FULL RESERVE STUDY

Steeplechase Subdivision Homeowners Association, Inc.

Walton, Kentucky

April 5, 2019

RESERVE™ ADVISORS

Long-term thinking. Everyday commitment.

RESERVE ADVISORS
Long-term thinking. Everyday commitment.

Corporate Office
Reserve Advisors, Inc.
735 N. Water Street, Suite 175
Milwaukee, WI 53202

Steeplechase Subdivision Homeowners Association, Inc.
Walton, Kentucky

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

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of Steeplechase Subdivision Homeowners Association, Inc. in Walton, Kentucky and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, April 5, 2019.

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

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

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

Respectfully submitted on May 2, 2019 by

Reserve Advisors, Inc.

Visual Inspection and Report by: Andrew K. McGowan
Review by: Alan M. Ebert, RS[1], PRA[2], 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.

RESERVE
ADVISORS
Long-term thinking. Everyday commitment.

Table of Contents

1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Steeplechase Subdivision Homeowners Association, Inc. (Steeplechase Subdivision)
Location: Walton, Kentucky
Reference: 190062

Property Basics: Steeplechase Subdivision Homeowners Association, Inc. is a homeowners association which is responsible for the common elements shared by 306 lots. The Declarations of the Association date to 1998. Portions of the common elements such as the street light poles and fixtures were built from 1998 through 2010. Management informs us a developer has requested to add 49 new homes to the community.

Reserve Components Identified: 46 Reserve Components.

Inspection Date: April 5, 2019.

Funding Goal: The Funding Goal of this Reserve Study is to maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures. Our recommended Funding Plan recognizes this threshold funding year in 2033 due to sediment removal of the central pond.

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

- Current and future local costs of replacement
- 0.5% average current annual rate of return on invested reserves
- 2.8% future Inflation Rate for estimating Future Replacement Costs

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

Cash Status of Reserve Fund:

- $137,392 as of February 15, 2019
- 2019 budgeted Reserve Contributions of $16,150
- A potential deficit in reserves might occur by 2023 based upon continuation of the most recent annual reserve contribution of $16,150 and the identified Reserve Expenditures.

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

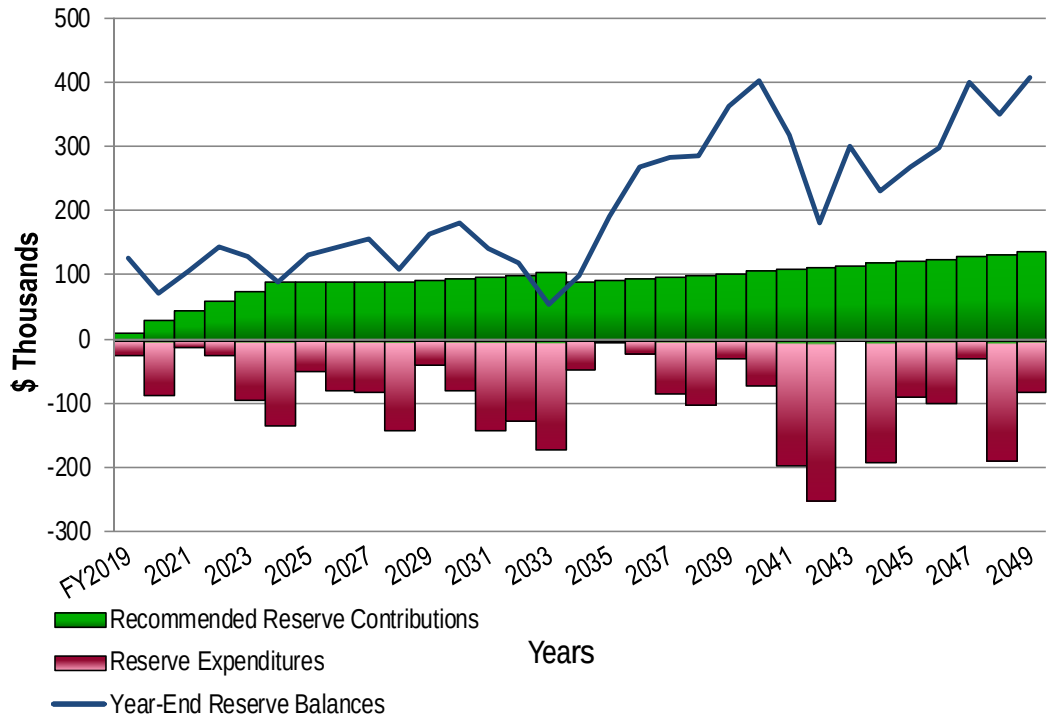
- Repaving of the walking paths as deferral may lead to potential safety concerns and increased cost
- Sediment removal and erosion control of the inlet/outlet channels due to noted erosion and to prevent increased sediment accumulation
- Replacement of the windows and doors with noted deterioration
- Renovations of the clubhouse and main entrance monuments due to noted deterioration and to prevent increased cost
- Paint finish applications and partial wood replacements at the clubhouse to limit water infiltration and extend the useful life of the siding

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

- Phased increases of approximately $15,000 from 2020 through 2024
- Stable contributions of $91,200 from 2025 through 2028
- Inflationary increases from 2029 through 2033
- Decrease to $91,000 by 2034 due to fully funding for sediment removal of the central pond
- Inflationary increases through 2049, the limit of this study's Cash Flow Analysis
- Initial adjustment in Reserve Contributions of $15,050 represents an average quarterly increase of $12.30 per homeowner and about a ten percent (9.8%) adjustment in the 2019 total Operating Budget of $153,032.
- The Association may ascribe the actual contributions and assessments per owner based upon percent ownership, as defined by the Association's governing documents.
- An annual Reserve Contribution that does not require increases other than inflation ensures that each owner funds their use of the Association maintained elements annually. The actual Reserve Contributions approved by the Board may vary based on factors external to the Reserve Study such as the financial impact on unit owners, desire to utilize funding mechanisms other than reserves and the market value of the units. We include stepped or phased annual increases in the Reserve Contribution based on the current financial conditions of the Association, significant recommended Reserve Contributions and the critical Reserve Balances. Any phase in the required Reserve Contribution increase defers the cost burden to future owners. We therefore limit the number of phased increases to limit the deferred cost burden to future owners. We opine this funding method adheres to APRA Standards of Practice which state in part "... any Funding Plan shall meet the Following Funding Principles: Sufficient funds when required, stable contribution rate over the years, evenly distributed contributions over the years, and fiscally responsible."

Steeplechase Subdivision
Recommended Reserve Funding Table and Graph

Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)
2020	31,200	72,014	2030	96,400	181,681	2040	107,300	401,561
2021	46,200	106,718	2031	99,100	141,944	2041	110,300	317,626
2022	61,200	144,427	2032	101,900	119,162	2042	113,400	181,514
2023	76,200	128,250	2033	104,800	53,510	2043	116,600	299,313
2024	91,200	87,491	2034	91,000	99,503	2044	119,900	230,521
2025	91,200	129,733	2035	93,500	189,836	2045	123,300	267,278
2026	91,200	144,069	2036	96,100	266,822	2046	126,800	297,836
2027	91,200	156,245	2037	98,800	282,659	2047	130,400	400,173
2028	91,200	107,605	2038	101,600	284,362	2048	134,100	349,038
2029	93,800	162,332	2039	104,400	362,719	2049	137,900	407,538



2. RESERVE STUDY REPORT

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

Steeplechase Subdivision Homeowners Association, Inc.

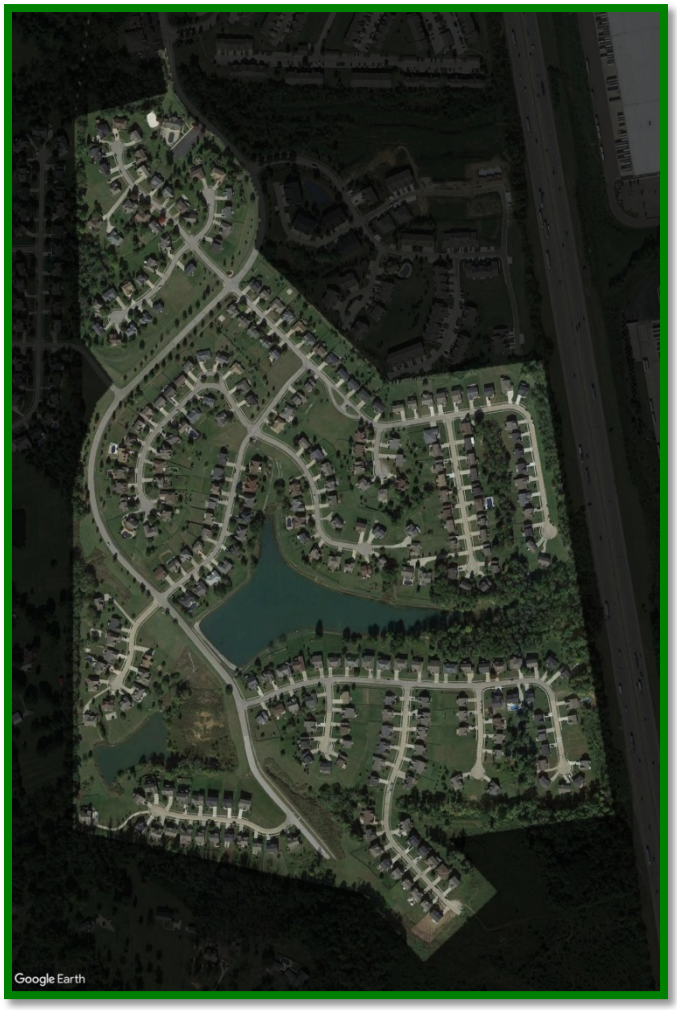
Walton, Kentucky

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, April 5, 2019.

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:

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

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

- Electrical Systems, Common
- Foundation, Clubhouse
- Pipes, Interior Building, Clubhouse
- Pool Structure and Deck
- Structural Frame, Clubhouse

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 $2,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Catch Basins, Landscape

We note the potential for an increased rate of deterioration due to water flow directed to the side of the catch basin near Foxhunt Drive. We recommend the Association fill this area to be level with or above the catch basin and fund this activity through the operating budget.

