysis
- Initial adjustment in Reserve Contributions of \$3,915 represents an average monthly increase of \$2.45 per homeowner (\$29.44, annually) and about a four percent (3.9%) adjustment in the 2022 total Operating Budget of \$99,610.

Hidden Harbour Recommended Reserve Funding Table and Graph

| Year | Reserve Contributions (\$) | Reserve Balances (\$) | Year | Reserve Contributions (\$) | Reserve Balances (\$) | Year | Reserve Contributions (\$) | Reserve Balances (\$) |
|------|----------------------------|-----------------------|------|----------------------------|-----------------------|------|----------------------------|-----------------------|
| 2023 | 43,500 | 358,474 | 2033 | 72,700 | 557,573 | 2043 | 92,300 | 689,960 |
| 2024 | 47,400 | 388,592 | 2034 | 75,200 | 639,975 | 2044 | 95,500 | 682,605 |
| 2025 | 51,300 | 444,904 | 2035 | 77,800 | 75,298 | 2045 | 98,800 | 790,262 |
| 2026 | 55,200 | 306,579 | 2036 | 77,800 | 154,480 | 2046 | 102,300 | 129,249 |
| 2027 | 59,100 | 334,079 | 2037 | 77,800 | 218,608 | 2047 | 105,900 | 169,801 |
| 2028 | 61,200 | 399,692 | 2038 | 77,800 | 266,531 | 2048 | 109,600 | 282,119 |
| 2029 | 63,300 | 444,004 | 2039 | 80,500 | 350,743 | 2049 | 113,400 | 399,619 |
| 2030 | 65,500 | 499,375 | 2040 | 83,300 | 438,791 | 2050 | 117,400 | 472,711 |
| 2031 | 67,800 | 429,658 | 2041 | 86,200 | 494,243 | 2051 | 121,500 | 600,666 |
| 2032 | 70,200 | 478,642 | 2042 | 89,200 | 589,963 | 2052 | 125,800 | 708,092 |





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

Hidden Harbour Homeowners Association

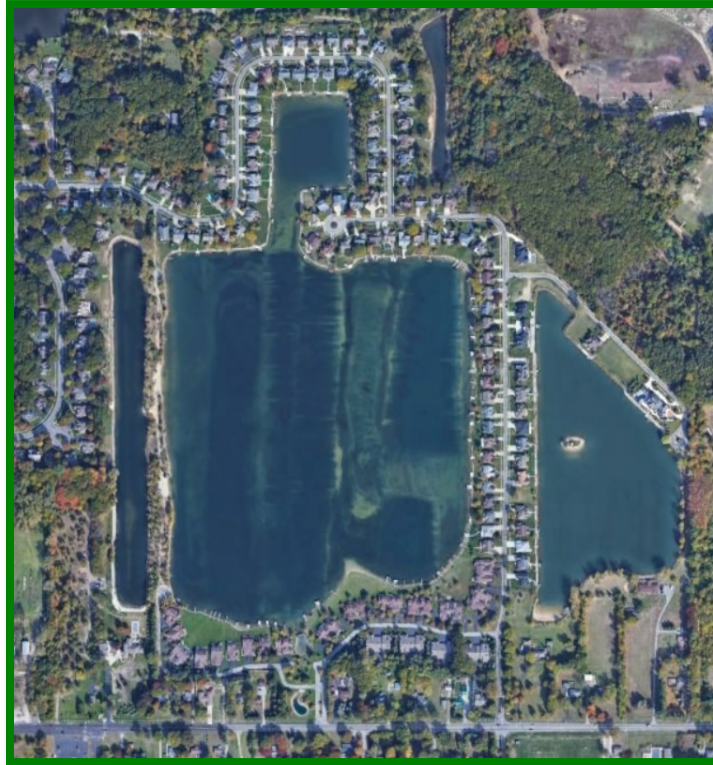
Holland, Ohio

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, October 24, 2022. We conducted previous inspections in 2007, 2013 and 2017.

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

- **Identification of Property** - Segregates all property into several areas of responsibility for repair or replacement
- **Reserve Expenditures** - Identifies reserve components and related quantities, useful lives, remaining useful lives and future reserve expenditures during the next 30 years
- **Reserve Funding Plan** - Presents the recommended Reserve Contributions and year-end Reserve Balances for the next 30 years
- **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:

- Hidden Harbour 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 the 30-year Reserve Expenditures at this time.

