

Precision 20/20
Full Reserve Study
for
3 Chisolm Street
Homeowners Association, Inc.
Charleston, South Carolina
May 20, 2011





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RESERVE STUDY UPDATE

Conducted on June 20, 2011

We intend this Reserve Study Update Report to append the original or previous Reserve Advisors, Inc. Reserve Study Report.



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July 18, 2011

**3 Chisolm Street Homeowners Association, Inc.
Charleston, South Carolina**

UPDATE EXECUTIVE SUMMARY

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Reserve Study Update with Site Visit* of 3 Chisolm Street Homeowners Association, Inc. (3 Chisolm Street) located in Charleston, South Carolina and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, June 20, 2011. This Reserve Study is a budget planning tool that identifies the current status of the reserve fund and a stable and equitable Reserve Funding Plan to offset the anticipated future major common area expenditures.

The current Board recognizes the need to periodically review or update its Reserve Funding Plan as represented in the prior Reserve Study. Periodic updates incorporate changes in the property, the actual amounts of Reserve Expenditures and funding and actual changes in construction costs since the last Reserve Study. This update considers these types of changes and confirms the Board's objective to continue fulfilling its fiduciary responsibility to maintain the commonly owned property and to fund reserves appropriately.

This Reserve Study is in compliance with and exceeds the standards set forth by Community Associations Institute (CAI) and the Association of Professional Reserve Analysts (APRA) fulfilling the requirements of a *Reserve Study Update with Site Visit*. For brevity, we use the term "Reserve Study Update" or "Update" herein. A Reserve Study comprises two parts:

Physical Analysis

- Component Inventory
- Condition Assessment
- Estimated Useful Life, Remaining Useful Life and Replacement Cost

Financial Analysis

- Fund Status
- Funding Plan

We intend this Update to append the original or previous Reserve Advisors, Inc. Reserve Study for the subject property previously inspected on April 10, 2007. This Update comprises an Update Executive Summary, Narrative, Conclusion, and Exhibits.

The unaudited cash status of the Reserve Fund, as of May 31, 2011, as reported by Management is \$86,383.

The purpose of this Reserve Study Update is to determine the adjusted or updated amounts of future annual, Reserve Contributions to fund future ***Reserve Expenditures*** for the Reserve Components. The Board recognizes the need to periodically revisit the ***Funding Plan*** and this Reserve Study recommends an initial adjustment in next years budgeted annual reserve contribution followed by minor annual adjustments to fund the anticipated ***Reserve Expenditures***. The following is a review of available options and our recommendations.

The Funding Goal of this Reserve Study is to keep the reserve balance above an adequate, not excessive threshold when reserves are needed the most due to one or more years of significant expenditures. Our recommended Funding Plan recognizes this threshold or critical point in 2036.

Recognizing that *Level Monthly Reserve Assessments* with relatively minor annual adjustments ensure that homeowners pay their “fair share” of the weathering and aging of the commonly owned property each year, we arrived at appropriate amounts of annual reserve contributions to offset (fund) the anticipated expenditures noted in the Exhibits. This Reserve Study Update applies the Cash Flow Method to compute the Reserve Funding Plan. The Reserve Funding Plan determines adequate, not excessive, Reserve Contributions through a 30-year Cash Flow Analysis that incorporates the current reserve funds, future interest earned, and projected Reserve Expenditures.

The Reserve Expenditures reflect current and future *local* costs of replacement, projected earned interest, the average annual fund balances and anticipated inflation. Sources for *local* costs of replacement include our proprietary database, historical costs and published sources, i.e., R.S. Means, Incorporated.

Our revised findings reflect both external market and internal property changes. The result is an overall *decrease* in the recommended Reserve Funding Plan since our last Reserve Study on April 10, 2007. The overall decrease relates primarily to a higher than anticipated reserve fund balance and reserve contribution.

The Association budgeted \$68,896 for Reserve Contributions in 2011. Based on our revised analysis, we recommend that the Association adopt a reserve budget of \$46,100 in 2012. Afterwards, the Association should budget gradual annual increases in reserve funding, that in part consider the effects of inflation. These contributions will maintain the Reserve Fund to meet the major expenditures as identified in the attached Exhibit of *Reserve Expenditures*. The

Reserve Funding Plan enumerates the details regarding revised recommended annual reserve contributions and projected year end reserve balances.

Based on the investigation and analysis as detailed in the accompanying narrative, we recommend the following Reserve Funding Plan (Reserve Contributions) to offset the anticipated future Reserve Expenditures of the subject Reserve Components during the next 30 years.

Recommended Reserve Contributions

Year	\$	Year	\$	Year	\$
2012	46,100	2022	59,000	2032	75,600
2013	47,300	2023	60,500	2033	77,500
2014	48,500	2024	62,000	2034	79,400
2015	49,700	2025	63,600	2035	81,400
2016	50,900	2026	65,200	2036	83,400
2017	52,200	2027	66,800	2037	85,500
2018	53,500	2028	68,500	2038	87,600
2019	54,800	2029	70,200	2039	89,800
2020	56,200	2030	72,000	2040	92,000
2021	57,600	2031	73,800	2041	94,300

We intend this Reserve Study Update Report to append the original or previous Reserve Advisors, Inc. Reserve Study Report.

Respectfully submitted on July 18, 2011 by
RESERVE ADVISORS, INC.



Jayme R. Radomski, PRA¹, RS², Director of Quality Assurance
Reference #: 061489

Visual Inspection and Report by: Michelle O. Baldry and Nicole L. Lowery, RS
Reviewed by: Alan M. Ebert, PRA, RS



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

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

NARRATIVE

This Reserve Study Update report Narrative describes the manner of report presentation and explains both External Market Changes and Internal Property Changes that have occurred since our last Reserve Study of April 10, 2007. The Conclusion summarizes our recommendations for this Reserve Study Update and includes a graph, a pie chart and Supplementary Information for Financial Statements. The graph Recommended Reserve Funding Plan shows the future fund balances based on the anticipated expenditures and recommended annual reserve funding during the next 30 years. The pie chart Future Expenditures Relative Cost illustrates the relative importance of the reserve expenditures and relative funding during the next 30 years. Supplementary Information for Financial Statements contains significant unaudited information from the Reserve Expenditures about Reserve Component categories and estimated current and future replacement costs. The Exhibits contain pertinent information relating to the analysis such as:

- **Photographs** that document the condition of various property components as of the date of visual inspection, June 20, 2011.
- The **Reserve Expenditures** table that notes our estimate of revised future costs and anticipated times of replacements.
- The **Reserve Funding Plan** table that includes our revised recommendations for Reserve Contributions for the next 30 years.
- **Definitions** that contain terms and definitions used throughout this Reserve Study Update and the industry.
- **Assumptions** that describe how we collect and analyze data in this Reserve Study Update.
- A statement of **Professional Service Conditions** that identifies the general manner of professional services provided, as stated in the original authorized Confirmation of Services for this Reserve Study Update.

- **Credentials** that contain the Qualifications of the Firm, Responsible Advisor and Review Coordinator, and resources we use in our analysis, i.e., published sources of cost data.

We documented both *external market changes* and *internal property changes* through discussions with Management, a review of financial information about reserves and historical Reserve Expenditures, an analysis of market trends since our previous Reserve Study, and our visual inspection of the property on June 20, 2011. External market changes reflect historical and current rates of inflation and yield on reserve savings. Internal property changes reflect additions to and deletions from the list of Reserve Components likely to require future expenditures for major replacements or repairs during the next 30 years. Other internal property changes may involve changes to the Remaining Useful Lives of the Reserve Components based on observed or reported condition. We first comment on the external market changes at 3 Chisolm Street.