Catch basin near southeastern end of Foxhunt Drive

- Clubhouse, Shutters
- Clubhouse, Tanning Room, Renovations (Management informs us the tanning room is currently closed as the Board decides whether to conduct renovations for an alternate function.)
- Clubhouse, Vents
- Clubhouse, Water Heater
- Fence, Vinyl, Wynfair

Fence damage

- Flag Pole
- Irrigation System, Controllers

Exposed wiring and control panel

- Landscape, Maintenance
- Light Fixtures, Clubhouse Exterior
- Paint Finishes, Bridges
- Paint Finishes, Gazebo
- Paint Finishes, Playground Equipment
- Paint Finishes, Touch Up
- Site Furniture, Benches, Trash Cans and Dog Waste Stations
- Wetlands, Maintenance
- 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:

- Homes and Lots (Includes driveways, fences, mailboxes, retaining walls and sidewalks)
- Bridge, Rear of Turfrider Court

Bridge overview

Support on eroding shoreline

- Electrical Systems
- Heating, Ventilating and Air Conditioning (HVAC) Units
- Interiors
- Pipes, Interior Building, Water and Sewer
- Pipes, Subsurface Utilities

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

- Irrigation System, Main Entrance (Other Entity)
- Street Systems (Municipality)

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
- 2019 local cost of replacement
  - Per unit
  - Per phase
  - Replacement of total quantity
- Total future costs of replacement anticipated during the next 30 years
- Schedule of estimated future costs for each reserve component including inflation

Reserve Funding Plan

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

Five-Year Outlook

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

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

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

Years 2019 to 2034

RESERVE EXPENDITURES

Steeplechase Subdivision
Homeowners Association, Inc.
Walton, Kentucky

Explanatory Notes:

1) 2.8% is the estimated Inflation Rate for estimating Future Replacement Costs.

2) FY2019 is Fiscal Year beginning January 1, 2019 and ending December 31, 2019.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years Useful	Remaining	Costs, $ Unit (2019)	Per Phase (2019)	Total (2019)	30-Year Total (Inflated)	RUL = 0 FY2019	1 2020	2 2021	3 2022	4 2023	5 2024	6 2025	7 2026	8 2027	9 2028	10 2029	11 2030	12 2031	13 2032	14 2033	15 2034
				Property Site Elements																							
4.020	7,450	7,450	Square Yards	Asphalt Pavement, Crack Repair, Patch, Seal Coat and Striping	2024	3 to 5	5	1.70	12,665	12,665	125,368						9,408				15,168				18,135		
4.040	1,170	1,170	Square Yards	Asphalt Pavement, Clubhouse Parking, Mill and Overlay	2045	15 to 20	26	17.50	20,475	20,475	41,980																
4.045	1,170	1,170	Square Yards	Asphalt Pavement, Clubhouse Parking, Total Replacement	2027	15 to 20	8	38.00	44,460	44,460	55,452									55,452							
4.080	6,280	3,140	Square Yards	Asphalt Pavement, Walking Paths, Total Replacement, Phased (2020 is Poor Condition)	2020	15 to 20	1 to 2	25.50	80,070	160,140	483,579		4,116			89,422	91,925										
4.090	2	2	Each	Bridges, Wood, Replacement	2028	to 30	9	8,500.00	17,000	17,000	21,797										21,797						
4.260	610	610	Linear Feet	Fences, Vinyl	2025	15 to 20	6	24.00	14,640	14,640	47,295							17,278									
4.360	1	1	Each	Gazebo	2029	to 25	10	9,200.00	9,200	9,200	12,000											12,000					
4.420	10,900	10,900	Square Feet	Irrigation System	2038	to 40+	19	0.50	5,450	5,450	9,210																
4.500	2	1	Allowance	Landscape, Ash Tree Removal/Replacement, Phased	2020	to 20	1 to 5	15,000.00	15,000	30,000	89,346		15,420				17,221										
4.560	55	55	Each	Light Poles and Fixtures, Streets	2031	to 25	12	1,600.00	88,000	88,000	122,574													122,574			
4.660	1	1	Allowance	Playground Equipment, Current	2030	15 to 20	11	22,500.00	22,500	22,500	82,006												30,486				
4.661	1	1	Allowance	Playground Equipment, Volleyball Court Replacement (2020 is Remaining)	2019	15 to 20	0	25,000.00	25,000	25,000	55,098	14,000															
4.700	6	6	Each	Pond, Central, Bubblers	2025	10 to 15	6	2,400.00	14,400	14,400	42,712							16,995									
4.710	4,540	455	Linear Feet	Ponds, Central and Western, Main Shorelines, Erosion Control, Partial	2026	to 15	7	51.00	23,205	231,540	70,756								28,154								
4.715	2,500	625	Linear Feet	Ponds, Inlet/Outlet Channels, Erosion Control, Partial	2020	to 12	1 to 30+	41.00	25,625	102,500	114,142		26,342												36,692		
4.725	1	1	Allowance	Ponds, Inlets, Outlets and Control Structures, Inspections and Capital Repairs	2030	10 to 15	11	14,000.00	14,000	14,000	45,391												18,969				
4.730	30,530	3,055	Square Yards	Pond, Central, Sediment Removal, Partial	2033	to 30	14	38.00	116,090	1,160,140	170,883															170,883	
4.733	2,500	2,500	Linear Feet	Ponds, Inlet/Outlet Channels, Sediment Removal	2020	to 12	1	10.00	25,000	25,000	111,359		25,700												35,797		
4.735	6,550	1,965	Square Yards	Pond, Western, Sediment Removal, Partial	2026	to 25	7	12.00	23,580	78,600	28,609								28,609								
4.800	1	1	Allowance	Signage, Clubhouse, Renovation	2021	15 to 20	2	3,500.00	3,500	3,500	10,125			3,699													
4.801	1	1	Allowance	Signage, Main Entrance Monuments, Renovation	2020	15 to 20	1	10,000.00	10,000	10,000	28,139		10,280														
4.810	1	1	Allowance	Signage, Street, Replacement	2030	15 to 20	11	10,500.00	10,500	10,500	14,227												14,227				
				Clubhouse Elements																							
5.160	3	1	Allowance	Exercise Equipment, Phased	2022	5 to 15	3 to 13	10,500.00	10,500	31,500	99,367				11,407					13,096					15,035		
5.180	1	1	Allowance	Exercise Room, Renovation, Complete	2028	to 20	9	12,000.00	12,000	12,000	42,115										15,386						
5.190	1	1	Allowance	Exercise Room, Renovation, Partial	2038	to 10	19	6,500.00	6,500	6,500	10,985																
5.390	300	300	Linear Feet	Gutters and Downspouts, Aluminum	2022	to 25	3	7.00	2,100	2,100	6,707				2,281												
5.450	2	1	Each	HVAC Equipment, Split Systems, Phased	2027	15 to 20	8 to 12	9,000.00	9,000	18,000	61,758									11,225				12,536			
5.500	1	1	Allowance	Interior, Renovation, Complete	2028	to 20	9	63,000.00	63,000	63,000	221,102										80,775						
5.510	1	1	Each	Interior, Renovation, Partial (2020 is Planned)	2019	to 10	0	22,500.00	22,500	22,500	44,323	6,300															
5.520	12	12	Each	Light Fixtures, Exterior	2025	to 25	6	200.00	2,400	2,400	7,755							2,835									
5.590	2	2	Each	Rest Rooms, Exterior, Renovation	2026	to 25	7	3,000.00	6,000	6,000	7,280								7,280								
5.600	55	55	Squares	Roof, Asphalt Shingles	2034	15 to 20	15	370.00	20,350	20,350	30,794																30,794
5.690	1	1	Allowance	Security System	2029	10 to 15	10	11,000.00	11,000	11,000	36,438											14,499					
5.750	1	1	Allowance	Walls, Siding, Fiber Cement, Paint Finishes (Includes Masonry Repairs)	2021	6 to 10	2	5,300.00	5,300	5,300	32,167			5,601								6,986					
5.755	3,600	3,600	Square Feet	Walls, Siding, Fiber Cement, Replacement	2046	to 50	27	9.00	32,400	32,400	68,290																
5.800	85	85	Square Feet	Windows and Doors, Wood Frames, Initial	2020	to 35	1	46.00	3,910	3,910	4,019		4,019														
5.805	125	125	Square Feet	Windows and Doors, Entry and Exit Doors, Wood Frames, Subsequent	2028	to 35	9	46.00	5,750	5,750	7,372										7,372						