- Electrical System, Common
- Pipes, Subsurface Utilities, Storm Water

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 \$3,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Concrete Curbs and Gutters
- Irrigation System, Angola Road Entrance
- Landscape
- Paint Finishes, Light Poles, Signage and Touch Up
- Sidewalks, Common Area
- 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:

- Driveways and Aprons
- Fences at Lot Lines (if present)
- Homes and Lots
- Mailboxes
- Sidewalks, Within Lot Lines

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

- Fire Hydrants (City of Holland)
- Lakes / Ponds (Including Access / Boat Launches) (Pond Association)
- Pipes, Subsurface Utilities, Sanitary Waste (City of Holland)

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
- 2022 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

Hidden Harbour
Homeowners Association
Holland, Ohio

Explanatory Notes:

- 1) **3.5%** is the estimated Inflation Rate for estimating Future Replacement Costs.
- 2) **FY2022** is Fiscal Year beginning January 1, 2022 and ending December 31, 2022.

| Line Item | Total Quantity | Per Phase Quantity | Units | Reserve Component Inventory | Estimated 1st Year of Event | Life Analysis, Years | | Unit Cost, \$ | Percentage Ownership | Costs, \$ | | Percentage of Future Expenditures | RUL = 0 FY2022 | 1 2023 | 2 2024 | 3 2025 | 4 2026 | 5 2027 | 6 2028 | 7 2029 | 8 2030 | 9 2031 | 10 2032 | 11 2033 | 12 2034 | 13 2035 | 14 2036 | 15 2037 |
|--|----------------|--------------------|--------------|---|-----------------------------|----------------------|-----------|---------------|----------------------|------------------|--------------|-----------------------------------|----------------|--------|--------|--------|---------|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|---------|
| | | | | | | Useful | Remaining | | | Per Phase (2022) | Total (2022) | | | | | | | | | | | | | | | | | |
| 4.020 | 22,250 | 22,250 | Square Yards | Asphalt Pavement, Crack Repair and Patch | 2023 | 3 to 5 | 1 | 0.85 | 100% | 18,913 | 18,913 | 12.5% | | 19,574 | | | 10,603 | | | 24,062 | | | 26,678 | | | | 15,128 | |
| 4.041 | 2,350 | 2,350 | Square Yards | Asphalt Pavement, Mill and Overlay, Phase I | 2024 | 15 to 20 | 2 | 17.30 | 50% | 20,328 | 20,328 | 1.0% | | | 21,775 | | | | | | | | | | | | | |
| 4.042 | 9,030 | 9,030 | Square Yards | Asphalt Pavement, Mill and Overlay, Phase II | 2026 | 15 to 20 | 4 | 17.30 | 100% | 156,219 | 156,219 | 8.0% | | | | | 179,265 | | | | | | | | | | | |
| 4.046 | 2,350 | 2,350 | Square Yards | Asphalt Pavement, Total Replacement, Phase I | 2044 | 15 to 20 | 22 | 36.50 | 50% | 42,888 | 42,888 | 4.1% | | | | | | | | | | | | | | | | |
| 4.047 | 9,030 | 9,030 | Square Yards | Asphalt Pavement, Total Replacement, Phase II | 2046 | 15 to 20 | 24 | 36.50 | 100% | 329,595 | 329,595 | 33.6% | | | | | | | | | | | | | | | | |
| 4.048 | 10,870 | 10,870 | Square Yards | Asphalt Pavement, Total Replacement, Phase III | 2035 | 15 to 20 | 13 | 36.50 | 100% | 396,755 | 396,755 | 27.7% | | | | | | | | | | | | | | | 620,507 | |
| 4.100 | 30 | 15 | Each | Catch Basins, Inspections and Capital Repairs, Phased | 2026 | 15 to 20 | 4 to 13 | 475.00 | 100% | 7,125 | 14,250 | 1.6% | | | | | 8,176 | | | | | | | | | | 11,143 | |
| 4.560 | 30 | 30 | Each | Light Poles and Fixtures | 2031 | to 35 | 9 | 3,500.00 | 100% | 105,000 | 105,000 | 6.4% | | | | | | | | | | 143,104 | | | | | | |
| 4.745 | 220 | 220 | Square Feet | Retaining Wall, Masonry, North Moon Lake Drive | 2027 | to 35 | 5 | 50.00 | 100% | 11,000 | 11,000 | 0.6% | | | | | | | 13,065 | | | | | | | | | |
| 4.798 | 1 | 1 | Allowance | Security System, Cameras | 2027 | to 10 | 5 | 9,500.00 | 100% | 9,500 | 9,500 | 2.2% | | | | | | | 11,283 | | | | | | | | | 15,916 |
| 4.800 | 1 | 1 | Allowance | Signage, Entrance Monument | 2030 | to 30 | 8 | 12,000.00 | 100% | 12,000 | 12,000 | 0.7% | | | | | | | | | 15,802 | | | | | | | |
| 4.810 | 11 | 11 | Each | Signage, Wayfinding and Traffic Management | 2027 | to 25 | 5 | 850.00 | 100% | 9,350 | 9,350 | 1.7% | | | | | | | 11,105 | | | | | | | | | |
| Anticipated Expenditures, By Year (\$2,239,235 over 30 years) | | | | | | | | | | | | | 0 | 19,574 | 21,775 | 0 | 198,044 | 35,453 | 0 | 24,062 | 15,802 | 143,104 | 26,678 | 0 | 0 | 646,778 | 0 | 15,916 |