EXTERNAL MARKET CHANGES

External to the property are market conditions which affect inflation of construction materials, labor and equipment costs, and the yield on reserve savings. The following discusses these changes since our last Reserve Study.

The cost of construction materials, labor and equipment in Charleston, South Carolina has increased due to normal inflation, the growth of the local economy and demand for construction related services. Our original forecast for inflation was an annual rate of 4.5%. The most recent financial and historical information available suggests a future sustained near term inflation rate of 2.5%.

Interest rates on reserves are steady or increasing in concert with the certificates of deposit and money market rates. Slight increases exist in the savings rates of one, two or three-year CDs. Without significant differences in these savings rates, shorter term investments are the choice of many investors. We recommend consultation with a professional investment adviser before investing reserves to determine an appropriate investment strategy to maximize a safe return on reserve savings.

Updates to this Reserve Study will continue to monitor historical facts and trends concerning the external market conditions. The following table summarizes rates of inflation and key rates for government securities, generally considered as safe investment alternatives.

Interest Rate and Inflation Data								
Average or Last Actual = (A)	2009:1 (A)	2009:2 (A)	2009:3 (A)	2009:4 (A)	2010:1 (A)	2010:2 (A)	2010:3 (A)	2010:4 (E)
90-Day Treasury Bill	0.250%	0.25%	0.25%	0.05%	0.05%	0.10%	0.1%	0.2%
1-Year Treasury Bill	0.95	0.90	0.30	0.30	0.30	0.34	0.26	0.22
10-Year Treasury Note	2.75	2.84	3.20	3.45	3.50	3.30	2.67	2.50
30-Year Treasury Bond	3.70	3.70	4.00	4.45	4.50	4.20	3.79	3.90
Consumer Price Index	0.00	0.5%	0.0%	0.2%	1.0%	1%	1%	1%
Residential Construction Inflation, Bureau of Labor Statistics (2-year average)		\$0	2.2%	1.4%	1.9%	-0.6%	-0.6%	
National Market Savings Rates as found	0.87%	for Money Market Savings			1.5%	for 2-Year Certificate of Deposit		
in http://www.bankrate.com	1.0%	for 1-Year Certificate of Deposit			1.8%	for 3-Year Certificate of Deposit		
Estimated Near Term Yield Rate for Reserve Savings	1.8%							
Estimated Near Term Inflation Rate for Future Capital Expenditures	2.5%							

With localized exceptions, the inflation rate for construction materials and labor are steady or trending higher. Isolated or regional markets of greater construction (development) activity may experience slightly greater rates of inflation for both construction materials and labor.

INTERNAL PROPERTY CHANGES

We have organized our discussion of internal property changes into two types: Deletions and Significant Changes. We discuss these changes below and summarize them as follows:

Deletions from prior Reserve Study

- Line Item 9 Windows and Doors, Wood Frame
- Line Item 28 Landscape, Partial Replacements

Significant Changes since prior Reserve Study

- Line Item 4 Paint Finishes
- Line Item 7 Walls, Masonry, Inspections and Partial Repointing
- Line Item 8 Walls, Stucco, Paint Finishes and Capital Repairs
- Line Item 10 Elevator Cab Finishes
- Line Item 12 Paint Finishes (2011 and 2012 are partial)
- Line Item 17 Pressure Tank
- Line Item 19 Rooftop Heating and Cooling Units (7.5 Tons)
- Line Item 21 Asphalt Pavement, Repaving, Mill and Overlay
- Line Item 22 Asphalt Pavement, Repaving, Total Replacement
- Line Item 23 Catch Basins, Capital Repairs
- Line Item 24 Concrete Flatwork, Partial Replacements
- Line Item 27 Pavers, Brick and Stone (Incl. Sidewalks), Phased Replacements

In addition to the Reserve Components listed above, we list the following Long-Lived Property Elements, defined as those items without predictable Remaining Useful Life expectancies:

- Balconies, Metal (2001)
- Electrical Systems (2001)
- Elevator, Hydraulic Cylinder (2001)
- Foundations
- Pipes, Fire Protection (2001)
- Pipes, Interior Building, Water and Sewer (2001)
- Pipes, Subsurface Utilities (2001)
- Pump, Fire Suppression (2001)
- Structural Frames
- Trash Chutes and Doors (2001)
- Windows, Glass Block (2001)
- Windows and Doors, Metal Frame (2001)
- Windows and Doors, Wood Frame (2011)

Long-Lived Property Elements (without predictable Remaining Useful Lives) may require infrequent repairs due to abuse, normal wear and tear or unknown construction defects. 3 Chisolm Street should fund the cost of these infrequent replacements from the operating budget. Funding untimely or unexpected replacements from reserves will necessitate adjustments to future Reserve Contributions. An update of this Reserve Study will help determine the merits of adjusting the Reserve Funding Plan.

The operating budget provides money for the repair and replacement of certain Reserve Components. Operating Budget Funded Repairs and Replacements relate to:

- 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, Crack Repair, Patch and Seal Coat
- Fire Protection Carbon Dioxide System (Abandoned)
- Floor, Hardwood Refinishing
- Fountain Pumps
- Landscape
- Paint Finishes, Garage
- Paint Finishes, Touch Up
- On-Grade Concrete, Garage
- Roof, Metal, Cottage
- Site Furnishings
- Split System, Gym Building
- Other Repairs normally funded through the Operating Budget

Certain items have been designated as the responsibility of the homeowner to repair or replace. Property Maintained by Homeowners relates to unit:

- Heating, Ventilating and Air Conditioning (HVAC) Units
- Interiors (Including Interior Balconies at Courtyard)
- Water Heaters

Certain items have been designated as the responsibility of others to repair or replace.

Property Maintained by Others relates to:

- Mailboxes (United States Postal Service)

Deletions

We deleted two Reserve Components from our last Reserve Study. We discuss these deletions in the following narratives.

Windows and Doors, Wood Frame - The Association completed replacement of the wood frame windows and doors since our last Reserve Study. Therefore, we eliminate Line Item 9 from our previous Reserve Study in this 2011 Reserve Study Update.

Landscape, Partial Replacements - Management informs us that the Association funds partial landscape replacements through the operating budget as needed. Therefore, we eliminate Line Item 28 from our previous Reserve Study in this 2011 Reserve Study Update.

Significant Changes

All remaining Reserve Components experienced changes in estimated future costs of replacement due to inflation. Several remaining Reserve Components experienced changes with respect to the times or anticipated quantities at the time of replacement. We discuss the more significant changes in the following narratives.

Paint Finishes - The paint finishes at 3 Chisolm Street were not applied in 2010 as recommended in our previous Reserve Study. Management informs us that paint applications were performed in 2011. Paint finishes have a useful life of four- to six-years. We recommend the Association budget for paint applications by 2016 and every five years thereafter. We note this significant change on Line Item 4 in the Exhibit of *Reserve Expenditures*. Our estimate of cost is provided by Management. The cost reflects paint applications to the railings, fence, gates, light fixtures and metal windows. The cost also includes caulking the perimeters of the windows on the main building.

Walls, Masonry, Inspections and Partial Repointing - The masonry walls were not inspected or partially repointed in 2010 as recommended in our previous Reserve Study. The masonry walls are in fair to poor condition since being renovated during the conversion of the buildings in 2001. Our visual inspection notes cracks and deterioration. See Pages 5 and 6 of the attached Exhibit *Photographs* for examples of these conditions. Based on the observed

condition of the masonry walls we recommend the Association budget for a complete inspection of the exterior walls, and partial repointing with related masonry repairs in 2012 and every 10 years thereafter. Our estimate of cost includes the following activities:

- Complete inspection of the masonry.
- Repointing of up to ten percent (10%) of the brick, stone and marble.
- Replacement of up to two percent (2%) of the brick, stone and marble.
- Repaint the brick at the gym building.