Years 2035 to 2049

RESERVE EXPENDITURES

Steeplechase Subdivision
Homeowners Association, Inc.
Walton, Kentucky

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years Useful	Remaining	Unit (2019)	Costs, $ Per Phase (2019)	Total (2019)	30-Year Total (Inflated)	16 2035	17 2036	18 2037	19 2038	20 2039	21 2040	22 2041	23 2042	24 2043	25 2044	26 2045	27 2046	28 2047	29 2048	30 2049
				Property Site Elements																						
4.020	7,450	7,450	Square Yards	Asphalt Pavement, Crack Repair, Patch, Seal Coat and Striping	2024	3 to 5	5	1.70	12,665	12,665	125,368		20,253			22,002			15,467				24,935			
4.040	1,170	1,170	Square Yards	Asphalt Pavement, Clubhouse Parking, Mill and Overlay	2045	15 to 20	26	17.50	20,475	20,475	41,980											41,980				
4.045	1,170	1,170	Square Yards	Asphalt Pavement, Clubhouse Parking, Total Replacement	2027	15 to 20	8	38.00	44,460	44,460	55,452															
4.080	6,280	3,140	Square Yards	Asphalt Pavement, Walking Paths, Total Replacement, Phased (2020 is Poor Condition)	2020	15 to 20	1 to 2	25.50	80,070	160,140	483,579							147,000	151,116							
4.090	2	2	Each	Bridges, Wood, Replacement	2028	to 30	9	8,500.00	17,000	17,000	21,797															
4.260	610	610	Linear Feet	Fences, Vinyl	2025	15 to 20	6	24.00	14,640	14,640	47,295											30,017				
4.360	1	1	Each	Gazebo	2029	to 25	10	9,200.00	9,200	9,200	12,000															
4.420	10,900	10,900	Square Feet	Irrigation System	2038	to 40+	19	0.50	5,450	5,450	9,210				9,210											
4.500	2	1	Allowance	Landscape, Ash Tree Removal/Replacement, Phased	2020	to 20	1 to 5	15,000.00	15,000	30,000	89,346						26,788				29,917					
4.560	55	55	Each	Light Poles and Fixtures, Streets	2031	to 25	12	1,600.00	88,000	88,000	122,574															
4.660	1	1	Allowance	Playground Equipment, Current	2030	15 to 20	11	22,500.00	22,500	22,500	82,006															51,520
4.661	1	1	Allowance	Playground Equipment, Volleyball Court Replacement (2020 is Remaining)	2019	15 to 20	0	25,000.00	25,000	25,000	55,098			41,098												
4.700	6	6	Each	Pond, Central, Bubblers	2025	10 to 15	6	2,400.00	14,400	14,400	42,712						25,717									
4.710	4,540	455	Linear Feet	Ponds, Central and Western, Main Shorelines, Erosion Control, Partial	2026	to 15	7	51.00	23,205	231,540	70,756							42,602								
4.715	2,500	625	Linear Feet	Ponds, Inlet/Outlet Channels, Erosion Control, Partial	2020	to 12	1 to 30+	41.00	25,625	102,500	114,142										51,108					
4.725	1	1	Allowance	Ponds, Inlets, Outlets and Control Structures, Inspections and Capital Repairs	2030	10 to 15	11	14,000.00	14,000	14,000	45,391								26,422							
4.730	30,530	3,055	Square Yards	Pond, Central, Sediment Removal, Partial	2033	to 30	14	38.00	116,090	1,160,140	170,883															
4.733	2,500	2,500	Linear Feet	Ponds, Inlet/Outlet Channels, Sediment Removal	2020	to 12	1	10.00	25,000	25,000	111,359										49,862					
4.735	6,550	1,965	Square Yards	Pond, Western, Sediment Removal, Partial	2026	to 25	7	12.00	23,580	78,600	28,609															
4.800	1	1	Allowance	Signage, Clubhouse, Renovation	2021	15 to 20	2	3,500.00	3,500	3,500	10,125							6,426								
4.801	1	1	Allowance	Signage, Main Entrance Monuments, Renovation	2020	15 to 20	1	10,000.00	10,000	10,000	28,139						17,859									
4.810	1	1	Allowance	Signage, Street, Replacement	2030	15 to 20	11	10,500.00	10,500	10,500	14,227															
				Clubhouse Elements																						
5.160	3	1	Allowance	Exercise Equipment, Phased	2022	5 to 15	3 to 13	10,500.00	10,500	31,500	99,367			17,261					19,817				22,751			
5.180	1	1	Allowance	Exercise Room, Renovation, Complete	2028	to 20	9	12,000.00	12,000	12,000	42,115														26,729	
5.190	1	1	Allowance	Exercise Room, Renovation, Partial	2038	to 10	19	6,500.00	6,500	6,500	10,985				10,985											
5.390	300	300	Linear Feet	Gutters and Downspouts, Aluminum	2022	to 25	3	7.00	2,100	2,100	6,707												4,426			
5.450	2	1	Each	HVAC Equipment, Split Systems, Phased	2027	15 to 20	8 to 12	9,000.00	9,000	18,000	61,758										17,950				20,047	
5.500	1	1	Allowance	Interior, Renovation, Complete	2028	to 20	9	63,000.00	63,000	63,000	221,102														140,327	
5.510	1	1	Each	Interior, Renovation, Partial (2020 is Planned)	2019	to 10	0	22,500.00	22,500	22,500	44,323				38,023											
5.520	12	12	Each	Light Fixtures, Exterior	2025	to 25	6	200.00	2,400	2,400	7,755											4,920				
5.590	2	2	Each	Rest Rooms, Exterior, Renovation	2026	to 25	7	3,000.00	6,000	6,000	7,280															
5.600	55	55	Squares	Roof, Asphalt Shingles	2034	15 to 20	15	370.00	20,350	20,350	30,794															
5.690	1	1	Allowance	Security System	2029	10 to 15	10	11,000.00	11,000	11,000	36,438										21,939					
5.750	1	1	Allowance	Walls, Siding, Fiber Cement, Paint Finishes (Includes Masonry Repairs)	2021	6 to 10	2	5,300.00	5,300	5,300	32,167			8,713								10,867				
5.755	3,600	3,600	Square Feet	Walls, Siding, Fiber Cement, Replacement	2046	to 50	27	9.00	32,400	32,400	68,290												68,290			
5.800	85	85	Square Feet	Windows and Doors, Wood Frames, Initial	2020	to 35	1	46.00	3,910	3,910	4,019															
5.805	125	125	Square Feet	Windows and Doors, Entry and Exit Doors, Wood Frames, Subsequent	2028	to 35	9	46.00	5,750	5,750	7,372															

Years 2019 to 2034

RESERVE EXPENDITURES

Steeplechase Subdivision
Homeowners Association, Inc.
Walton, Kentucky

Explanatory Notes:

1) 2.8% is the estimated Inflation Rate for estimating Future Replacement Costs.

2) FY2019 is Fiscal Year beginning January 1, 2019 and ending December 31, 2019.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years Useful	Remaining	Costs, $ Unit (2019)	Per Phase (2019)	Total (2019)	30-Year Total (Inflated)	RUL = 0 FY2019	1 2020	2 2021	3 2022	4 2023	5 2024	6 2025	7 2026	8 2027	9 2028	10 2029	11 2030	12 2031	13 2032	14 2033	15 2034
5.810	575	575	Square Feet	Windows, Aluminum Frames, Subsequent	2038	to 40	19	40.00	23,000	23,000	38,868																
				Pool Elements																							
6.200	6,430	6,430	Square Feet	Concrete Deck, Inspections, Partial Replacements and Repairs (Includes Sidewalks)	2024	8 to 12	5	1.50	9,645	9,645	44,905						11,073										14,595
6.300	1,085	1,085	Square Feet	Cover, Vinyl	2023	6 to 8	4	3.00	3,255	3,255	20,877					3,635								4,534			
6.400	210	210	Linear Feet	Fence, Aluminum	2026	to 25	7	53.00	11,130	11,130	13,504								13,504								
6.500	2	1	Allowance	Furniture, Phased	2025	to 12	6 to 11	10,500.00	10,500	21,000	87,740							12,392					14,227				
6.550	5	5	Each	Light Poles and Fixtures, Pool	2029	to 25	10	950.00	4,750	4,750	6,261											6,261					
6.600	2	1	Allowance	Mechanical Equipment, Phased	2021	to 15	2 to 5	2,500.00	2,500	5,000	19,350			2,642			2,870										
6.800	800	800	Square Feet	Pool Finish, Plaster	2022	8 to 12	3	12.00	9,600	9,600	42,293				10,429										13,746		
6.801	120	120	Linear Feet	Pool Finish, Tile	2032	15 to 25	13	34.50	4,140	4,140	5,928														5,928		
		1	Allowance	Reserve Study	2019	N/A	0	3,500	3,500	3,500	3,500	3,500															
				Anticipated Expenditures, By Year							$2,745,746	23,800	85,877	11,942	24,117	93,057	132,497	49,500	77,547	79,773	140,498	39,746	77,909	139,644	125,333	170,883	45,389

Years 2035 to 2049

RESERVE EXPENDITURES

Steeplechase Subdivision
Homeowners Association, Inc.
Walton, Kentucky

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years Useful	Remaining	Costs, $ Unit (2019)	Per Phase (2019)	Total (2019)	30-Year Total (Inflated)	16 2035	17 2036	18 2037	19 2038	20 2039	21 2040	22 2041	23 2042	24 2043	25 2044	26 2045	27 2046	28 2047	29 2048	30 2049
5.810	575	575	Square Feet	Windows, Aluminum Frames, Subsequent	2038	to 40	19	40.00	23,000	23,000	38,868				38,868											
				Pool Elements																						
6.200	6,430	6,430	Square Feet	Concrete Deck, Inspections, Partial Replacements and Repairs (Includes Sidewalks)	2024	8 to 12	5	1.50	9,645	9,645	44,905										19,237					
6.300	1,085	1,085	Square Feet	Cover, Vinyl	2023	6 to 8	4	3.00	3,255	3,255	20,877					5,655								7,053		
6.400	210	210	Linear Feet	Fence, Aluminum	2026	to 25	7	53.00	11,130	11,130	13,504															
6.500	2	1	Allowance	Furniture, Phased	2025	to 12	6 to 11	10,500.00	10,500	21,000	87,740			17,261					19,817							24,043
6.550	5	5	Each	Light Poles and Fixtures, Pool	2029	to 25	10	950.00	4,750	4,750	6,261															
6.600	2	1	Allowance	Mechanical Equipment, Phased	2021	to 15	2 to 5	2,500.00	2,500	5,000	19,350	3,889			4,225											5,724
6.800	800	800	Square Feet	Pool Finish, Plaster	2022	8 to 12	3	12.00	9,600	9,600	42,293								18,118							
6.801	120	120	Linear Feet	Pool Finish, Tile	2032	15 to 25	13	34.50	4,140	4,140	5,928															
		1	Allowance	Reserve Study	2019	N/A	0	3,500	3,500	3,500	3,500															
				Anticipated Expenditures, By Year							$2,745,746	3,889	20,253	84,333	101,311	27,657	70,364	196,028	250,757	0	190,013	87,784	97,651	29,804	187,103	81,287

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS
Steeplechase Subdivision
Homeowners Association, Inc.
Walton, Kentucky

Individual Reserve Budgets & Cash Flows for the Next 30 Years

			FY2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	Reserves at Beginning of Year (Note 1)		137,392	126,197	72,014	106,718	144,427	128,250	87,491	129,733	144,069	156,245	107,605	162,332	181,681	141,944	119,162	53,510
	Total Recommended Reserve Contributions (Note 2)		12,113	31,200	46,200	61,200	76,200	91,200	91,200	91,200	91,200	91,200	93,800	96,400	99,100	101,900	104,800	91,000
Plus	Estimated Interest Earned, During Year (Note 3)		493	494	446	626	680	538	542	683	749	658	673	858	807	651	431	382
Less	Anticipated Expenditures, By Year		(23,800)	(85,877)	(11,942)	(24,117)	(93,057)	(132,497)	(49,500)	(77,547)	(79,773)	(140,498)	(39,746)	(77,909)	(139,644)	(125,333)	(170,883)	(45,389)
	Anticipated Reserves at Year End		$126,197	$72,014	$106,718	$144,427	$128,250	$87,491	$129,733	$144,069	$156,245	$107,605	$162,332	$181,681	$141,944	$119,162	$53,510 (NOTE 5)	$99,503
	Predicted Reserves based on 2019 funding level of:	$16,150	126,197	56,927	61,430	53,750	(23,081)	(139,834)										

(continued)

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

		2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
	Reserves at Beginning of Year	99,503	189,836	266,822	282,659	284,362	362,719	401,561	317,626	181,514	299,313	230,521	267,278	297,836	400,173	349,038
	Total Recommended Reserve Contributions	93,500	96,100	98,800	101,600	104,400	107,300	110,300	113,400	116,600	119,900	123,300	126,800	130,400	134,100	137,900
Plus	Estimated Interest Earned, During Year	722	1,139	1,370	1,414	1,614	1,906	1,793	1,245	1,199	1,321	1,241	1,409	1,741	1,868	1,887
Less	Anticipated Expenditures, By Year	(3,889)	(20,253)	(84,333)	(101,311)	(27,657)	(70,364)	(196,028)	(250,757)	0	(190,013)	(87,784)	(97,651)	(29,804)	(187,103)	(81,287)
	Anticipated Reserves at Year End	$189,836	$266,822	$282,659	$284,362	$362,719	$401,561	$317,626	$181,514	$299,313	$230,521	$267,278	$297,836	$400,173	$349,038	$407,538 (NOTE 4)

Explanatory Notes:

1) Year 2019 starting reserves are as of February 15, 2019; FY2019 starts January 1, 2019 and ends December 31, 2019.
2) Reserve Contributions for 2019 are the remaining budgeted 3 quarters; 2020 is the first year of recommended contributions.
3) 0.5% is the estimated annual rate of return on invested reserves; 2019 is a partial year of interest earned.
4) Accumulated year 2049 ending reserves consider the age, size, overall condition and complexity of the property.
5) Threshold Funding Year (reserve balance at critical point).