RESERVE EXPENDITURES

Hidden Harbour
Homeowners Association
Holland, Ohio

| Line Item | Total Quantity | Per Phase Quantity | Units | Reserve Component Inventory | Estimated 1st Year of Event | Life Analysis, Years | | Unit Cost, \$ | Percentage Ownership | Costs, \$ | | Percentage of Future Expenditures | 16 2038 | 17 2039 | 18 2040 | 19 2041 | 20 2042 | 21 2043 | 22 2044 | 23 2045 | 24 2046 | 25 2047 | 26 2048 | 27 2049 | 28 2050 | 29 2051 | 30 2052 |
|--|----------------|--------------------|--------------|---|-----------------------------|----------------------|-----------|---------------|----------------------|------------------|--------------|-----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | | | | | | Useful | Remaining | | | Per Phase (2022) | Total (2022) | | | | | | | | | | | | | | | | |
| 4.020 | 22,250 | 22,250 | Square Yards | Asphalt Pavement, Crack Repair and Patch | 2023 | 3 to 5 | 1 | 0.85 | 100% | 18,913 | 18,913 | 12.5% | 32,794 | | | | | | 19,694 | | | 44,695 | | | | 49,554 | |
| 4.041 | 2,350 | 2,350 | Square Yards | Asphalt Pavement, Mill and Overlay, Phase I | 2024 | 15 to 20 | 2 | 17.30 | 50% | 20,328 | 20,328 | 1.0% | | | | | | | | | | | | | | | |
| 4.042 | 9,030 | 9,030 | Square Yards | Asphalt Pavement, Mill and Overlay, Phase II | 2026 | 15 to 20 | 4 | 17.30 | 100% | 156,219 | 156,219 | 8.0% | | | | | | | | | | | | | | | |
| 4.046 | 2,350 | 2,350 | Square Yards | Asphalt Pavement, Total Replacement, Phase I | 2044 | 15 to 20 | 22 | 36.50 | 50% | 42,888 | 42,888 | 4.1% | | | | | | | 91,415 | | | | | | | | |
| 4.047 | 9,030 | 9,030 | Square Yards | Asphalt Pavement, Total Replacement, Phase II | 2046 | 15 to 20 | 24 | 36.50 | 100% | 329,595 | 329,595 | 33.6% | | | | | | | | | 752,574 | | | | | | |
| 4.048 | 10,870 | 10,870 | Square Yards | Asphalt Pavement, Total Replacement, Phase III | 2035 | 15 to 20 | 13 | 36.50 | 100% | 396,755 | 396,755 | 27.7% | | | | | | | | | | | | | | | |
| 4.100 | 30 | 15 | Each | Catch Basins, Inspections and Capital Repairs, Phased | 2026 | 15 to 20 | 4 to 13 | 475.00 | 100% | 7,125 | 14,250 | 1.6% | | | | | | | | | 16,269 | | | | | | |
| 4.560 | 30 | 30 | Each | Light Poles and Fixtures | 2031 | to 35 | 9 | 3,500.00 | 100% | 105,000 | 105,000 | 6.4% | | | | | | | | | | | | | | | |
| 4.745 | 220 | 220 | Square Feet | Retaining Wall, Masonry, North Moon Lake Drive | 2027 | to 35 | 5 | 50.00 | 100% | 11,000 | 11,000 | 0.6% | | | | | | | | | | | | | | | |
| 4.798 | 1 | 1 | Allowance | Security System, Cameras | 2027 | to 10 | 5 | 9,500.00 | 100% | 9,500 | 9,500 | 2.2% | | | | | | | | | 22,451 | | | | | | |
| 4.800 | 1 | 1 | Allowance | Signage, Entrance Monument | 2030 | to 30 | 8 | 12,000.00 | 100% | 12,000 | 12,000 | 0.7% | | | | | | | | | | | | | | | |
| 4.810 | 11 | 11 | Each | Signage, Wayfinding and Traffic Management | 2027 | to 25 | 5 | 850.00 | 100% | 9,350 | 9,350 | 1.7% | | | | | | | | | | | | | | | 26,244 |
| Anticipated Expenditures, By Year (\$2,239,235 over 30 years) | | | | | | | | | | | | | 32,794 | 0 | 0 | 36,359 | 0 | 0 | 111,109 | 0 | 768,843 | 67,146 | 0 | 0 | 49,554 | 0 | 26,244 |