We note this significant change on Line Item 7 in the Exhibit of *Reserve Expenditures*.

Walls, Stucco, Paint Finishes and Capital Repairs - Paint applications and capital repairs were not performed on the stucco walls in 2010 as recommended in our previous Reserve Study. The stucco walls are in fair to poor condition since being renovated during the conversion of the buildings in 2001. Our visual inspection notes discoloration and cracks in the stucco walls. See Pages 6 and 7 of the attached Exhibit *Photographs* for examples of these conditions. Based on the observed condition of the stucco walls we recommend the Association budget for paint applications, partial stucco replacements and crack repairs in 2012 and every ten years thereafter. Our estimate of cost anticipates repair or replacement of up to five percent (5%) of the stucco walls in coordination with each paint finish application. We note this significant change on Line Item 8 in the Exhibit of *Reserve Expenditures*.

Elevator Cab Finishes - The Association completed replacement of the elevator cab finishes in 2011. The elevator cab finishes are in good overall condition. Elevator cab finishes of this type have a useful life of up to 20 years. We recommend the Association budget for

replacement of the elevator cab finishes by 2031. We note this significant change on Line Item 10 in the Exhibit of *Reserve Expenditures*.

Paint Finishes - Management informs us that paint finishes will be applied to the interior corridors and stairwells in the gym building in 2011. The paint finishes in the main building will not be applied in 2011 as recommended in our previous Reserve Study. Based on the observed condition of the paint finishes in the main building we recommend the Association budget for paint applications in 2012. Our estimate of cost for the subsequent paint applications in 2019 and every eight years thereafter includes paint applications to the corridors and stairwells in both the gym building and main building. We note this significant change on Line Item 12 in the Exhibit of *Reserve Expenditures*. The 2011 expenditure noted is provided by Management.

Pressure Tank - The Association completed replacement of the pressure tank in 2011. The pressure tank is in good overall condition. Pressure tanks of this type have a useful life of up to 20 years. We recommend the Association budget for replacement of the pressure tank by 2031. We note this significant change on Line Item 17 in the Exhibit of *Reserve Expenditures*.

Rooftop Heating and Cooling Unit - The Association completed replacement of the rooftop heating and cooling unit since our last Reserve Study. The rooftop heating and cooling unit is in good overall condition at an age of one year. Rooftop heating and cooling units of this type have a useful life of 15- to 20-years. We recommend the Association budget for replacement of the rooftop heating and cooling unit by 2025 and every 15 years thereafter. We note this significant change on Line Item 19 in the Exhibit of *Reserve Expenditures*.

Asphalt Pavement, Repaving - The asphalt pavement at 3 Chisolm Street is in good condition at an age of ten years. The useful life of pavement in Charleston, South Carolina is 15- to 20-years. We recommend the Association plan for a milling and overlayment of the pavement with area patching of up to ten percent (10%) by 2021. We depict this information on Line Item 21 of **Exhibit B Reserve Expenditures**. We also recommend the Association plan for a total replacement of the asphalt pavement by 2041. We depict this information on Line Item 22 of **Exhibit B Reserve Expenditures**. The Association should *coordinate* asphalt repaving with related activities such as capital repairs to catch basins.

Catch Basins - The catch basins at 3 Chisolm Street are in fair condition at an age of ten years. The Association should coordinate capital repairs to the catch basins with the asphalt repaving by 2021 and again by 2041. We note this significant change on Line Item 23 in the Exhibit of **Reserve Expenditures**.

Concrete Flatwork, Partial Replacements - Partial replacements of the concrete flatwork at 3 Chisolm Street were not performed in 2011 as recommended in our previous Reserve Study. The concrete flatwork is in good to fair condition at an age of ten years. We estimate that up to 440 square feet of concrete flatwork, or forty percent (40%) of the total, will require replacement during the next 30 years. Our visual inspection notes cracks in the concrete steps and ramp. See Page 12 of the attached Exhibit **Photographs** for an example of this condition. Based on the observed condition of the concrete flatwork we recommend the Association budget for replacement of 110 square feet of concrete flatwork by 2013 and every eight years thereafter. We note this significant change on Line Item 24 in the Exhibit of **Reserve Expenditures**.

Pavers, Brick and Stone (Incl. Sidewalks), Phased Replacements - The courtyard, parking lot entrances, sidewalks and patio utilize approximately 5,220 square feet of pavers. The pavers at the parking lot entrances, sidewalks and patio are in good condition at an age of ten years. The pavers in the courtyard are in poor condition. The age of the pavers in the courtyard was not available at the time of our inspection. Based on the varied conditions of the pavers we recommend that the Association budget for near term replacement of the courtyard pavers by 2014 and replacement of the remaining pavers by 2026. We recommend that the Association replace fifty percent (50%) or 2,610 square feet, of pavers every 12 years thereafter. We note this significant change on Line Item 27 in the Exhibit of *Reserve Expenditures*.

CONCLUSION

This Reserve Study Update with Site Visit is a budget planning tool that identifies the current status of the reserve fund and a stable and equitable Reserve Funding Plan to offset the anticipated future major common area expenditures.

Our revised findings reflect both external market and internal property changes. The result is an overall *decrease* in the recommended Reserve Funding Plan since our last Reserve Study on April 10, 2007. The overall decrease relates primarily to a higher than anticipated reserve fund balance and reserve contribution.

The Association budgeted \$68,896 for Reserve Contributions in 2011. Based on our revised analysis, we recommend that the Association adopt a reserve budget of \$46,100 in 2012. Afterwards, the Association should budget gradual annual increases in reserve funding, that in part consider the effects of inflation. These contributions will maintain the Reserve Fund to meet the major expenditures as identified in the attached Exhibit of *Reserve Expenditures*. The *Reserve Funding Plan* enumerates the details regarding revised recommended annual reserve contributions and projected year end reserve balances.