*Refer to the Reserve Expenditures pages for the full list of reserve elements

FIVE-YEAR OUTLOOK

Steeplechase Subdivision
Homeowners Association, Inc.
Walton, Kentucky

Line Item	Reserve Component Inventory	RUL = 0 FY2019	1 2020	2 2021	3 2022	4 2023	5 2024
	Property Site Elements						
4.020	Asphalt Pavement, Crack Repair, Patch, Seal Coat and Striping						9,408
4.080	Asphalt Pavement, Walking Paths, Total Replacement, Phased (2020 is Poor Condition)		4,116			89,422	91,925
4.500	Landscape, Ash Tree Removal/Replacement, Phased		15,420				17,221
4.661	Playground Equipment, Volleyball Court Replacement (2020 is Remaining)	14,000					
4.715	Ponds, Inlet/Outlet Channels, Erosion Control, Partial		26,342				
4.733	Ponds, Inlet/Outlet Channels, Sediment Removal		25,700				
4.800	Signage, Clubhouse, Renovation			3,699			
4.801	Signage, Main Entrance Monuments, Renovation		10,280				
	Clubhouse Elements						
5.160	Exercise Equipment, Phased				11,407		
5.390	Gutters and Downspouts, Aluminum				2,281		
5.510	Interior, Renovation, Partial (2020 is Planned)	6,300					
5.750	Walls, Siding, Fiber Cement, Paint Finishes (Includes Masonry Repairs)			5,601			
5.800	Windows and Doors, Wood Frames, Initial		4,019				
	Pool Elements						
6.200	Concrete Deck, Inspections, Partial Replacements and Repairs (Includes Sidewalks)						11,073
6.300	Cover, Vinyl					3,635	
6.600	Mechanical Equipment, Phased			2,642			2,870
6.800	Pool Finish, Plaster				10,429		
	Reserve Study	3,500					
	Anticipated Expenditures, By Year	23,800	85,877	11,942	24,117	93,057	132,497

4. RESERVE COMPONENT DETAIL

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

Property Site Elements

Asphalt Pavement, Crack Repair, Patch, Seal Coat and Striping

Line Item: 4.020

Quantity: Approximately 7,450 square yards of pavement at the clubhouse parking and walking paths

History: The exact date of the last crack repair, patch, seal coat, and striping event was unknown at the time of our last inspection. The majority of the pavement appears recently seal coated and we note partial replacements of the walking path

Condition: Fair overall with partial areas of poor condition

Useful Life: Three- to five-years

Component Detail Notes: Proposals for seal coat applications should include crack repairs and patching. The contractor should only apply seal coat applications after repairs are completed. A seal coat does not bridge or close cracks, therefore, unrepaired cracks render the seal coat applications useless.

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 two percent (2%) of the pavement. Our costs are adjusted based on an expected decreased need to conduct repairs immediately subsequent to repaving events.

Asphalt Pavement, Repaving, Clubhouse Parking

Line Items: 4.040 and 4.045

Quantity: Approximately 1,170 square yards

History: The exact age of the parking lot was unknown at the time of our inspection.

Condition: Fair overall with isolated tire ruts, water accumulation and systematic cracks evident

Pavement cracks

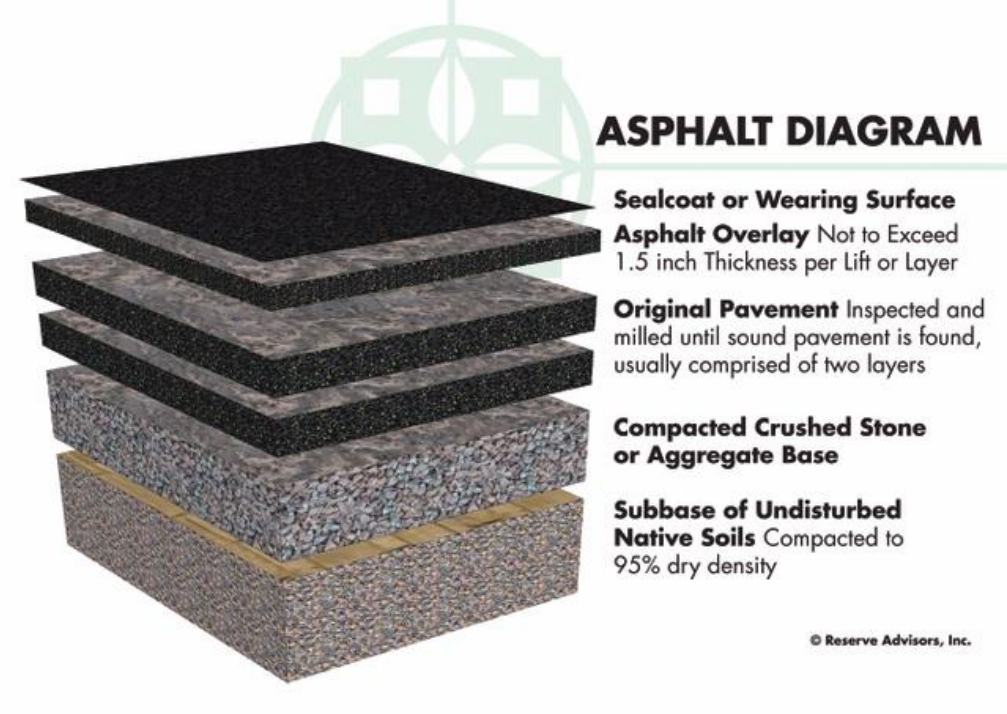
Tire ruts and cracks

Water accumulation

Curb cracks

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 Steeplechase Subdivision:



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

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%). Our costs include repairs to the catch basin and curbs.

Asphalt Pavement, Repaving, Walking Paths

Line Item: 4.080

Quantity: Approximately 6,280 square yards

History: Original

Condition: Fair to poor overall with isolated areas of uneven pavement, organic growth, and extensive cracks evident. We note some cracks are likely caused by tree roots and recommend these trees be removed as included in Line Item, **"Landscape, Ash Tree Removal/Replacement"**. Approximately five percent (5%) of the pavement is in poor condition and approximately six percent (6%) has been recently repaved.

Organic growth near clubhouse

Crack likely due to tree root near clubhouse

Cracks near Turfrider Court

Alligator cracks and upheaval due to tree roots near northern bridge

Uneven surface southeast of central pond

Partial replacement near northern bridge

Cracks and upheaval due to tree roots northwest of central pond

Alligator cracks and organic growth west of central pond

Alligator cracks and uneven pavement north of central pond

Cracks north of central pond

Useful Life: The need to maintain a safe pedestrian surface results in a useful life of 15- to 20-years

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our initial cost in 2020 represents replacement of the pavement in poor condition.

Bridges, Wood

Line Item: 4.090

Quantity: Two wood bridges which comprise a total of approximately 415 square feet at the central pond

History: Original

Condition: Fair overall condition. We note settlement of the concrete footing at the eastern bridge. We recommend remediation of this condition through the operating budget.

Northern bridge overview

Eastern bridge overview

Eastern bridge walkway overview

Settlement of concrete footing

Useful Life: Up to 30 years with proper maintenance

Component Detail Notes: Bridge construction includes the following:

- Deck boards fastened with nails. Nail fasteners have a tendency to pull out as the wood warps.
- Wood railings with vertical pickets
- Wood column supported frames
- Exposed concrete footings

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. Proper maintenance should include the following activities funded through the operating budget:

- Annual inspections to identify and correct any unsafe conditions
- Securing of loose fasteners and replacement of deteriorated fasteners
- Replacement of deteriorated wood components
- Power washing with an algaecide and application of a sealer/stain

Fences, Vinyl

Line Item: 4.260

Quantity: Approximately 610 linear feet on both sides of the street from the clubhouse to *Abby's Child Enrichment Center*. Each post is embedded in a concrete footing

History: Original

Condition: Good to fair overall with isolated organic growth evident

Organic growth

Concrete footing

Useful Life: 15- to 20-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our cost includes replacement of the concrete footings.

Gazebo

Line Item: 4.360

Quantity: One each

History: Dates to 2005

Condition: Good to fair overall with no significant deterioration evident

Gazebo overview

Deck board overview

Roof and cupola overview

Useful Life: Up to 25 years with periodic maintenance

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We recommend the Association budget for paint applications and repairs through the operating budget.

Irrigation System

Line Item: 4.420

Quantity: Approximately 10,900 square feet around the clubhouse

History: Original

Condition: Reported satisfactory

Useful Life: Up to and beyond 40 years

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

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

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

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.

Landscape

Line Item: 4.500

Fallen tree at rear of Foxhunt Drive

Component Detail Notes: The Association contains a large quantity of trees, shrubbery and other landscape elements. Replacement of these elements is an ongoing need. Many associations budget for these replacements as normal maintenance. Other associations fund ongoing replacements from reserves. Large amounts of landscape may need replacement due to disease, drought or other forces of nature. If the cost of removal and replacement is substantial, funding from reserves is logical. The Association may also desire to periodically update the appearance of the community through major improvements to the landscape.

Useful Life: At the request of Management, we include landscape allowances for partial replacements every 20 years.

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We recommend initial removal of trees which cause damage to common elements such as the walking paths.

Light Poles and Fixtures

Line Item: 4.560

Quantity: 55 fiberglass poles with light fixtures

History: The light poles and fixtures vary in age

Condition: Good to fair overall with isolated finish deterioration evident

Light pole overview

Finish deterioration at Chatsworth Court

Useful Life: Up to 25 years

Priority/Criticality: Per Board discretion

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

Playground Equipment

Line Items: 4.660 and 4.661

Quantity and History: The current playground dates to around 2011. The Association plans to replace the current volleyball court with another playground in 2019.

Condition: The current playground is in good to fair overall condition with isolated rust evident. We assume the playground to be installed in 2019 is in good condition with no significant deterioration evident.

Playground equipment overview

Rust and organic growth

Volleyball court to be removed in 2019

Useful Life: 15- to 20-years

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

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We include an allowance in the unit cost for replacement of the safety surface and border. Our cost for the playground that will replace the volleyball court is based on information provided by the Association. The initial cost in 2019 represents the remaining payment.

Pond, Bubblers

Line Item: 4.700

Quantity: Six bubblers at the central pond

History: The vein kit was replaced in 2018.