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS
Hidden Harbour
Homeowners Association
Holland, Ohio

| | | Individual Reserve Budgets & Cash Flows for the Next 30 Years | | | | | | | | | | | | | | | |
|---|-----------------|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|------------------|------------------|
| | | FY2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 |
| Reserves at Beginning of Year | <i>(Note 1)</i> | 323,149 | 330,405 | 358,474 | 388,592 | 444,904 | 306,579 | 334,079 | 399,692 | 444,004 | 499,375 | 429,658 | 478,642 | 557,573 | 639,975 | 75,298 | 154,480 |
| Total Recommended Reserve Contributions | <i>(Note 2)</i> | 6,598 | 43,500 | 47,400 | 51,300 | 55,200 | 59,100 | 61,200 | 63,300 | 65,500 | 67,800 | 70,200 | 72,700 | 75,200 | 77,800 | 77,800 | 77,800 |
| Estimated Interest Earned, During Year | <i>(Note 3)</i> | 658 | 4,143 | 4,493 | 5,012 | 4,519 | 3,853 | 4,413 | 5,074 | 5,673 | 5,587 | 5,462 | 6,231 | 7,202 | 4,301 | 1,382 | 2,244 |
| Anticipated Expenditures, By Year | | 0 | (19,574) | (21,775) | 0 | (198,044) | (35,453) | 0 | (24,062) | (15,802) | (143,104) | (26,678) | 0 | 0 | (646,778) | 0 | (15,916) |
| Anticipated Reserves at Year End | | <u>\$330,405</u> | <u>\$358,474</u> | <u>\$388,592</u> | <u>\$444,904</u> | <u>\$306,579</u> | <u>\$334,079</u> | <u>\$399,692</u> | <u>\$444,004</u> | <u>\$499,375</u> | <u>\$429,658</u> | <u>\$478,642</u> | <u>\$557,573</u> | <u>\$639,975</u> | <u>\$75,298</u> | <u>\$154,480</u> | <u>\$218,608</u> |

(NOTE 5)