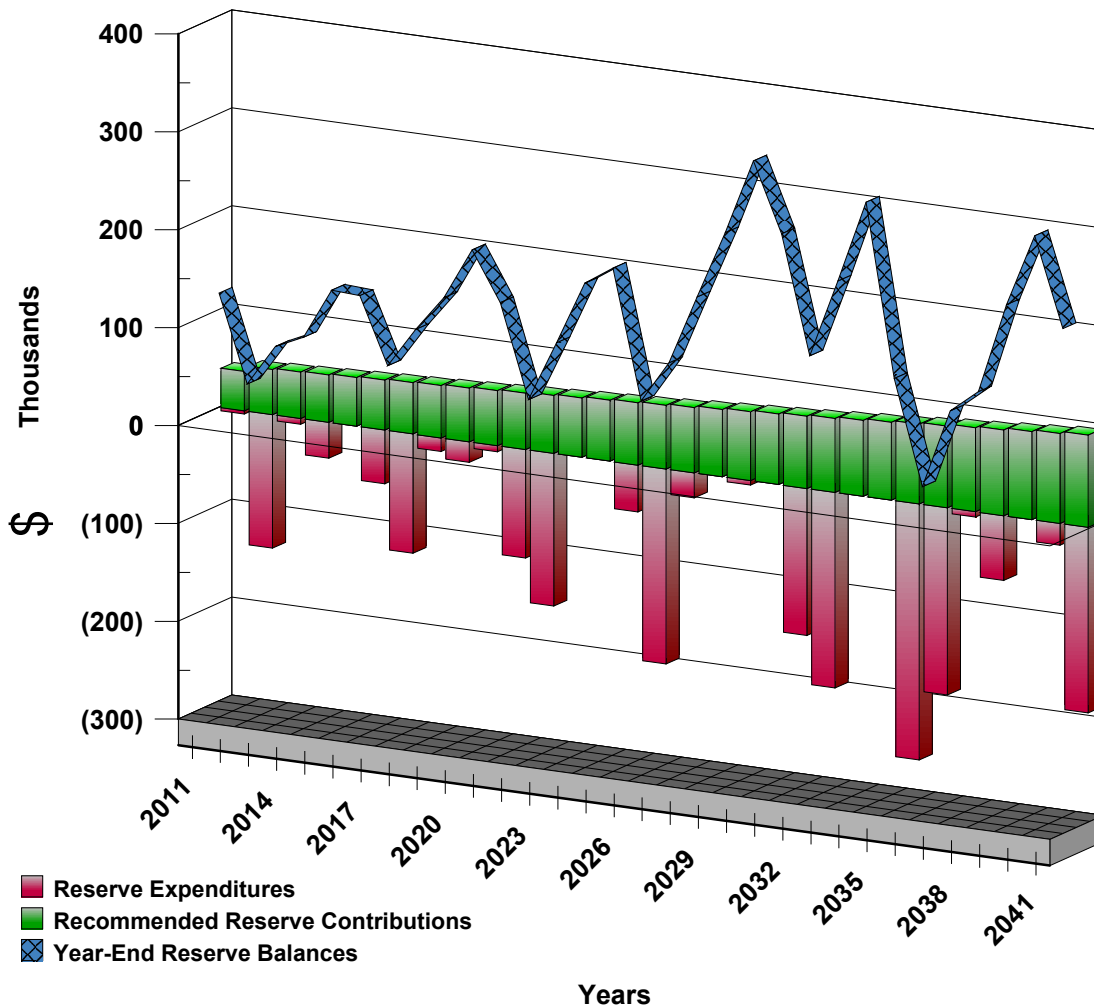
Based on the investigation and analysis as detailed in the accompanying narrative, we recommend the following Reserve Contributions to fund the expected expenditures of the subject Reserve Components during the next 30 years.

Recommended Reserve Contributions

Year	\$	Year	\$	Year	\$
2012	46,100	2022	59,000	2032	75,600
2013	47,300	2023	60,500	2033	77,500
2014	48,500	2024	62,000	2034	79,400
2015	49,700	2025	63,600	2035	81,400
2016	50,900	2026	65,200	2036	83,400
2017	52,200	2027	66,800	2037	85,500
2018	53,500	2028	68,500	2038	87,600
2019	54,800	2029	70,200	2039	89,800
2020	56,200	2030	72,000	2040	92,000
2021	57,600	2031	73,800	2041	94,300

This graph shows the Reserve Funding Plan based on the anticipated Reserve Expenditures during the next 30 years.

Recommended Reserve Funding Plan 3 Chisolm Street Homeowners Association, Inc.



The Reserve Funding Plan recommends 2041 year end accumulated reserves of approximately \$208,000. We judge this amount of accumulated reserves in 2041 desirable or necessary, in consideration of the age, size and complexity of the property.

Ongoing reviews by the Board and additional Reserve Study Updates every two- to three-years 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 homeowner overfunding or underfunding the reserve account. Variables that may affect the Reserve Funding Plan include, but are not limited to:

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

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

The Association can expense the fee for an Update from the reserve account. This fee is included in the Reserve Funding Plan. We base this budgetary amount on updating the same property components and quantities of this Reserve Study Update report. 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.

SUPPLEMENTARY INFORMATION FOR FINANCIAL STATEMENTS

The *Audit and Accounting Guide for Common Interest Realty Associations* presents recommendations on Supplementary Information on Future Major Repairs and Replacements in end of fiscal year Audits of Financial Statements for community associations³. Accountants use discretion and judgment on how to present the Supplementary Information on Future Major Repairs and Replacements. However, the Supplementary Information on Future Major Repairs and Replacements often references and includes excerpts from our Reserve Studies. The following table excerpts significant unaudited information from the Reserve Expenditures about Reserve Component categories and estimated current and future replacement costs based on inflation at an annual rate of 2.5%.

Unaudited Supplemental Information on Future Major Repairs and Replacements

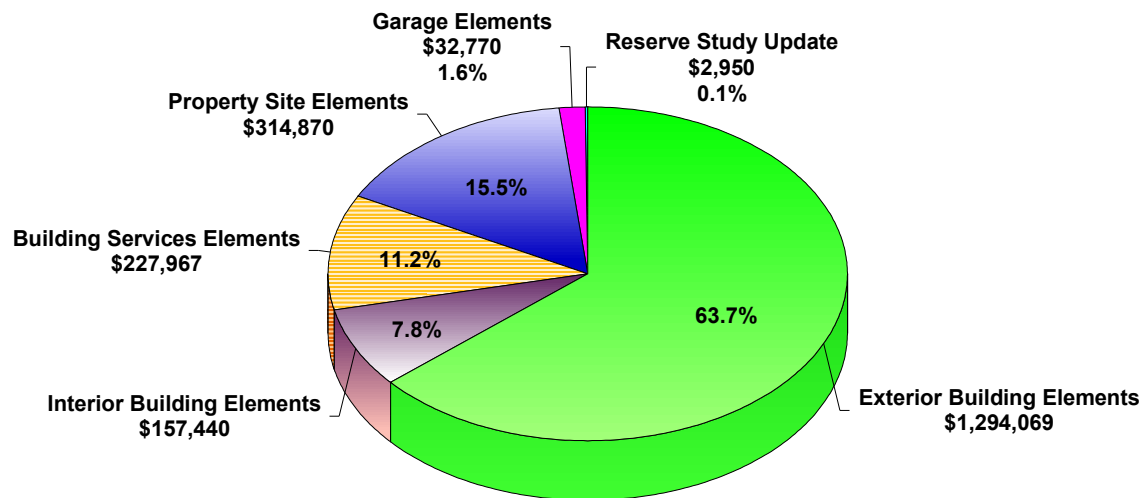
<i>Reserve Component Categories</i>	<i>Total Current Replacement Costs</i>	<i>Total Future or Inflated Replacement Costs</i>	<i>% of Total Future Replacements</i>	<i>Component of Projected 2011 YE Fund Balance</i>
Exterior Building Elements	\$890,347	\$1,294,069	63.7%	\$79,346
Interior Building Elements	\$123,775	\$157,440	7.8%	\$9,653
Building Services Elements	\$138,700	\$227,967	11.2%	\$13,978
Property Site Elements	\$198,730	\$314,870	15.5%	\$19,306
Garage Elements	\$19,600	\$32,770	1.6%	\$2,009
Reserve Study Update	\$2,950	\$2,950	0.1%	\$181
Totals	\$1,374,102	\$2,030,066	100%	\$124,474

The information included in the table above may be included as part of the Supplementary Information on Future Major Repairs and Replacements. *However, Reserve Advisors, Inc. does not certify that the information in the table will fully satisfy the recommendations of the AICPA guideline.*

³ American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide - *Common Interest Realty Associations*; American Institute of Certified Public Accountants, Inc.; 2003

The following chart illustrates the relative importance of the reserve expenditures and relative funding during the next 30 years.

Future Expenditures Relative Cost Illustration 3 Chisolm Street Homeowners Association, Inc.