Condition: Reported in good condition

Bubbler overview

Useful Life: 10- to 15-years

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

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

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

Ponds, Erosion Control

Line Items: 4.710 and 4.715

Quantity: Approximately 4,540 linear feet of natural vegetation and stone rip rap around the main shorelines of the ponds. In addition, the Association maintains approximately 2,500 linear feet of inlet/outlet channels.

Condition: We note small areas of plantings along the main shorelines which act as buffer zones to control erosion. The southwestern shoreline of the central pond is lined with rip rap. We note extensive erosion at the inlet/outlet channels which will likely increase sediment accumulation.

Central pond northern shoreline overview

Overview of central pond southwestern shoreline rip rap

Central pond northern inlet channel overview

Erosion near Turfrider Court

Western pond northeastern inlet channel erosion

Organic accumulation and erosion near Turfrider Court

Erosion at central pond eastern inlet channel

Overview of rip rap between Foxhunt and Wexford Drive

Overview of western pond inlet rip rap

Fallen tree at western pond eastern shoreline

Useful Life: Shorelines are subject to fluctuations in water levels, increased plant growth and migrating storm and ground water resulting in the need for erosion control measures of the mains shorelines up to every 15 years. After initial installment of erosion control along the inlet/outlet channels we anticipate the need to conduct additional erosion control measures up to every 12 years.

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

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

- Control insects naturally
- Create an aesthetically pleasing shoreline
- Enhance water infiltration and storage
- Filter nutrients and pollutants
- Increase fish and wildlife habitat

- Reduce lawn maintenance
- Stabilize shoreline and reduce erosion
- Trap sediments

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We recommend the Association plan to install a combination of plantings and rip rap around the ponds along 455 linear feet, or approximately ten percent (10%), of the main pond shorelines and along 625 linear feet, or approximately twenty-five percent (25%), of the inlet/outlet channels per event.

Ponds, Inlets, Outlets and Control Structures

Line Item: 4.725

Quantity: 23 each

History: Original

Condition: Good to fair overall with isolated debris accumulation evident.

Central pond inlet overview

Debris accumulation at western pond control structure

Central pond control structure overview

Useful Life: The useful life of these structures is indeterminate. However, we recommend the Association anticipate the need to conduct inspections and capital repairs every 10- to 15-years.

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. At this time, we recommend the Association budget for repairs to the structures. Although it is likely that the times of replacement and extent of repair costs may vary from the budgetary allowance, Steeplechase Subdivision could budget sufficient reserves for these utility repairs and have the opportunity to adjust its future reserves up or down to meet any changes to these budgetary estimates. Updates of this Reserve Study would incorporate changes to budgetary costs through a continued historical analysis of the rate of deterioration and actual repairs to budget sufficient reserves.

Ponds, Sediment Removal

Line Items: 4.730 through 4.735

Quantity and Condition: The ponds are comprised of the following approximate quantities of water surface area:

- **Central Pond**: 30,530 square yards with isolated organic accumulation visually apparent
- **Inlet/Outlet Channels**: 2,500 linear feet with systematic organic accumulation visually apparent. The unprotected shorelines of the channels will likely increase the rate of sediment accumulation.
- **Western Pond**: 6,550 square yards with isolated organic accumulation. We note areas of cattails that have accumulated in the pond. We recommend the Association conduct regular maintenance of the area to remove this organic material each season.

Central pond overview

Organic accumulation at western pond southeastern inlet channel

Western pond overview

Cattails and organic accumulation at western pond

Useful Life: Based on the visual condition, construction, adjacent deciduous trees and visibly apparent erosion, we recommend the Association anticipate the need to remove sediment as follows:

- **Central Pond**: Up to 30 years
- **Inlet/Outlet Channels**: Up to 12 years
- **Western Pond**: Up to 25 years

Component Detail Notes: The gradual build-up of natural debris, including tree leaves, branches and silt, may eventually change the topography of areas of the ponds. Silt typically accumulates at inlets, outlets and areas of shoreline erosion. Sediment removal of ponds becomes necessary if this accumulation alters the quality of pond water or the functionality of the ponds as storm water management structures. Sediment removal is the optimal but also the most capital intensive method of pond management.

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. Timing of sediment removal of the ponds will likely be based on outflow rate of the control structures. For reserve budgeting purposes, we estimate the need to remove an average depth of one yard from the following approximate quantities of surface area:

- **Central Pond**: Up to ten percent (10%)
- **Inlet/Outlet Channels**: Up to one hundred percent (100%)
- **Western Pond**: Up to thirty percent (30%)

However, the actual volume of material to remove may vary dependent upon an invasive analysis at the time of removal. A visual inspection of a body of water cannot reveal the amount of accumulated silt. This is especially true on larger bodies of water. It is therefore inaccurate to assume an entire body of water will require sediment removal. It is more cost effective to spot remove in areas of intense silt accumulation as noted through bathymetric surveys. The amount or depth of silt is determined through prodding into the silt until a relatively solid base is found or through bathymetric surveys. A bathymetric survey establishes a base of data about the depth of the body of water over many locations against which the data of future surveys is compared. These invasive procedures are beyond the scope of a Reserve Study and require multiple visits to the site. We recommend Steeplechase Subdivision contract with a local engineer for periodic bathymetric surveys. Future updates of the Reserve Study can incorporate future anticipated expenditures based on the results of the bathymetric surveys.

Unit costs per cubic yard to remove can vary significantly based on the type of equipment used, quantity of removed material and disposal of removed material. Sediment removal costs must also include mobilization, or getting the equipment to and from the site. Also, the portion of the overall cost to remove associated with mobilization varies based on the volume removed. Costs for sediment disposal also vary depending on the site. Compact sites will require hauling and in some cases disposal fees.

Signage

Line Items: 4.800 through 4.810

Quantity, History and Condition:

- **Clubhouse**: One original monument in fair overall condition with isolated deterioration and damage evident.
- **Entrance Monuments**: Two original monuments if poor condition with systematic cracks, deterioration and sealant failure evident.
- **Street**: 19 posts with street identification and stop signs which date to 2013. Management informs us the Association cannot find a suitable replacement for the solar-powered lights. We note isolated damage.

Clubhouse signage overview

Separation and potential for water infiltration

Clubhouse signage mortar deterioration

Clubhouse signage damage

Entrance monument mortar deterioration

Cracks and deterioration at entrance monument

Deterioration and potential for water infiltration at entrance monument

Cracks and deterioration at entrance monument

Light fixture overview

Adhesive and cohesive sealant failure at entrance monument

Street sign overview

Damage at Turfrider Court

Useful Life: 15- to 20-years

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

- Clubhouse (light fixtures are included in Line Item, **"Light Fixtures, Exterior"**)
  - Capstones: Approximately 10 linear feet
  - Masonry: Approximately 100 square feet
  - Sign: Approximately 16 square feet

- Entrance Monuments (light fixtures are included in Line Item, **"Light Fixtures, Exterior"**)
  - Capstones: Approximately 170 linear feet
  - Letters and symbol: 13 each
  - Light fixtures: 18 each
  - Masonry: Approximately 1,725 square feet
  - Sealants: Approximately 100 linear feet

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our cost for renovation includes repointing and repairs to the masonry and replacement of the remaining components listed above. Management informs us the responsibility of maintenance of the main entrance monuments is in dispute but at their request, we conservatively include associated costs.

Clubhouse Elements

Front elevation

Rear elevation

Exercise Equipment

Line Item: 5.160

Quantity: The exercise room contains the following types of training equipment:

- Benches
- Dumbbells
- Stationary cycles
- Television
- Treadmills
- Weight training

History: The ages of the exercise equipment vary

Conditions: Good to fair overall

Equipment overview

Equipment overview

Useful Life: 5- to 15-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We recommend Steeplechase Subdivision anticipate replacement of up to thirty-three percent (33%) of the exercise equipment per event.

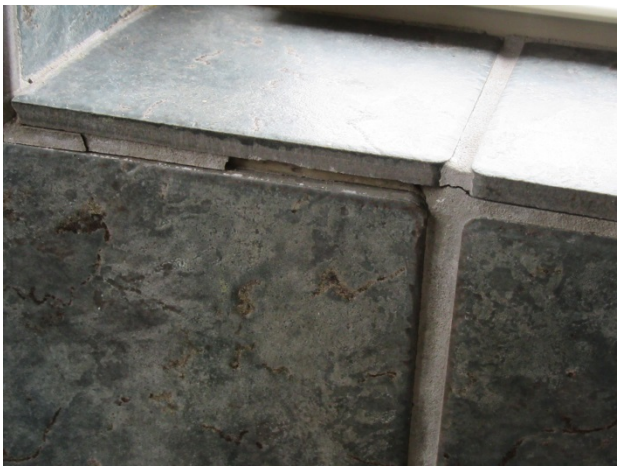
Exercise Room

Line Items: 5.180 and 5.190

History: The clubhouse interior was last painted in 2018.

Condition: Good to fair overall with isolated grout deterioration evident.

Exercise room overview



Grout deterioration

Useful Life: Complete renovation every 20 years and partial renovations every 10 years

Component Detail Notes: The exercise room components include:

- Carpet floor covering
- Tile wall coverings
- Paint finishes on the walls and ceilings
- Light fixtures

Priority/Criticality: Per Board discretion

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

Gutters and Downspouts, Aluminum

Line Item: 5.390

Quantity: Approximately 300 linear feet of aluminum five-inch seamless gutters and two-inch by three-inch downspouts

History: Original

Condition: Fair overall with isolated discoloration and displacement evident. We note evidence of overflow at the rear of the clubhouse.

Discoloration at rear

Lifted apron at rear

Overflow at rear

Displaced gutter (cause of overflow)

Useful Life: Up to 25 years

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

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

HVAC Equipment

Line Item: 5.450

Quantity: Two split systems with remote condensing units with cooling capacities that range from 3- to 3.5-tons each

History: The condensing units were manufactured in 2010 and 2014.

Condition: Reported satisfactory

Condensing unit overview

Useful Life: 15- to 20-years

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

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

Interior Renovations

Line Items: 5.500 and 5.510

History: The clubhouse interior was last painted in 2018. The furnishings date to around 2016.