(continued)

| | | Individual Reserve Budgets & Cash Flows for the Next 30 Years. Continued | | | | | | | | | | | | | | | |
|---|--|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--|
| | | 2038 | 2039 | 2040 | 2041 | 2042 | 2043 | 2044 | 2045 | 2046 | 2047 | 2048 | 2049 | 2050 | 2051 | 2052 | |
| Reserves at Beginning of Year | | 218,608 | 266,531 | 350,743 | 438,791 | 494,243 | 589,963 | 689,960 | 682,605 | 790,262 | 129,249 | 169,801 | 282,119 | 399,619 | 472,711 | 600,666 | |
| Total Recommended Reserve Contributions | | 77,800 | 80,500 | 83,300 | 86,200 | 89,200 | 92,300 | 95,500 | 98,800 | 102,300 | 105,900 | 109,600 | 113,400 | 117,400 | 121,500 | 125,800 | |
| Estimated Interest Earned, During Year | | 2,917 | 3,712 | 4,748 | 5,611 | 6,520 | 7,697 | 8,254 | 8,857 | 5,530 | 1,798 | 2,718 | 4,100 | 5,246 | 6,455 | 7,870 | |
| Anticipated Expenditures, By Year | | (32,794) | 0 | 0 | (36,359) | 0 | 0 | (111,109) | 0 | (768,843) | (67,146) | 0 | 0 | (49,554) | 0 | (26,244) | |
| Anticipated Reserves at Year End | | <u>\$266,531</u> | <u>\$350,743</u> | <u>\$438,791</u> | <u>\$494,243</u> | <u>\$589,963</u> | <u>\$689,960</u> | <u>\$682,605</u> | <u>\$790,262</u> | <u>\$129,249</u> | <u>\$169,801</u> | <u>\$282,119</u> | <u>\$399,619</u> | <u>\$472,711</u> | <u>\$600,666</u> | <u>\$708,092</u> | |

(NOTE 5)

(NOTE 4)

Explanatory Notes:

- 1) Year 2022 starting reserves are as of October 31, 2022; FY2022 starts January 1, 2022 and ends December 31, 2022.
- 2) Reserve Contributions for 2022 are the remaining budgeted 2 months; 2023 is the first year of recommended contributions.
- 3) 1.2% is the estimated annual rate of return on invested reserves; 2022 is a partial year of interest earned.
- 4) Accumulated year 2052 ending reserves consider the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Years (reserve balance at critical point).

FIVE-YEAR OUTLOOK**Hidden Harbour
Homeowners Association**
Holland, Ohio

| Line Item | Reserve Component Inventory | RUL = 0 FY2022 | 1 2023 | 2 2024 | 3 2025 | 4 2026 | 5 2027 |
|--|---|-------------------|---------------|---------------|-----------|----------------|---------------|
| 4.020 | Asphalt Pavement, Crack Repair and Patch | | 19,574 | | | 10,603 | |
| 4.041 | Asphalt Pavement, Mill and Overlay, Phase I | | | 21,775 | | | |
| 4.042 | Asphalt Pavement, Mill and Overlay, Phase II | | | | | 179,265 | |
| 4.100 | Catch Basins, Inspections and Capital Repairs, Phased | | | | | 8,176 | |
| 4.745 | Retaining Wall, Masonry, North Moon Lake Drive | | | | | | 13,065 |
| 4.798 | Security System, Cameras | | | | | | 11,283 |
| 4.810 | Signage, Wayfinding and Traffic Management | | | | | | 11,105 |
| Anticipated Expenditures, By Year (\$2,239,235 over 30 years) | | 0 | 19,574 | 21,775 | 0 | 198,044 | 35,453 |

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.*

Asphalt Pavement, Crack Repair and Patch

Line Item: 4.020

Quantity: Approximately 22,250 square yards of private street pavement throughout the community

History: Pavement varies in age from 7- to 22-years. The following narrative “**Asphalt Pavement, Repaving**” details the specific history by location. Repairs to the pavement including crack repairs and limited patching have been ongoing / as-needed.

Condition: Condition varies by location. The following narrative “**Asphalt Pavement, Repaving**” details the specific condition by location. We note repaired and unrepaired cracks throughout the community, notably near the south entrance and with a higher frequency at the older sections of pavement.

Useful Life: We recommend repairs including crack repairs and patching every three- to five-years

Component Detail Notes: Proposals should include mechanically routing and filling all cracks with hot emulsion. Crack repair minimizes the chance of the cracks transmitting through the pavement. Patch repairs are conducted at areas exhibiting settlement, potholes, or excessive cracking. These conditions typically occur near high traffic areas, catch basins, and pavement edges.