EXHIBITS

Photographs,
Reserve Expenditures,
Reserve Funding Plan,
Definitions,
Assumptions and Professional Service Conditions,
Credentials



Side elevation, Main Building



Side elevation, Main Building



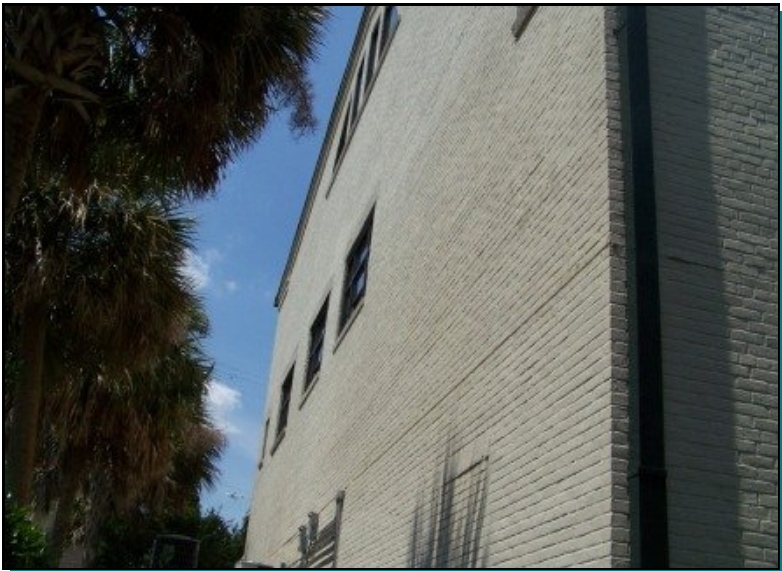
Rear elevation, Main Building



Courtyard elevation, Main Building



Front elevation, Gym Building



Rear elevation, Gym Building



Side elevation, Gym Building



Front elevation, Cottage



Rear elevation, Cottage



Gutters and downspouts



Light fixtures



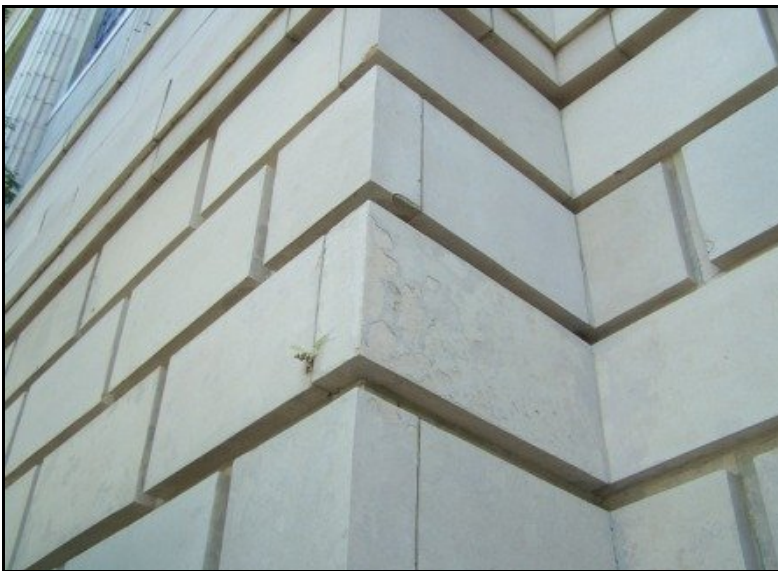
Paint finish on metal rails



Paint finish on metal windows



Masonry walls - Note step cracks



Masonry walls - Note finish deterioration



Masonry walls - Note finish deterioration and cracks



Masonry walls - Note cracks



Stucco walls - Note cracks



Stucco walls - Note cracks and discoloration



Stucco walls - Note cracks



Stucco walls - Note cracks



Hallway overview, Main Building



Hallway overview, Gym Building



Paint finish - Note scuff marks



Terrazzo floors - Note cracks
*Fund honing of terrazzo
through operating budget*



Elevator pump casing and controls



Fire detection system devices



Typical intercom panel



Typical emergency light fixture



Pressure tank



Duplex water supply pump system



Security system monitoring equipment



Security camera



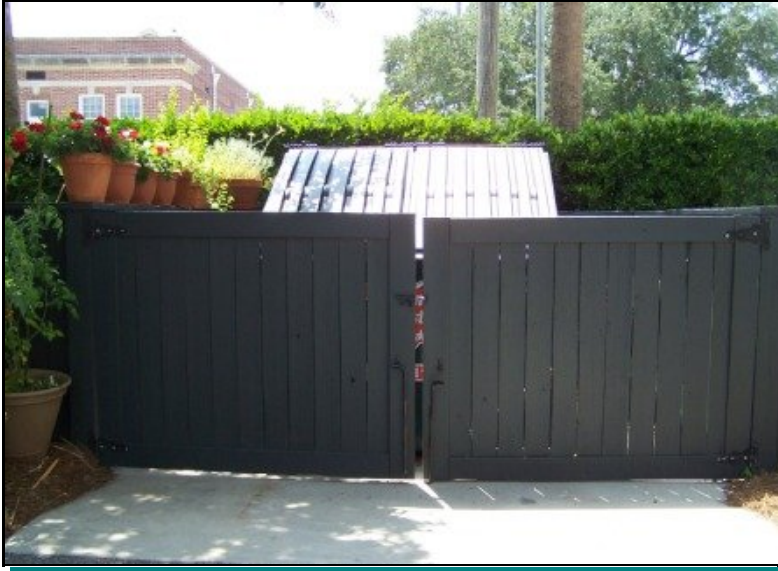
Asphalt pavement



Catch basin and concrete curbs



Concrete flatwork - Note concrete cracks



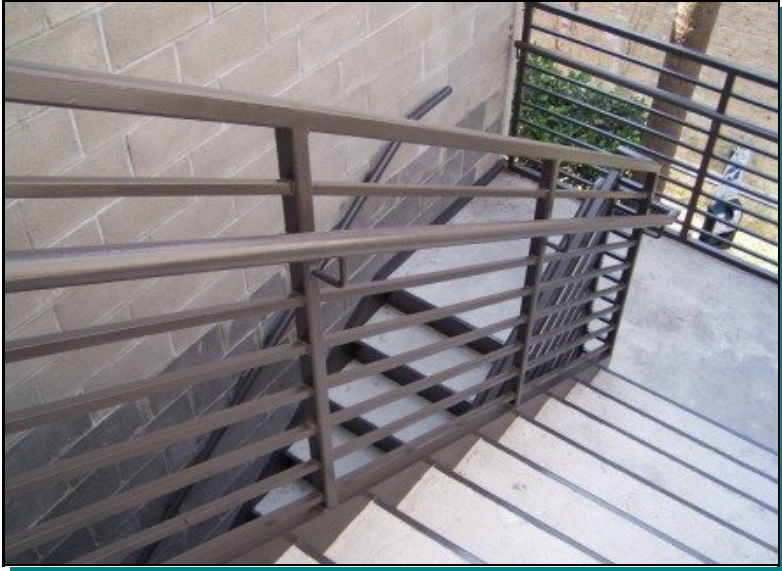
Wood fence



Courtyard pavers
*Included in first phase of
paver replacements in
2014*



Stone pavers
*Included in second phase
of paver replacements in
2026*



Typical metal rails



Garage door and operator



Garage light fixtures



Garage paint finishes
*Fund paint applications
through operating budget*

RESERVE EXPENDITURES

for
3 Chisolm Street
Homeowners Association, Inc.
 Charleston, South Carolina

Explanatory Notes:

- 1) **2.5%** is the estimated future Inflation Rate for estimating Future Replacement Costs.
- 2) FY 2011 is Fiscal Year beginning January 1 and ending December 31.