Condition: Good overall with isolated cracked tiles evident

Main room overview

Kitchen overview

Interior rest room overview

Cracked tile in rest room

Useful Life: Complete interior renovation every 20 years and partial renovations every 10 years

Component Detail Notes: The clubhouse interior comprises approximately 1,959 square feet of finished area which includes:

- Carpet and tile floor coverings
- Tile wall coverings
- Paint finishes on the walls ceilings
- Plumbing fixtures
- Light fixtures including exit and emergency lights
- Kitchen cabinets and countertops
- Furnishings including sofas, tables and chairs
- Various appliances including a refrigerator and microwave

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our initial cost in 2019 represents planned costs to renovate the front room due to water damage. The complete renovation should include replacement of up to fifty percent (50%) of the furnishings and all the remaining interior components listed above. Partial renovations should include the following:

- Application of paint finish to all surfaces
- Replacement of the carpet
- Replacement of up to fifty percent (50%) of the appliances and furnishings

Light Fixtures, Exterior

Line Item: 5.520

Quantity: 12 exterior light fixtures at the clubhouse and clubhouse sign

History: Original

Condition: Fair overall with isolated finish deterioration and displacement evident

Light fixture overview

Displaced light fixture

Useful Life: Up to 25 years

Priority/Criticality: Per Board discretion

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

Rest Rooms, Exterior

Line Item: 5.590

Quantity: Two each

History: Original

Condition: Fair overall

Rest room overview

Useful Life: Renovation up to every 25 years

Component Detail Notes: Components include:

- Tile floor coverings
- Paint finishes on the walls and ceilings
- Light fixtures
- Plumbing fixtures

Priority/Criticality: Per Board discretion

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

Roof, Asphalt Shingles

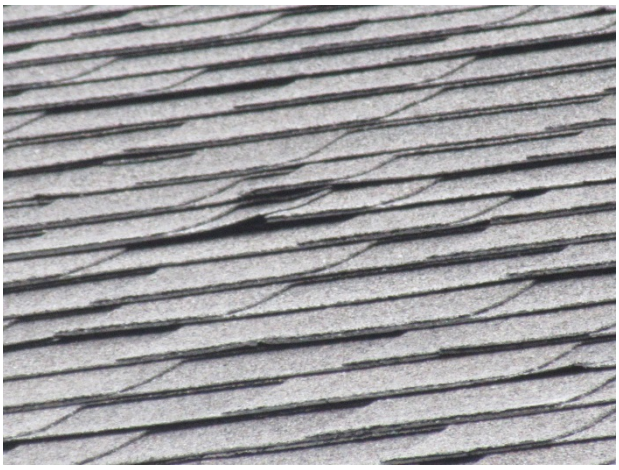
Line Item: 5.600

Quantity: Approximately 55 *squares*[1]

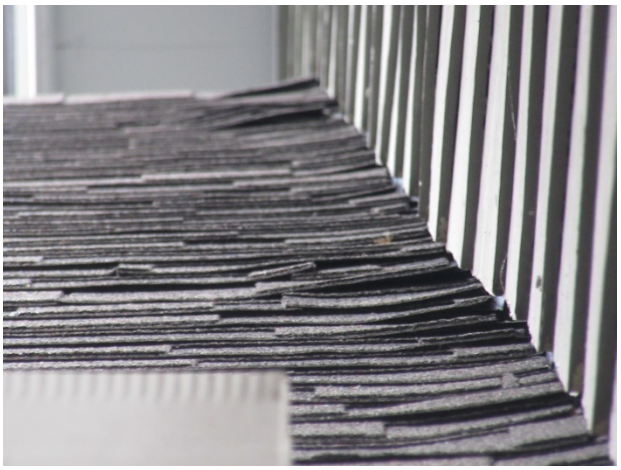
History: Replaced in 2018

Condition: Good to fair overall with isolated shingle lift evident from our visual inspection from the ground. Management does not report a history of leaks.

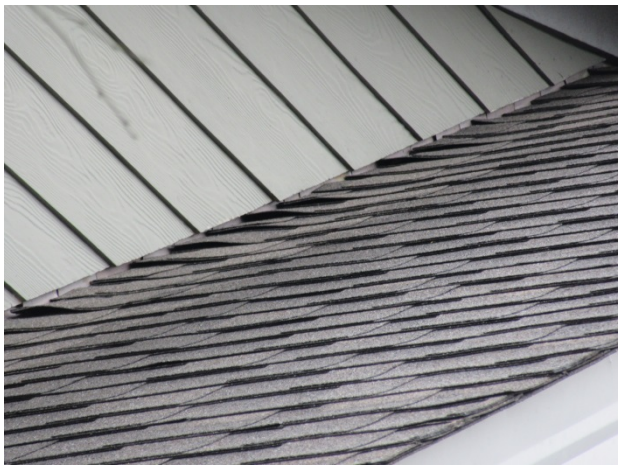
[1] We quantify the roof area in squares where one square is equal to 100 square feet of surface area.



Shingle lift at rear



Shingle lift at rear



Shingle lift at front

Useful Life: 15- to 20-years

Component Detail Notes: The existing roof assembly comprises the following:

- Laminate shingles
- Boston style ridge caps
- Rubber seal with metal base boot flashing at waste pipes
- Soffit and ridge vents
- Lack metal drip edge at the roof perimeters (this condition increases the likelihood of water infiltration)
- Enclosed half weaved valleys

Insulation and ventilation are two major components of a sloped roof system. Together, proper insulation and ventilation help to control attic moisture and maintain an energy efficient building. Both insulation and ventilation prevent moisture buildup which can cause wood rot, mold and mildew growth, warp sheathing, deteriorate shingles, and eventually damage building interiors. Sufficient insulation helps to minimize the quantity of moisture that enters the attic spaces and adequate ventilation helps to remove any moisture that enters the attic spaces. These two roof system components also help to

reduce the amount of energy that is required to heat and cool a building. Proper attic insulation minimizes heat gain and heat loss between the residential living spaces and attic spaces. This reduces energy consumption year-round. Proper attic ventilation removes excessive heat from attic spaces that can radiate into residential living spaces and cause air conditioners to work harder. Properly installed attic insulation and ventilation work together to maximize the useful life of sloped roof systems.

In addition to moisture control and energy conservation, proper attic insulation and ventilation are essential components to prevent the formation of ice dams. Ice dams occur when warm air accumulates at the peak of an attic while the roof eaves remain cold. Warm air from the attic melts the snow at the ridge of the roof and the water runs down the slope of the roof. At the cold roof eaves, the water refreezes and forms a buildup of snow and ice. This buildup often traps water that can prematurely deteriorate asphalt shingles and ultimately seep under the shingles and cause water damage to the roof deck and building interiors. Proper insulation minimizes the amount of heat that enters attic spaces in the winter and adequate ventilation helps to remove any heat that enters the attic spaces. Together, these components prevent ice dams with a cold roof deck that melts snow and ice evenly.

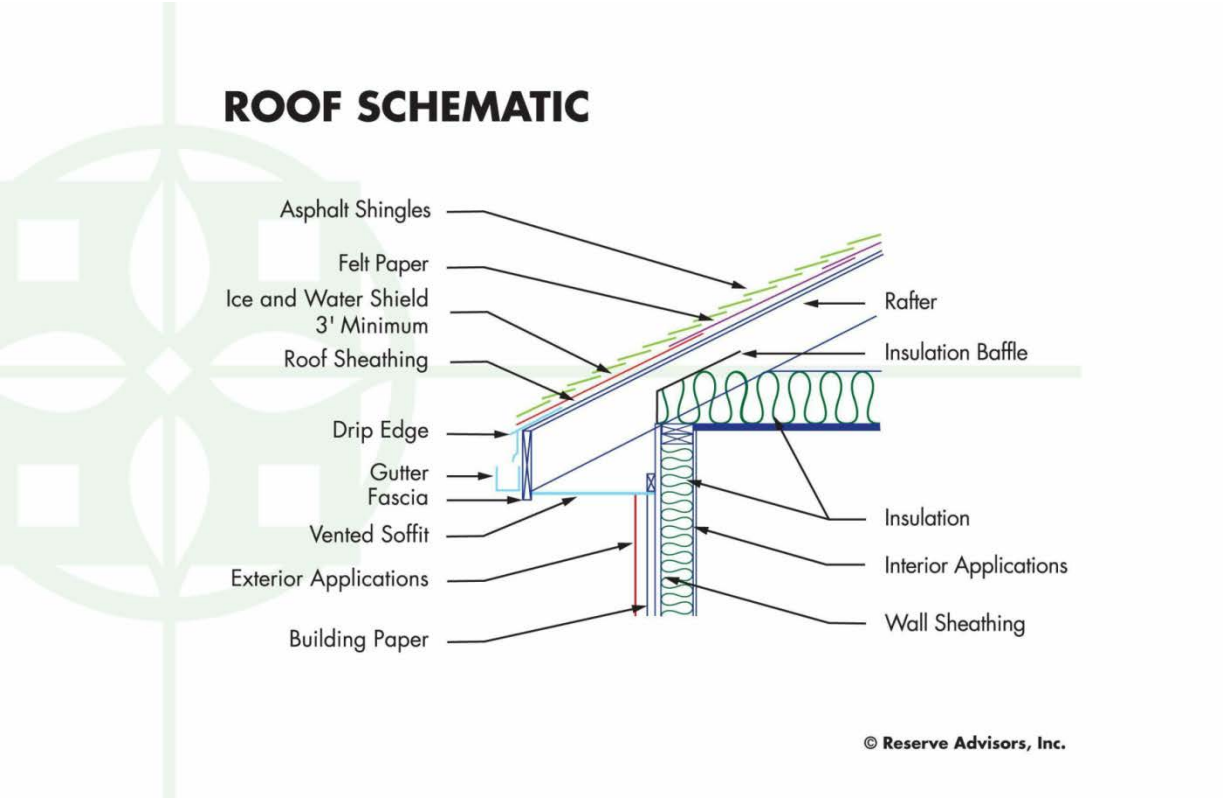
The Association should periodically ensure that the vents are clear of debris and are not blocked from above by attic insulation. If the soffit vents are blocked from above, the Association should install polystyrene vent spaces or baffles between the roof joists at these locations to ensure proper ventilation. Steeplechase Subdivision should fund this ongoing maintenance through the operating budget.

Certain characteristics of condition govern the times of replacement. Replacement of an asphalt shingle roof becomes necessary when there are multiple or recurring leaks and when the shingles begin to cup, curl and lift. These conditions are indications that the asphalt shingle roof is near the end of its useful life. Even if the shingles are largely watertight, the infiltration of water in one area can lead to permanent damage to the underlying roof sheathing. This type of deterioration requires replacement of saturated sections of sheathing and greatly increases the cost of roof replacement. Roof leaks may occur from interrelated roof system components, i.e., flashings. Therefore, the warranty period, if any, on the asphalt shingles, may exceed the useful life of the roof system.

Warranties are an indication of product quality and are not a product guarantee. Asphalt shingle product warranties vary from 20- to 50-years and beyond. However, the scope is usually limited to only the material cost of the shingles as caused by manufacturing defects. Warranties may cover defects such as thermal splitting, granule loss, cupping, and curling. Labor cost is rarely included in the remedy so if roof materials fail, the labor to tear off and install new shingles is extra. Other limitations of warranties are exclusions for "incidental and consequential" damages resulting from age, hurricanes, hail storms, ice dams, severe winds, tornadoes, earthquakes, etc. There are some warranties which offer no dollar limit for replacement at an additional cost (effectively an insurance policy) but again these warranties also have limits and may not cover all damages other than a product defect. We recommend a review of the manufacturers' warranties as part of the evaluation of competing proposals to replace a

roof system. This evaluation should identify the current costs of remedy if the roof were to fail in the near future. A comparison of the costs of remedy to the total replacement cost will assist in judging the merits of the warranties.

