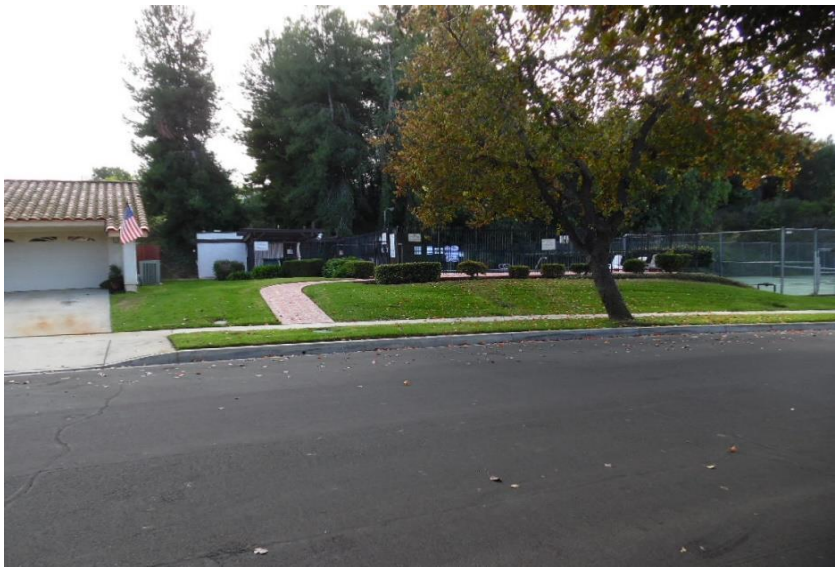
Reserve Analysis Report

Palisades Canyon

15180 Cecina Ct
Chino Hills, CA

Level I Study with Site Inspection

Fiscal Year End Date: 6/30/2014



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Sections of This Report

Section

1 Preface

Written description of a reserve study and the figures in the report

Includes glossary, preparer qualifications, and calculation description

2-7 Executive Summary

Summarizes key findings of the report. Includes development description and lists the projected balance and percent funded. Summarizes the funding plans

Includes category breakdown pie chart

2-8 Percent Funded

Describes percent funded calculation and funding levels

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2-10 Category Significance

Includes category percentage column charts for fully funded balance and annual depreciation

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Lists details of each of the 3 funding plans (current, recommended, and threshold) over the next 30 years

Charts of the figures in this table are located in the 30 year projections

3 Component Summary & Component Significance

Lists all components included in the study in table form

Shows Depreciation and Fully Funded Balance Significance including quick glance graph

These figures are the basis for all other calculations in the study

4 Annual Expenses by Component

Lists all projected expenses for each component over the next 30 years in table form

5 Component Details

Lists details of each individual component

Includes notes and pictures of selected components if site inspection was conducted

6 Assessment and Reserve Funding Disclosure Summary

Form that is required to be sent out with annual budget package by California Civil Code

Preface

A reserve study is a detailed report that assists common interest developments (CID) in planning for long-term common area repair and replacement expenses. These common areas differ for every development. They can include streets, roofs, recreational facilities and many other items.
A reserve study estimates the costs of common area repairs and replacements over a 30 year period. Each component is given a useful life, remaining life, and estimated cost. A reserve study then calculates the funds necessary to cover these expenses by creating funding plans.

The Big Picture - What are the significant figures to look at in the report?

- **The Component List –** What are our reserve components and when will they need maintenance

Every reserve study must start with a list of the components. The component summary contains the list of all the components, their useful and remaining lives, and their estimated costs. These numbers are the building blocks for most of the figures in the study.

- **Percent Funded -** What is our current financial standing

Probably the most important number in a reserve study is percent funded. It's almost like a credit score for an association. It tells them the current strength of their reserve fund.

Over 70% = Well Funded Between 30-70% = Fairly Funded Below 30% = Poorly Funded

The lower your percent funded the higher the risk of a special assessment. A low percent funded also increases the likelihood of deferred maintenance which can cause declining property values.

- **Funding Plans -** How much do we need to save for the future

The next important part of the study is the theoretical 30 year funding plans. The study contains 3 funding plans. It projects what the percent funded will be over the next 30 years if the CID follows each of these plans.