Line Item	<u>Quantities:</u>			Reserve Component Inventory	Estimated 1st Year of Replacement	Life Analysis, Years		Unit Cost, \$	2011 Cost of Replacement per Phase, \$	Total Future Costs of Replacement, \$	(See Notes 1 & 2)																
	30-Year Total	Per Phase	Units			Useful	Remaining				RUL = 0 FY2011	1 2012	2 2013	3 2014	4 2015	5 2016	6 2017	7 2018	8 2019	9 2020	10 2021	11 2022	12 2023	13 2024	14 2025	15 2026	16 2027
Exterior Building Elements																											
1	490	490	Linear Feet	Gutters and Downspouts, Asphalt Shingle Roof	2025	15 to 20	14	6.00	2,940	4,154																	
2	1,140	570	Linear Feet	Gutters and Downspouts, Modified Bitumen Roofs	2017	15 to 20	6	6.00	3,420	10,152						3,966											
3	34	34	Each	Light Fixtures	2026	to 25	15	275.00	9,350	13,542																	
4	6	1	Allowance	Paint Finishes	2016	4 to 6	5	48,500.00	48,500	458,320					54,873				62,084								79,473
5	80	80	Squares	Roof, Asphalt Shingles	2025	15 to 20	14	250.00	20,000	28,259																	
6	370	185	Squares	Roofs, Modified Bitumen	2017	15 to 20	6	550.00	101,750	302,037						117,999											
7	56,250	18,750	Square Feet	Walls, Masonry, Inspections and Partial Repointing	2012	8 to 12	1	5.25	98,438	395,391			100,898														129,159
8	28,560	9,520	Square Feet	Walls, Stucco, Paint Finishes and Capital Repairs	2012	8 to 10	1	2.15	20,468	82,214			20,980														26,856
Interior Building Elements																											
9	26	13	Each	Ceiling Fans (Incl. Cottage Porch)	2021	to 20	10	300.00	3,900	13,173																	4,992
10	1	1	Each	Elevator Cab Finishes	2031	to 20	20	5,000.00	5,000	8,193																	8,193
11	135	135	Each	Light Fixtures	2031	to 30	20	185.00	24,975	40,924																	40,924
12	5	1	Allowance	Paint Finishes (2011 and 2012 are partial)	2011	6 to 10	0	17,200.00	17,200	95,150	3,200	14,350							20,957								25,533
Building Services Elements																											
13	1	1	Each	Elevator, Hydraulic Pump and Controls	2036	to 35	25	35,000.00	35,000	64,888																	
14	2	2	Each	Fire Detection Systems (control panel and emergency devices)	2026	to 25	15	9,200.00	18,400	26,649																	26,649
15	7	7	Each	Intercom Panels and Key Pads	2026	to 25	15	1,400.00	9,800	14,193																	14,193
16	55	55	Each	Light Fixtures, Emergency and Exit	2026	to 25	15	320.00	17,600	25,490																	25,490
17	1	1	Each	Pressure Tank	2031	to 20	20	6,500.00	6,500	10,651																	10,651
18	2	1	Allowance	Pumps, Duplex System	2021	to 20	10	9,800.00	9,800	33,101																	12,545
19	2	1	Each	Rooftop Heating and Cooling Unit (7.5- tons)	2025	15 to 20	14	10,900.00	10,900	37,707																	15,401
20	2	1	Allowance	Security System	2020	12 to 15	9	5,000.00	5,000	15,288																	6,244
Property Site Elements																											
21	1,115	1,115	Square Yards	Asphalt Pavement, Repaving, Mill and Overlay	2021	15 to 20	10	11.00	12,265	15,700																	15,700
22	1,115	1,115	Square Yards	Asphalt Pavement, Repaving, Total Replacement	2041	15 to 20	30	17.00	18,955	39,759																	
23	8	4	Each	Catch Basins, Capital Repairs	2021	15 to 20	10	700.00	2,800	9,457																	3,584
24	4	1	Allowance	Concrete Flatwork, Partial Replacements	2013	to 65	2	2,900.00	2,900	16,793			3,047														3,712
25	600	300	Linear Feet	Fences, Wood	2018	15 to 20	7	39.00	11,700	35,070																	13,908
26	2,180	2,180	Square Yards	Irrigation System	2036	to 35	25	9.00	19,620	36,374																	
27	7,830	2,610	Square Feet	Pavers, Brick and Stone (Incl. Sidewalks), Phased Replacements	2014	to 25	3	13.00	33,930	151,769																	49,141
28	110	110	Linear Feet	Rails, Metal	2035	to 35	24	50.00	5,500	9,948																	
Garage Elements																											
29	2	1	Each	Door and Operator	2021	to 20	10	6,500.00	6,500	21,955																	8,321
30	24	24	Each	Light Fixtures	2031	to 30	20	275.00	6,600	10,815																	10,815
		1	Allowance	Reserve Study Update with Site Visit	2013	2	2	2,950.00	2,950	2,950			2,950														

Anticipated Expenditures, By Year

\$2,030,066 3,200 136,228 5,997 36,539 0 54,873 121,965 13,908 20,957 6,244 110,938 156,015 0 0 47,814 199,257 25,533 0 4,523 0 150,056

RESERVE EXPENDITURES

for
3 Chisolm Street
Homeowners Association, Inc.
 Charleston, South Carolina

Line Item	Reserve Component Inventory	21 2032	22 2033	23 2034	24 2035	25 2036	26 2037	27 2038	28 2039	29 2040	30 2041
<u>Exterior Building Elements</u>											
1	Gutters and Downspouts, Asphalt Shingle Roof										
2	Gutters and Downspouts, Modified Bitumen Roofs				6,186						
3	Light Fixtures										
4	Paint Finishes					89,916					101,732
5	Roof, Asphalt Shingles										
6	Roofs, Modified Bitumen				184,038						
7	Walls, Masonry, Inspections and Partial Repointing	165,334									
8	Walls, Stucco, Paint Finishes and Capital Repairs	34,378									
<u>Interior Building Elements</u>											
9	Ceiling Fans (Incl. Cottage Porch)										8,181
10	Elevator Cab Finishes										
11	Light Fixtures										
12	Paint Finishes (2011 and 2012 are partial)				31,110						
<u>Building Services Elements</u>											
13	Elevator, Hydraulic Pump and Controls					64,888					
14	Fire Detection Systems (control panel and emergency devices)										
15	Intercom Panels and Key Pads										
16	Light Fixtures, Emergency and Exit										
17	Pressure Tank										
18	Pumps, Duplex System										20,556
19	Rooftop Heating and Cooling Unit (7.5- tons)								22,306		
20	Security System				9,044						
<u>Property Site Elements</u>											
21	Asphalt Pavement, Repaving, Mill and Overlay										
22	Asphalt Pavement, Repaving, Total Replacement										39,759
23	Catch Basins, Capital Repairs										5,873
24	Concrete Flatwork, Partial Replacements						5,511				
25	Fences, Wood				21,162						
26	Irrigation System					36,374					
27	Pavers, Brick and Stone (Incl. Sidewalks), Phased Replacements							66,089			
28	Rails, Metal				9,948						
<u>Garage Elements</u>											
29	Door and Operator										13,634
30	Light Fixtures										
Reserve Study Update with Site Visit											
Anticipated Expenditures, By Year		199,712	0	0	261,488	191,178	5,511	66,089	0	22,306	189,735

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS

3 Chisolm Street

Homeowners Association, Inc.