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost includes an allowance for crack repairs and patching of up to three percent (3%) of the pavement. We depict a reduced cost for repairs in years concurrent with major repaving projects as the quantity scheduled for repaving will not require repairs in those years.

Asphalt Pavement, Repaving

Line Items: 4.041 through 4.048

Quantity, History and Condition: Approximately 22,250 square yards of private street pavement throughout the community, subdivided into three major areas:

- Phase I (2,350 square yards) includes the shared section of East Shoreline Drive near the entrance monument at the Angola Road Entrance (the community shares responsibility with the adjacent townhome community and is responsible for fifty percent (50%) of the total cost). This pavement is in poor condition at an approximate age of 22 years. We note a high frequency of repaired and unrepaired cracks throughout in addition to settlement.
- Phase II (9,030 square yards) includes the section of East Shoreline Drive north of the shared section and North Moon Lake Drive. This pavement is in fair condition at an approximate age of 22 years with repaired and unrepaired cracks throughout. Our inspection notes a lower frequency of these instances than at the shared section and limited instances of patching and/or settlement.
- Phase III (10,870 square yards) includes North Shoreline Drive, Cove Harbour Drive and Hidden Forest Drive (private sections only). This pavement is in good to fair condition at an approximate age of seven years. The pavement was repaved using the mill and overlay method. Our inspection notes repaired and unrepaired cracks at the centerlines and with higher frequencies at intersections, particularly at the turning movement of the intersection of Cove Harbour and Hidden Forest.



Repaired cracks throughout the shared pavement at East Shoreline Drive



Repaired cracks and settlement near the entrance monument island



Extensive crack repairs at shared portion



Pavement cracks and settlement at location of previous repair



Crowned street pavement with previous crack repairs at East Shoreline Drive



Isolated instance of unrepaired cracks at East Shoreline Drive



Crack repairs and minor settlement



Repairs throughout intersection of East Shoreline Drive and North Moon Lake Drive



Extensive crack repairs throughout North Moon Lake Drive cul-de-sac



Unrepaired cracks adjacent to repaired cracks at North Moon Lake Drive



Typical condition of the pavement with crack repairs at the centerline at "Phase III"



Isolated unrepaired cracks at centerline, Cove Harbour Drive



Isolated instance of high frequency of longitudinal cracks, Hidden Forest Drive



Isolated unrepaired transverse and longitudinal cracks



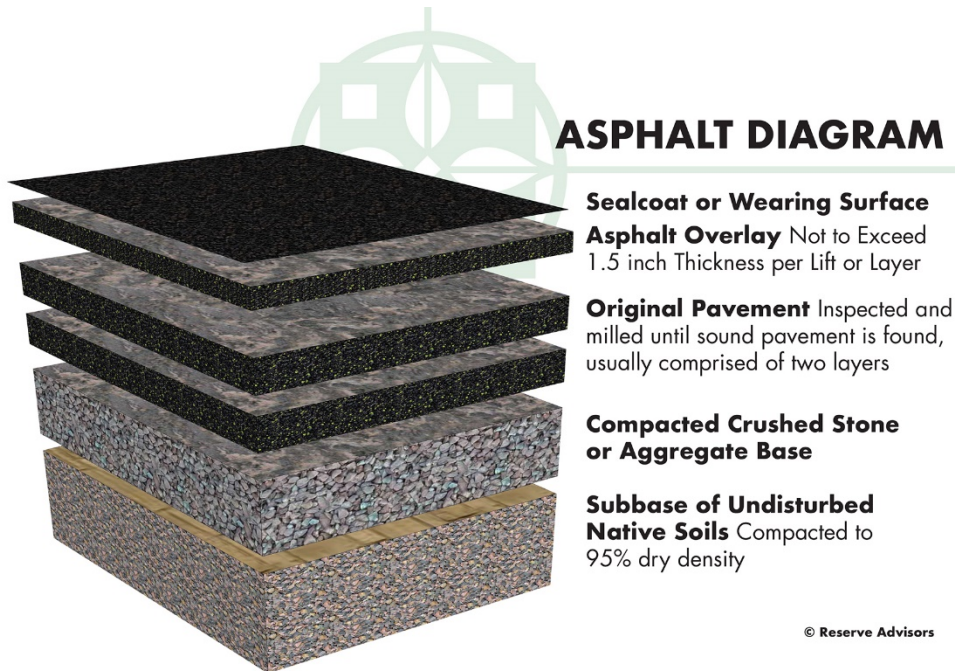
Isolated instance of widespread deterioration at intersection of North Shoreline Drive and Cove Harbour Drive



Streets in good condition with minimal cracks and repairs throughout "Phase III"

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 Hidden Harbour:



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 Hidden Harbour.