Current Funding Plan – This plan is based on what the association is currently contributing to its reserve fund. This information is supplied by the board or management

Recommend Funding Plan – This is McCaffery's recommendation, if a CID follows the recommended plan they should end up well funded and near the 100% funded level.

5% Threshold Funding Plan - The threshold funding plan is a 30 year cash flow plan that calculates the minimum amount a CID should contribute so their reserve balance won't fall below 5% funded and cause the need for a special assessment. The percent funded will at some point fall into poorly funded levels but will never drop below 5%. If a CID has a funding plan that is below this threshold plan they should also plan on a future special assessment and/or a deferred maintenance. (Following this plan does carry higher risk of a special assessment if a component fails early or costs more than expected)

Why Should a Reserve Study be performed?

Certain states, such as California, require that reserve studies be completed and updated annually and that the board of directors inform owners of the reserve status with their annual budget. In addition, the board of directors of a common interest development (CID) has a legal and fiduciary duty to maintain the community in a good state of repair. Property Values are directly affected by the level of maintenance and upkeep of the common area components. Reserve studies create a maintenance plan, which keeps a development in good condition, therefore increasing property appreciation and value. The amount of funds in the reserve account also greatly affects property values. Reserve studies inform CID's how much they should have in their reserve account, which eliminates costly special assessments. Over time each member of a CID should contribute their fair share to the reserve account so when expenses arise the required funds are available. Reserve Studies help board members fulfill their fiduciary duty and also help avoid litigation against CID board members.

Where do Component Repair/Replacement Cost Estimates Come From?

The most accurate cost source is actual bids from contractors or to look at contracts from when the repair/replacement was last performed. In most cases bids or contracts are not available so unit costs for similar work done in the same local area are used. In addition, it is helpful to talk to local vendors who have knowledge of the work and can help with a cost estimate. A third source is to use construction cost estimators such as RS Means. Many times the entire quantity of a component will not need to be replaced or repaired all at once. An example of this is concrete sidewalks. All sidewalks should never have to be replaced, but some sections may experience cracking. In this case an allowance can be created for their partial replacement.

The cost source number for each component is provided in the component summary and details. An explanation of each follows:

1. **Local Historical Cost** – Cost based on bids for similar work done in same area.
2. **McCaffery Estimate** – Estimate or Allowance made by McCaffery Staff Member.
3. **Board/Manager Direction** – Cost estimate provided by board member or property manager.
4. **Bid/Contract** – Bid came from actual bid or contract.
5. **Cost Manual** – Cost came from estimating manual.
6. **Previous Study** – Cost came from previous reserve study.

Glossary of Terms:

Contingency – An allowance for miscellaneous components, unpredictable expenses and/or costs that were higher than expected. (5% of total current cost unless directed otherwise)

Current Budgeted Reserve Assessment – Amount currently being deposited into reserve account. Provided by Property Manager or Board Member.

Depreciation This Year – Amount that should be saved for component during current year. Provided for each component and summed for all components. If the association is 100% funded this is the amount they should contribute to the reserve fund annually. =(Total Current Cost / Normal Useful Life)

Depreciation Percent – A components percentage of the total depreciation of all components. =(Component Depreciation/Total Depreciation of all components)

Fully Funded Balance – The total depreciation over the life of the component. In other words, the amount that should have been saved during the life of the component. Provided for each component and summed for all components =((Useful Life – Remaining Life) * Depreciation This Year)

Full Funded Balance Percent – A components percentage of the total fully funded balance of all components. =(Component FFB/Total FFB of all Components)

Monthly Contribution – The amount that should be allocated to each component using the recommended funding plan. =((Component Depreciation/Total Depreciation)*Recommended Monthly Funding)

Life Remaining Percent – The percentage of life that a component has remaining =(Remaining Live/Useful Life)

Normal Useful Life – Typical useable life for a component.