The following cross-sectional schematic illustrates a typical asphalt shingle roof system although it may not reflect the actual configuration at Steeplechase Subdivision:



Contractors use one of two methods for replacement of sloped roofs, either an overlayment or a tear-off. Overlayment is the application of new shingles over an existing roof. However, there are many disadvantages to overlayment including hidden defects of the underlying roof system, absorption of more heat resulting in accelerated deterioration of the new and old shingles, and an uneven visual appearance. Therefore, we recommend only the tear-off method of replacement. The tear-off method of replacement includes removal of the existing shingles, flashings if required and underlayments.

The Association should plan to coordinate the replacement of gutters and downspouts with the adjacent roof when possible. This will result in the most economical unit price and minimize the possibility of damage to other roof components as compared to separate replacements.

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: 5.690

Quantity: Steeplechase Subdivision utilizes the following security system components:

- Automated card reading system (3 access points)
- Cameras (9)
- Routers (2)
- Recorder and monitor(1)

History: The exact ages of the security system components were not known at the time of our inspection.

Condition: Reported satisfactory

Recorder and monitor overview

Security camera overview

Useful Life: 10- to 15-years

Priority/Criticality: Per Board discretion

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

Walls, Siding, Fiber Cement

Line Items: 5.750 and 5.755

Quantity: Approximately 3,600 square feet of the exterior walls. This quantity includes the wood soffit, fascia and composite trim.

History: Reported original

Condition: Fair to poor overall with isolated paint deterioration, wood rot and mortar deterioration evident. We note missing sealant which may lead to water infiltration. We recommend the Association remediate this issue through the operating budget.

Paint deterioration above rear door

Bow at rear

Wood rot at rear

Mortar deterioration

Wood rot at front

Missing sealant and potential for water accumulation

Wood rot at western side

Paint deterioration at western side

Useful Life: With the benefit of periodic maintenance, applications of this type of material can have a useful life of up to 50 years. This useful life is based on a high grade pre-finish applied in the factory. This useful life is also dependent upon paint applications and partial replacements up to every 6- to 10-years.

However, failure to conduct paint applications and repairs every 6- to 8-years will reduce the remaining useful life of the siding.

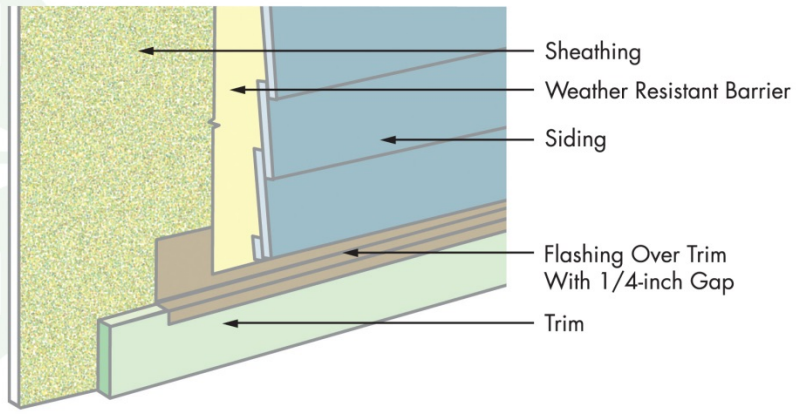
Component Detail Notes: Composite trim consists of compressed wood chips held together with a glue binder and finished with a factory applied color coated hard wax surface that resists the penetration of water. Delamination and rotting of this type of siding are common problems as the siding ages, but generally are not uniform.

Fiber cement siding is made from a combination of cement, sand and cellulose fiber. Manufacturing of the siding utilizes a steam curing process to increase strength and dimensional stability. The siding is also manufactured in layers forming a sheet of desired thickness. A wood grain imprint is typically applied to the exposed surface. Fiber cement siding offers many advantages over other types of siding. These advantages include:

- Capable of withstanding salt spray and ultraviolet rays
- Dimensional stability (will not buckle or warp as easily as other materials)
- Paint applications last longer compared to wood siding
- Resistant to insects, birds and fire

The following diagram details a typical fiber cement siding system at the interface with other building components although it may not reflect the actual configuration at Steeplechase Subdivision:

FIBER CEMENT SIDING DETAIL



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 costs for paint finish applications include repairs to the masonry and replacement of up to four percent (4%) of the siding, soffit, fascia and trim.

Windows and Doors

Line Items: 5.800 through 5.810

Quantity: Approximately 785 square feet total. We recommend the Association conduct near term replacement of approximately 85 square feet due to deterioration of the wood frame. In addition, we recommend the Association anticipate the need to replace 125 square feet of the remaining doors prior to the remaining 575 square feet of windows.

History: Original

Condition: The majority of the windows and doors are in good to fair condition. We note frame deterioration at the four windows and doors located at the side of the gym and the rear of the main room.

Window and door overview

Rear door frame deterioration

Window overview

Gym door frame deterioration

Useful Life: Up to 35 years for the wood frame windows and doors and up to 40 years for the aluminum frame windows

Component Detail Notes: Construction of the windows and doors at the clubhouse includes the following:

- Wood and aluminum frames
- Dual pane glass
- Fixed windows
- Hinged doors

Priority/Criticality: Not recommended to defer

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

Pool Elements

Concrete Deck

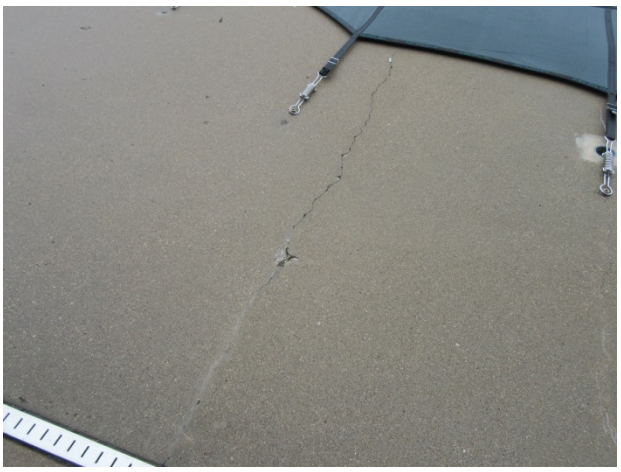
Line Item: 6.200

Quantity: Approximately 6,430 square feet of the pool deck and sidewalks around the clubhouse

History: Original

Condition: Fair condition overall with isolated cracks, deterioration and settlement evident

Pool deck crack



Pool deck crack

Crack repairs and organic growth

Sidewalk deterioration

Sidewalk cracks

Sidewalk settlement

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

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

- Selective cut out and replacements of up to ten percent (10%) of concrete
- Crack repairs as needed
- Mortar joint repairs
- Caulk replacement

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

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

Cover, Vinyl

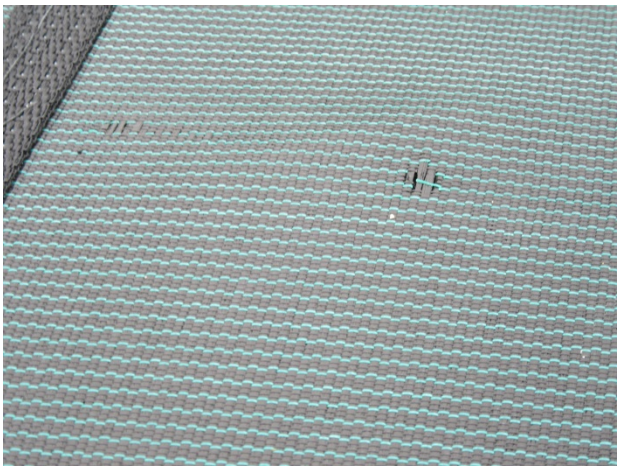
Line Item: 6.300

Quantity: Approximately 1,085 square feet

History: The exact age of the cover was unknown at the time of our inspection.

Condition: Fair overall with isolated areas of unraveling evident

Cover overview



Unraveling

Useful Life: Six- to eight-years

Priority/Criticality: Per Board discretion

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

Fence, Aluminum

Line Item: 6.400

Quantity: Approximately 210 linear feet

History: Original

Condition: Fair overall condition with isolated finish deterioration, bent pickets and lean evident

Fence overview

Finish deterioration

Bent picket

Slight lean

Useful Life: Up to 25 years

Priority/Criticality: Not recommended to defer

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

Furniture

Line Item: 6.500

Quantity:

- Chairs (20)
- Lounges (30)
- Tables (11)
- Umbrellas and bases (7)
- Ladders and life safety equipment

History: The ages of the furniture vary.

Condition: Good to fair overall

Table overview

Chair overview

Useful Life: Up to 12 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We recommend interim re-strapping, refinishing, cushion replacements, reupholstering and other repairs to the furniture as normal maintenance to maximize its useful life.

Light Poles and Fixtures

Line Item: 6.550

Quantity: Five metal poles with light fixtures

History: Original

Condition: Good to fair overall with no significant deterioration evident

Light pole and fixture overview

Useful Life: Up to 25 years

Priority/Criticality: Per Board discretion

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

Mechanical Equipment

Line Item: 6.600

Quantity:

- Automatic chlorinator
- Controls
- Filter
- Interconnected pipe, fittings and valves
- Pump
- Electrical panels

History: The ages of the mechanical equipment vary.

Condition: Reported satisfactory

Pump overview

Filter overview

Useful Life: Up to 15 years

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

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

Pool Finishes, Plaster and Tile

Line Items: 6.800 and 6.801

Quantity: Approximately 800 square feet of plaster based on the horizontal surface area and approximately 120 linear feet of tile

History: The *Marbelite* plaster finish was replaced 2012 and the tile is primarily original with partial replacements.

Condition: We were unable to inspect the pool due to the cover.

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

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

- Removal and replacement of the plaster finish
- Partial replacements of the scuppers and coping as needed
- Replacement of tiles as needed
- Replacement of joint sealants as needed
- Concrete structure repairs as needed

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

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

Reserve Study

Line Item: Last

Component Detail Notes: Steeplechase Subdivision will expend $3,500 in reserve expenditures in 2019 for this Reserve Study.

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.

Steeplechase Subdivision can fund capital repairs and replacements in any combination of the following:

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

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

This Reserve Study is in compliance with and exceeds the National standards[1] set forth by the Community Associations Institute (CAI) and the Association of Professional Reserve Analysts (APRA) fulfilling the requirements of a "Level I Full Reserve Study." These standards require a Reserve Component to have a "predictable remaining Useful Life." Estimating Remaining Useful Lives and Reserve Expenditures beyond 30 years is often indeterminate. Long-Lived Property Elements are necessarily excluded from this analysis. We considered the following factors in our analysis:

- The Cash Flow Method to compute, project and illustrate the 30-year Reserve Funding Plan
- Local[2] 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 Walton,

[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.