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

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

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

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

Catch Basins

Line Item: 4.100

Quantity: 30 catch basins¹

History: Original

Condition: Good overall

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.

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



Catch basin at the side of the pavement



Catch basin at the center of the pavement

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

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

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association plan for inspections and capital repairs to the catch basins in a phased manner, in conjunction with repaving projects at the adjacent pavement areas.

Light Poles and Fixtures

Line Item: 4.560

Quantity: 30 poles with light fixtures

History: Original with periodic replacements performed as necessary, primarily due to damage

Condition: Good to fair overall

Useful Life: Up to 35 years. We recommend the Association fund any paint finish applications to the light poles and fixtures using funds from the operating budget.



Light pole and fixture

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

- As-needed:
 - Inspect and repair broken or dislodged fixtures, and leaning or damaged poles
 - Replaced burned out bulbs as needed

Priority/Criticality: Per Board discretion

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

Retaining Wall, Masonry

Line Item: 4.745

Quantity: Approximately 220 square feet located at the cul-de-sac of North Moon Lake Drive

History: Unknown age

Condition: Good to fair overall with weathered blocks and deflection evident

Useful Life: Up to 35 years



Interlocking block masonry retaining wall at North Moon Lake Drive



Retaining wall blocks in good condition



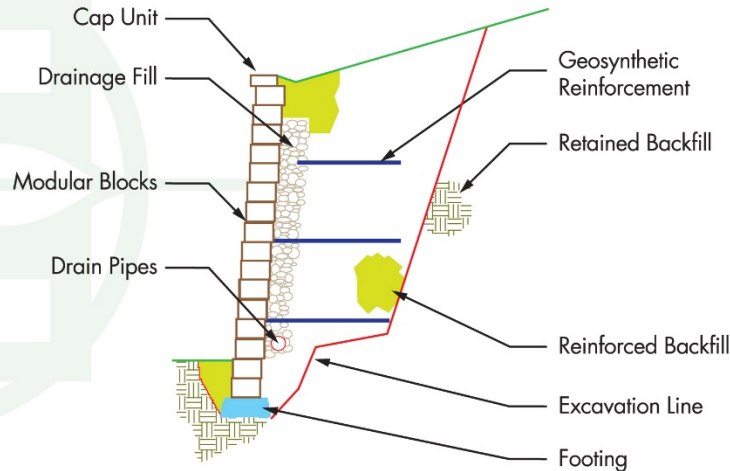
Back side of the wall



Retaining wall deflection

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

MASONRY RETAINING WALL DETAIL



© Reserve Advisors

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

- Annually:
 - Inspect and repair leaning sections or damaged areas
 - Water stains which may indicate possible blocked drainage should be investigated further
 - Inspect and repair erosion at the wall base and backside

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: 4.798

History: Approximately five years of age

Condition: Reported satisfactory without operational deficiencies

Useful Life: Up to 10 years



Security cameras mounted to the light poles

Preventative Maintenance Notes: We recommend the Association obtain and adhere to the manufacturer's recommended maintenance plan. The required preventative maintenance may vary in frequency and scope based on the unit's age, operational condition, or changes in technology. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Monthly:
 - Check cameras for proper focus, fields of view are unobstructed and camera and lenses are clean and dust-free
 - Check recording equipment for proper operation
 - Verify monitors are free from distortion with correct brightness and contrast
- Annually:
 - Check exposed wiring and cables for wear, proper connections and signal transmission
 - Check power connections, and if applicable, functionality of battery power supply systems

Priority/Criticality: Per Board discretion

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

Signage, Entrance Monument

Line Item: 4.800

History: Approximately 22 years of age

Condition: Good overall

Useful Life: Up to 30 years



Stone entrance monument sign and concrete pillars

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.