Charleston, South Carolina

Individual Reserve Budgets & Cash Flows for the Next 30 Years

	FY2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Reserves at Beginning of Year (Note 1)	86,383	124,474	35,775	78,094	91,568	143,364	141,936	74,098	115,380	151,604	204,738	154,605	59,500	121,616	186,363	205,646
Total Recommended Reserve Contributions (Note 2)	40,189	46,100	47,300	48,500	49,700	50,900	52,200	53,500	54,800	56,200	57,600	59,000	60,500	62,000	63,600	65,200
Plus Estimated Interest Earned, During Year (Note 3)	1,101	1,429	1,016	1,513	2,096	2,545	1,927	1,690	2,381	3,178	3,205	1,910	1,616	2,747	3,497	2,495
Less Anticipated Expenditures, By Year	(3,200)	(136,228)	(5,997)	(36,539)	0	(54,873)	(121,965)	(13,908)	(20,957)	(6,244)	(110,938)	(156,015)	0	0	(47,814)	(199,257)
Anticipated Reserves at Year End	<u>\$124,474</u>	<u>35,775</u>	<u>78,094</u>	<u>91,568</u>	<u>143,364</u>	<u>141,936</u>	<u>74,098</u>	<u>115,380</u>	<u>151,604</u>	<u>204,738</u>	<u>154,605</u>	<u>59,500</u>	<u>121,616</u>	<u>186,363</u>	<u>205,646</u>	<u>74,084</u>

(continued)

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

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Reserves at Beginning of Year	74,084	117,056	188,280	257,937	335,228	264,320	143,849	224,636	308,794	132,644	26,284	107,466	131,105	224,073	298,428
Total Recommended Reserve Contributions	66,800	68,500	70,200	72,000	73,800	75,600	77,500	79,400	81,400	83,400	85,500	87,600	89,800	92,000	94,300
Plus Estimated Interest Earned, During Year	1,705	2,724	3,980	5,291	5,348	3,641	3,287	4,758	3,938	1,418	1,193	2,128	3,168	4,661	4,513
Less Anticipated Expenditures, By Year	(25,533)	0	(4,523)	0	(150,056)	(199,712)	0	0	(261,488)	(191,178)	(5,511)	(66,089)	0	(22,306)	(189,735)
Anticipated Reserves at Year End	<u>117,056</u>	<u>188,280</u>	<u>257,937</u>	<u>335,228</u>	<u>264,320</u>	<u>143,849</u>	<u>224,636</u>	<u>308,794</u>	<u>132,644</u>	<u>26,284</u>	<u>107,466</u>	<u>131,105</u>	<u>224,073</u>	<u>298,428</u>	<u>207,506</u>
										(NOTE 5)					(NOTE 4)

Explanatory Notes:

- 1) Year 2011 reserves are as of May 31, 2011; FY 2011 starts January 1 and ends December 31.
- 2) Reserve Contributions for 2011 are the remaining budgeted 7 months; 2012 is the first year of recommended contributions.
- 3) 1.8% is the estimated annual rate of return on invested reserves; 2011 is a partial year of interest earned.
- 4) Accumulated year 2041 ending reserves consider the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Year (reserve balance at critical point).



DEFINITIONS¹

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.

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 in the cost of replacement where applicable.

Funding Goal - The stated purpose of this Reserve Study to determine the adequate, not excessive, future annual, reasonable *Reserve Contributions* to fund future *Reserve Expenditures*.

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 components of 3 Chisolm Street 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.

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) Association 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 the *Exhibit of 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.

¹ Definitions are derived from the standards set forth by the Community Associations Institute (CAI) representing America's 286,000 condominium and homeowners associations and cooperatives, and the Association of Professional Reserve Analysts, setting the standards of care for reserve study practitioners.



ASSUMPTIONS

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, we make no guarantee nor assume liability for the accuracy of any data, opinions, or estimates identified as furnished by others that we used in formulating this analysis.

We did not make any soil analysis or geological study with this report; nor were any water, oil, gas, coal, or other subsurface mineral and use rights or conditions investigated.

Substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, environmental mold or other potentially hazardous materials could, if present, adversely affect the validity of this study. Unless otherwise stated in this report, the existence of hazardous substance, that may or may not be present on or in the property, was not considered. Our opinions are predicated on the assumption that there are no hazardous materials on or in the property. We assume no responsibility for any such conditions. We are not qualified to detect such substances, quantify the impact, or develop the remedial cost.

We have made a visual inspection of the property and noted visible physical defects, if any, in our report. Our inspection and analysis was made by employees generally familiar with real estate and building construction; however, we did not do any invasive testing. Accordingly, we do not opine on, nor are we responsible for, the structural integrity of the property including its conformity to specific governmental code requirements, such as fire, building and safety, earthquake, and occupancy, or any physical defects that were not readily apparent during the inspection.

Our opinions of the remaining useful lives of the property elements do not represent a guarantee or warranty of performance of the products, materials and workmanship.

PROFESSIONAL SERVICE CONDITIONS

Our Services - Reserve Advisors, Inc. will perform its service as an independent contractor in accordance with our professional practice standards. Our compensation is not contingent upon our conclusions.

Our inspection and analysis of the subject property is limited to visual observations and is noninvasive. We will inspect sloped roofs from the ground. We will inspect flat roofs where safe access (stairs or ladder permanently attached to the structure) is available. Reserve Advisors does not investigate, nor assume any responsibility for any existence or impact of any hazardous materials, structural, latent or hidden defects which may or may not be present on or within the property. Our opinions of estimated costs and remaining useful lives are not a guarantee of the actual costs of replacement, a warranty of the property elements, or guarantee of remaining useful lives.

We assume, without independent verification, the accuracy of all data provided to us. You agree to indemnify and hold us 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 as 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 controlling person of Reserve Advisors, Inc., including any director, officer, employee, affiliate, or agent. Liability of Reserve Advisors, Inc. 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 - Reserve Advisors, Inc. will complete this Study in accordance with the Proposal. In the event our service includes a Preliminary Report, we will consider any additional information made available to us in the interest of promptly issuing a Final Report to your satisfaction. However, the Preliminary Report represents a valid opinion of our findings and recommendations and is deemed complete and final if no Final Report or changes are requested within six months of our inspection. We retain the right to withhold the Preliminary or Final Reports if payment for services is not rendered in a timely manner. All files, work papers or documents developed by us during the course of the engagement remains our property.

Your Obligations - You agree to provide us access to the subject property during our on site visual inspection and tour. You will provide to us to the best of your ability and if reasonably available, historical and budgetary information, the governing documents, and other information that we request and deem necessary to complete our Study. You agree to abide by the payment schedule for our services in accordance with the Reserve Study Proposal.

Use of Our Report and Your Name - Use of our Report is limited to only the stated purpose stated herein. Any use or reliance for any other purpose, by you or third parties, is invalid. The Report in whole or part **is not and can not be used as a design specification, design engineering services or an appraisal.** You may show our report in its entirety to those third parties who need to review the information contained herein. You may show our report in its entirety to those third parties who need to review the information contained herein but can not reference our name or our report, in whole or in part, in any document prepared and/or distributed to third parties without our written consent. **This report** contains intellectual property developed by Reserve Advisors, Inc. specific to this engagement and **can not be reproduced or distributed to those who conduct reserve studies without the written consent of Reserve Advisors, Inc.**

We reserve the right to include your property's name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.



CREDENTIALS

FIRM'S QUALIFICATIONS

HISTORY AND DEPTH OF SERVICE TO AMERICA

Founded in 1991, Reserve Advisors, Inc. is the leading provider of reserve studies and independent property consulting services, serving community associations, clubs, non-profit organizations, apartment building owners, religious institutions and educational facilities, office and commercial building owners, and other entities in over 40 states and Canada.

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 has the **largest staff of Reserve Specialists** with bachelors degrees in engineering dedicated to Reserve Study services. Our principals are founders of Community Associations Institute's (CAI) Reserve Committee. Also, one of our principals is a Past President of the Association of Professional Reserve Analysts (APRA). Our vast experience with a variety of building types and ages, on-site examination and a historical analyses are keys to our determining accurate remaining useful life estimates of building components.