Kentucky at an annual inflation rate[3]. 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 Steeplechase Subdivision and their effects on remaining useful lives
- Financial information provided by the Association pertaining to the cash status of the reserve fund and budgeted reserve contribution
- The anticipated effects of appreciation of the reserves over time in accord with a return or yield on investment of your cash equivalent assets. (We did not consider the costs, if any, of Federal and State Taxes on income derived from interest and/or dividend income).
- The Funding Plan excludes necessary operating budget expenditures. It is our understanding that future operating budgets will provide for the ongoing normal maintenance of Reserve Components.

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

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

6. CREDENTIALS

HISTORY AND DEPTH OF SERVICE

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

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

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

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

TOTAL STAFF INVOLVEMENT

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

OUR GOAL

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

VAST EXPERIENCE WITH A VARIETY OF BUILDINGS

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

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

OLD TO NEW

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

QUALIFICATIONS
THEODORE J. SALGADO
Principal Owner

CURRENT CLIENT SERVICES

Theodore J. Salgado is a co-founder of Reserve Advisors, Inc., which is dedicated to serving community associations, city and country clubs, religious organizations, educational facilities, and public and private entities throughout the United States. He is responsible for the production, management, review, and quality assurance of all reserve studies, property inspection services and consulting services for a nationwide portfolio of more than 6,000 clients. Under his direction, the firm conducts reserve study services for community associations, apartment complexes, churches, hotels, resorts, office towers and vintage architecturally ornate buildings.

PRIOR RELEVANT EXPERIENCE

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

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

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

EXPERT WITNESS

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

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

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

American Association of Cost Engineers - Past President, Wisconsin Section
Association of Construction Inspectors - Certified Construction Inspector
Association of Professional Reserve Analysts - Past President & Professional Reserve Analyst (PRA)
Community Associations Institute - Member and Volunteer Leader of multiple chapters
Concordia Seminary, St. Louis - Member, National Steering Committee
Milwaukee School of Engineering - Member, Corporation Board
Professional Engineer, Wisconsin (1982) and North Carolina (2014)

Ted continually maintains his professional skills through American Society of Civil Engineers, ASHRAE, Association of Construction Inspectors, and continuing education to maintain his professional engineer licenses.

JOHN P. POEHLMANN, RS
Principal

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

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

PRIOR RELEVANT EXPERIENCE

Mr. Poehlmann served on the national Board of Trustees of Community Associations Institute. An international organization, Community Associations Institute (CAI) is a nonprofit 501(c)(3) trade association created in 1973 to provide education and resources to America's 335,000 residential condominium, cooperative and homeowner associations and related professionals and service providers.

He is a founding member of the Institute's Reserve Committee. The Reserve Committee developed national standards and the Reserve Specialist (RS) Designation Program for Reserve Study providers. Mr. Poehlmann has authored numerous articles on the topic of Reserve Studies, including Reserve Studies for the First Time Buyer, Minimizing Board Liability, Sound Association Planning Parallels Business Concepts, and Why Have a Professional Reserve Study. He is also a contributing author in Condo/HOA Primer, a book published for the purpose of sharing a wide background of industry knowledge to help boards in making informed decisions about their communities.

INDUSTRY SERVICE AWARDS

CAI Wisconsin Chapter Award
CAI National Rising Star Award
CAI Michigan Chapter Award

EDUCATION

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

PROFESSIONAL AFFILIATIONS

Community Associations Institute (CAI) - Founding member of Reserve Committee; former member of National Board of Trustees; Reserve Specialist (RS) designation; Member of multiple chapters
Association of Condominium, Townhouse, & Homeowners Associations (ACTHA) – member

ANDREW K. MCGOWAN
Engineer

CURRENT CLIENT SERVICES

Andrew K. McGowan is an Associate Engineer and Advisor for ***Reserve Advisors, Inc.*** Mr. McGowan is responsible for the inspection and analysis of the condition of clients' property and recommending engineering solutions to prolong the lives of the components. He also forecasts capital expenditures for the repair and/or replacement of the property components, and prepares technical reports on assignments. He is responsible for conducting Life Cycle Cost Analysis and Capital Replacement Forecast services and the preparation of Reserve Study Reports for apartments, condominiums, townhomes and homeowner associations.

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

Cambridge-on-the-Lake Homeowners Association is a master association dating to the 1970s in Buffalo Grove, Illinois that is responsible for the amenities serving 392 apartment style units. These amenities include an indoor pool, exercise room, locker rooms, sauna, meeting room, billiard room, game room, and walkways around two large ponds often graced by swans.

Chardonnay Council of Co-owners, Inc. located in Cold Spring, Kentucky is a condominium style development of 166 units with shared interior hallways comprised of carpet, tile and paint finishes. Decorative wood trim, brick masonry, aluminum, composite and fiber cement siding adorn the buildings to create a variety of maintenance and replacement needs.

Council of Co-owners, Barclay Square, Inc. is a longstanding community dating to 1972. Covered parking garages, steel frame breezeways, exterior staircases and an interior club room make this a unique property in Williamsburg, Virginia.

Hidden Lake Estates Condominium Association was built in 1980. 51 units with wood siding and cedar shake roofs surround two lakes with the need for periodic dredging projects coordinated by a joint committee of three different associations. A bridge between the two lakes, canopy structure over the entrance and docks along the lakeshore create an iconic community appeal.

Ross Bridge Neighborhood Association, Inc. is a continually developing designer community of almost 1,800 homes in 12 distinct subdivisions located in Hoover, Alabama. Multiple clubhouses, pools, playgrounds, a community fireplace, wiffle ball field as well as a neighboring golf course and restaurants ensure residents have all they could desire within walking distance of their home.

Seldom Seen Acres Condominium Association consists of 132 townhome style and single family homes built by two different developers over three phases from 2006 to 2015. This community, located in Powell, Ohio, offers a wide variety of home styles and boasts a clubhouse, pool and two ponds.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Mr. McGowan attended The Ohio State University where he attained his Bachelor of Science degree in Mechanical Engineering. After graduation, he worked for one of the top cabinet manufacturers where he performed field visits with home construction contractors, such as *NVR, Inc.* to determine reliable solutions to common quality issues.

EDUCATION

Ohio State University – B.S. Mechanical Engineering

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

CURRENT CLIENT SERVICES

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

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

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

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

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

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

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

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

PRIOR RELEVANT EXPERIENCE

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

EDUCATION

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

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

Professional Engineering License – Wisconsin, North Carolina, Illinois, Colorado
Reserve Specialist (RS) **-** Community Associations Institute
Professional Reserve Analyst (PRA) **-** Association of Professional Reserve Analysts

RESOURCES

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

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

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

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

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

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

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

7. DEFINITIONS

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

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

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

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

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

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

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

Long-Lived Property Component - Property component of Steeplechase Subdivision responsibility not likely to require capital repair or replacement during the next 30 years with an unpredictable remaining Useful Life beyond the next 30 years.

Percent Funded - The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.

Remaining Useful Life - The estimated remaining functional or useful time in years of a *Reserve Component* based on its age, condition and maintenance.

Reserve Component - Property elements with: 1) Steeplechase Subdivision responsibility; 2) limited Useful Life expectancies; 3) predictable Remaining Useful Life expectancies; and 4) a replacement cost above a minimum threshold.

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

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

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

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

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

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

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

8. PROFESSIONAL SERVICE CONDITIONS

Our Services - Reserve Advisors, Inc. (RA) performs its services as an independent contractor in accordance with our professional practice standards and its compensation is not contingent upon our conclusions. The purpose of our reserve study is to provide a budget planning tool that identifies the current status of the reserve fund, and an opinion recommending an annual funding plan to create reserves for anticipated future replacement expenditures of the property.

Our inspection and analysis of the subject property is limited to visual observations, is noninvasive and is not meant to nor does it include investigation into statutory, regulatory or code compliance. RA inspects sloped roofs from the ground and inspects flat roofs where safe access (stairs or ladder permanently attached to the structure) is available. The report is based upon a "snapshot in time" at the moment of inspection. RA may note visible physical defects in our report. The inspection is made by employees generally familiar with real estate and building construction but in the absence of invasive testing RA cannot opine on, nor is RA responsible for, the structural integrity of the property including its conformity to specific governmental code requirements for fire, building, earthquake, and occupancy, or any physical defects that were not readily apparent during the inspection.

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

RA assumes, without independent verification, the accuracy of all data provided to it. You agree to indemnify and hold RA harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement, because of any false, misleading or incomplete information which we have relied upon supplied by you or others under your direction, or which may result from any improper use or reliance on the Report by you or third parties under your control or direction. Your obligation for indemnification and reimbursement shall extend to any director, officer, employee, affiliate, or agent of RA. Liability of RA and its employees, affiliates, and agents for errors and omissions, if any, in this work is limited to the amount of its compensation for the work performed in this engagement.

Report - RA completes the services in accordance with the Proposal. The Report represents a valid opinion of RA's findings and recommendations and is deemed complete. RA, however, considers any additional information made available to us within 6 months of issuing the Report if a timely request for a revised Report is made. RA retains the right to withhold a revised Report if payment for services was not tendered in a timely manner. All information received by RA and all files, work papers or documents developed by RA during the course of the engagement shall remain the property of RA and may be used for whatever purpose it sees fit.

Your Obligations - You agree to provide us access to the subject property for an on-site visual inspection You agree to provide RA all available, historical and budgetary information, the governing documents, and other information that we request and deem necessary to complete the Report. You agree to pay actual attorneys' fees and any other costs incurred to collect on any unpaid balance for RA's services.

Use of Our Report and Your Name - Use of this Report is limited to only the purpose stated herein. You hereby acknowledge that any use or reliance by you on the Report for any unauthorized purpose is at your own risk and you shall hold RA harmless from any consequences of such use. Use by any unauthorized third party is unlawful. The Report in whole or in part ***is not and cannot be used*** *as a design specification for design engineering purposes or as an appraisal.* You may show our Report in its entirety to the following third parties: members of your organization, your accountant, attorney, financial institution and property manager who need to review the information contained herein. Without the written consent of RA, you shall not disclose the Report to any other third party. The Report contains intellectual property developed by RA and ***shall not be reproduced or distributed to any party that conducts reserve studies without the written consent of RA.***

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

Payment Terms, Due Dates and Interest Charges - Retainer payment is due upon authorization and prior to inspection. The balance is due net 30 days from the report shipment date. Any balance remaining 30 days after delivery of the Report shall accrue an interest charge of 1.5% per month. Any litigation necessary to collect an unpaid balance shall be venued in Milwaukee County Circuit Court for the State of Wisconsin.