Signage, Wayfinding and Traffic Management

Line Item: 4.810

Quantity: 11 metal signs

History: Approximately 22 years of age

Condition: Good to fair overall

Useful Life: Up to 25 years



Wayfinding sign and post



Rust at fasteners and finish deterioration

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

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

- Annually:
 - Inspect and repair damage, vandalism and loose components
 - Touch-up paint finish applications if applicable

Priority/Criticality: Per Board discretion

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

Reserve Study Update

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

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



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

Hidden Harbour can fund capital repairs and replacements in any combination of the following:

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

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

This Reserve Study is in compliance with and exceeds the National standards¹ set forth by the Association of Professional Reserve Analysts (APRA) fulfilling the requirements of a "Level 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 Holland,

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.

Ohio 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 Hidden Harbour 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 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.

TIMOTHY J. MATTHIESEN, RS
Responsible Advisor



CURRENT CLIENT SERVICES

Timothy J. Matthiesen, a Civil Engineer, is an Advisor for Reserve Advisors, which is dedicated to serving community associations, religious organizations, educational facilities, and public and private entities throughout the United States. Mr. Matthiesen is responsible for the inspection and analysis of the property's current condition, recommending engineering solutions to prolong the lives of building components, forecasting capital expenditures for the repair and/or replacement of the property components, and technical report preparation on assignments. He is responsible for conducting Life Cycle Cost Analysis and Capital Replacement Forecast Services on townhomes, homeowners associations and planned unit developments.

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

Eliot House – 28-story high rise located in Carl Sandburg Village in Chicago. This condominium offers its residents unrivaled views of the Gold Coast from its expansive rooftop deck.

Lake Monticello - 3,500 acre development in Central Virginia with 4,500+ single family homes, 18 hole golf course, 62 miles of private streets, 400 acres of private lakes and extensive maintenance and security facilities.

Museum Tower - Residential tower comprised of a curtain wall system that rises 50 stories over downtown Dallas.

Talamore of Huntley - Homeowners association of over 1,100 homes in the Chicagoland area. The community includes a 10,000 square foot amenity center and waterpark development.

The Walnuts - Three high rises comprised of masonry built in 1929 near the plaza in Kansas City surrounded by private grounds with traditional English gardens.

Condominium Residences at Seven Bridges – Modern, high-rise development west of Chicago with an elevated, terrace style pool deck above an indoor parking garage

The Village Community Association - 208 acre, gated residential community near Cleveland with walking trails, lakes, a private clubhouse and almost 30 acres of green turf.

Four Seasons Resorts Colorado - State of the art 45-story high rise hotel and condominium in downtown Denver and ski lodge destination resort in Vail.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Mr. Matthiesen was working with a consulting firm to assess school facility capabilities in southeastern Wisconsin. He was responsible for the inspection and condition assessment of school facilities which included conducting on-site meetings with school personnel, completing technical inspections and creating a database of photographs and building condition information.

Mr. Matthiesen also worked for the county parks department near his hometown as a Civil Engineer. He was responsible for the design of park facilities including roadways and parking lots, picnic shelters and recreational trails along with the inspection of current facilities including historic structures maintained by the County.

EDUCATION

Marquette University - B.S. Civil Engineering

PROFESSIONAL AFFILIATIONS

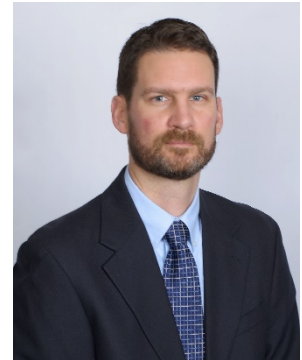
Reserve Specialist (RS) - Community Associations Institute

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

CURRENT CLIENT SERVICES

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

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



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

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

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

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

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

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

PRIOR RELEVANT EXPERIENCE

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

EDUCATION

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

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

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

Reserve Specialist (RS) - Community Associations Institute

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



RESOURCES

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

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

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

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

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

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

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

7. DEFINITIONS

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

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

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

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

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

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

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

Long-Lived Property Component - Property component of Hidden Harbour 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) Hidden Harbour 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 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.