No Conflict of Interest - As 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 Peer Review, exclusive to Reserve Advisors, Inc., and by utilizing the experience of other staff gained from serving hundreds of other clients. A peer review is an internal quality assurance review of an assignment including the inspection, costing, lifing and technical report phases of the assignment. Each peer review requires the attendance of at least four staff including a Principal of the Firm, a Review Coordinator and other participatory peers. 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, Inc. has conducted reserve studies for a variety of different communities and building types. Our clients include institutional governmental entities, master associations, clubs, schools and religious organizations. We've analyzed thousands of buildings, from as small as a 3,500 square-foot day care center to the 100-story John Hancock Center in Chicago. We also routinely inspect buildings with various types of mechanical systems such as simple electric heat, to complex systems with air handlers, chillers, boilers, elevators, and life safety security systems.

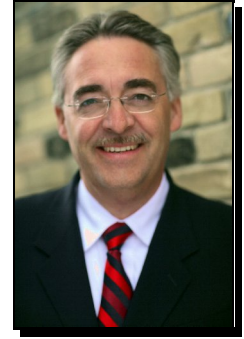
We're familiar with all types of building exteriors as well. Our well versed staff regularly identifies optimal repair and replacement solutions for such building exterior surfaces such as adobe, brick, stone, concrete, stucco, EIFS, wood products, stained glass and aluminum siding, and window wall systems.

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.



THEODORE J. SALGADO, P.E., PRA
Principal



CURRENT CLIENT SERVICES

Theodore J. Salgado is a co-founder of Reserve Advisors, Inc., which is dedicated to serving community associations, city and country clubs, religious organizations, educational facilities, and public and private entities throughout the United States. He is responsible for the production, management, review, and consulting services for a nationwide portfolio of more than 4,000 clients. Under his direction, the firm conducts reserve study services for apartment complexes, churches, hotels, resorts, office towers and vintage architecturally ornate buildings.

PRIOR RELEVANT EXPERIENCE

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

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

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

EXPERT WITNESS

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

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

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

American Association of Cost Engineers - Past President, Wisconsin Section
Association of Construction Inspectors - Senior Designated Member and Certified Construction Inspector
Association of Professional Reserve Analysts - Past President, and Professional Reserve Analyst (PRA).
Community Associations Institute - Member and Volunteer Leader of multiple chapters throughout USA
Concordia Seminary, St. Louis - Member, National Steering Committee
Milwaukee School of Engineering - Member, Corporation Board
Professional Engineer, Wisconsin, Registered in 1982.



JOHN P. POEHLMANN, RS
Principal



CURRENT CLIENT SERVICES

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

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

Mr. Poehlmann also served on the national Board of Trustees of Community Associations Institute. Community Associations Institute (CAI) is a national, nonprofit 501(c)(6) trade association created in 1973 to provide education and resources to America's nearly 286,000 residential condominium, cooperative and homeowner associations and related professionals and service providers. The Institute is dedicated to fostering vibrant, responsive, competent community associations that promote harmony, community, and responsible leadership.

He is a founding member of the Institute's Reserve Committee. The Reserve Committee developed national standards and the Reserve Specialist (RS) Designation Program for Reserve Study Providers. Mr. Poehlmann has authored numerous articles on the topic of Reserve Studies, including Planning for Replacement of Property Doesn't Have to Be Like a Trip to the Dentist, Reserve Studies for the First Time Buyer, Sound Association Planning Parallels Business Concepts, and Reserve Studies Minimize Liability. He has worked with a variety of publications, including the Chicago Tribune, The Milwaukee Journal/Sentinel, Common Ground, Common Interest, and Condo Management. He also co-authored "Reserves", an educational videotape produced by Reserve Advisors on the subject of Reserve Studies and the benefits of maintaining appropriate reserves. The videotape is available through Reserve Advisors or CAI's website, www.caionline.org. It is also available in all libraries in the State of Virginia.

INDUSTRY SERVICE AWARDS

CAI National Rising Star Award, 2002 - To an individual whose leadership abilities and professional contributions have earmarked them for even greater accomplishments in the future.

CAI Michigan Chapter Award, 2003 - "Given to the individual who contributed their time, expertise, and resources toward improving the quality of services offered by the chapter. Mr. Poehlmann was unanimously selected as the winner of the 2002 CAI Michigan Chapter Award."

EDUCATION

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

PROFESSIONAL AFFILIATIONS

Community Associations Institute (CAI): Serving national Board of Trustees; Reserve Professionals Committee, founding member; Reserve Specialist (RS) designation; Member of multiple chapters
Association of Condominium, Townhouse, & Homeowners Associations (ACTHA), member
United Condominium Owners of Michigan (UCOM), member

Reserve Advisors, Inc.

QUALIFICATIONS MICHELLE L. OBEL, E.I. Responsible Advisor

CURRENT CLIENT SERVICES

Michelle L. Obel, a Civil engineer, is an Advisor for *Reserve Advisors, Inc.* Ms. Obel is responsible for the inspection and analysis of the condition of clients' properties, and recommending engineering solutions to prolong the lives of the components. She also forecasts capital expenditures for the repair and/or replacement of the property components and prepares technical reports on assignments. She is responsible for conducting Life Cycle Cost Analyses and Capital Replacement Forecast services and the preparation of Reserve Study Reports for condominiums, townhomes, planned unit developments, and homeowner associations. Ms. Obel frequently participates in the Peer Review Meetings for Recreational, Townhome, and Mid Rise communities.

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

Avenues Professional Park Owners' Association, Inc. This unique commercial property is located in Jacksonville, Florida. The owners association maintains the 12 masonry buildings and site infrastructure. Businesses located in this association include accounting firms, engineering firms, law firms and medical offices.

Holiday Shores Park, Inc. This complex cooperative is located in Largo, Florida, along Lake Seminole. The cooperative is responsible for the common elements shared by 311 units. Amenities of this property include a clubhouse, gazebo, maintenance building, pool and shuffleboard courts. Holiday Shores also maintains over 5,600 linear feet of seawalls throughout the property.

Marsh Landing at Sawgrass Homeowners Association I, Inc. This exclusive community is located within Marsh Landing at Sawgrass, just east of the Atlantic Ocean in Jacksonville, Florida. This unique association maintains the common elements for 192 single family lot owners. Marsh Landing is located throughout pockets of the intercoastal marsh, which include soaring pines, floral landscape, and North Florida wildlife.

Monarch Village Homeowners Association This tennis community is located in Stockbridge, Georgia, a suburb of Atlanta, Georgia. This community maintains the common elements shared by 900 single family lot owners. Amenities of this property include a clubhouse, dam feature, over 2.5 miles of walking paths, boardwalks, dock and a pool with a large water slide.

The Lakes at Sandridge Homeowners Association, Inc. This Vero Beach, Florida homeowners association was constructed in 2005 and comprises asphalt pavement roadways, entrance gates, fishing docks, an irrigation system, playground, site lighting and stormwater ponds. The property is located in an up-and-coming area of Vero Beach.

Whispering Palms Condominium Association, Inc. This unique Fort Myers, Florida condominium community currently consists of three associations: Phase 1, Phase 2 and Recreation. Phases 1 and 2 maintain the building exteriors and Recreation maintains the site amenities and infrastructure.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Inc., Ms. Obel was a land development engineer in Tampa, FL, where she was responsible for the design of residential and commercial property, utility layout, roadway design and stormwater detention. Ms. Obel successfully completed the bachelors program in Civil Engineering from the University of Florida.

EDUCATION- University of Florida - B.S. Civil Engineering, Cum Laude

PROFESSIONAL AFFILIATIONS

Engineer Intern (E.I.) - State of Florida, 2006



RESOURCES WE USE IN OUR ANALYSIS

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

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

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 <http://www.ashrae.org>. Reserve Advisors, Inc. actively participates in its local chapter and holds individual memberships.

Community Associations Institute, 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 <http://www.msbinfo.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 <http://www.rsmeans.com>

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