Percent Funded – The percentage of the fully funded balance that the CID has in reserve fund. (Projected Balance/ Fully Funded Balance)

Projected Balance – Projected balance at fiscal year end with current funding plan. Calculated using current reserve balance, remaining contributions to reserves before year-end, and planned expenses before year-end. Supplied by board or management.

Recommended Reserve Contribution – Recommended amount that the CID should allocate into reserves to offset future expenses.

Remaining Life – Expected remaining useable life of component. (0 year remaining life means the component will be serviced in the upcoming fiscal year)

Replacement Year – Year that component is projected to be replaced or repaired.

Total Cost – Total cost to replace or repair component in today's dollars. =(Quantity x Unit Cost)

Total Future Cost - Current cost adjusted to future cost taking into account inflation and replacement year. =(Current Cost * (1+ inflation rate)^(Replacement Year-Present Year))

Threshold Reserve Contribution – Reserve contribution that should be allocated into reserves to keep reserve balance above a minimum amount during the next 30 years. (Minimum amount is 5% funded unless otherwise noted)

Under Funded – Amount association is short of fully funded balance; also known as a deficit. =(Fully Funded Balance – Projected Balance)

Unit Cost – Cost per Unit.

Unit of Measure – Unit used to measure component. (Explanations shown below)

SF – Square Feet
SY – Square Yard
LF – Linear Feet
Each – Per Single Unit
Lump Sum - Total cost for component
Allowance – Allowance for component repair or replacement
Contract – Cost obtained from actual contract or bid

Useful Life – Time in years component is expected to last.

What Procedures were used for calculation and establishment of reserves?

In this study the fully funded reserve balance for a component at a given time was computed using the component method. Using the component method the fully funded reserve balance equals the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component.

For example if the cost of a boiler is $10,000, the useful life is 10 years and the remaining life is 3 years. The recommended reserve balance would be:

$10,000 x ((10-3)/10) = $7,000.

Preparer Qualifications

Brian McCaffery, President and founder of McCaffery Reserve Consulting earned his Bachelor of Science Degree in Architectural Engineering from the University of Colorado in Boulder. His degree program included coursework in Building Exterior, Lighting, Electrical Systems, Heating Ventilating and Air Conditioning, Concrete and Steel Design, Civil Engineering, Structural Engineering, and Estimating. He has worked in the Building Construction/Architectural Engineering industry for 11 years and has been performing reserve studies for the past 9 years. During his professional career, Brian has worked for multiple companies that perform reserve studies. He has performed over 3,000 reserve studies throughout the state of California and the United States. Brian is a certified Reserve Specialist, designated by the Community Associations Institute (CAI). The Reserve Specialist designation is awarded to experienced, qualified reserve specialists, who through years of specialized experience, can help ensure that your community association prepares its reserve budget as accurately as possible. Brian also has a permit to perform reserve studies in the state of Nevada (Reserve study permit #9).

McCaffery understands that most homeowners, board members, and property managers can have a difficult time understanding all the numbers in a reserve study. That is why we make it a priority to make our report easy for anyone to understand. The layout of this report is set up with graphs, explanations and figures to make it easy to follow. If you read though the full report you should have a good understanding of the numbers and calculations. We strive to make sure our studies are second to none in the industry. The important figures are summarized in the executive summary and the supporting graphs and figures give a full explanation of how the findings were derived. Further descriptions are provided in the descriptions section.

For more useful information on reserve studies please visit:

www.mccafferyreserveconsulting.com

For a quick video that highlights the main sections please see:
http://www.mccafferyreserveconsulting.com/sample-reserve-study

Or scan QR code below with a smart phone

One Page Description of how we come up with the Numbers in this Report

The numbers in this report start with the components listed in the component summary.

1. Every component is given a useful life, remaining life, and an estimated cost

We will use a boiler as an example. This boiler is expected to last 10 years and has been in use for 7 years. The estimated cost is $10,000.

Component	Useful Life	Remaining Life	Cost
Boiler	10	3	$10,000

2. The fully funded balance is calculated

Fully Funded Balance = (Useful life-Remaining Life)/Useful Life * Cost

(10-3)/10 * $10,000 = $7,000

The fully funded balance is then summed for all components and this is the total fully funded balance for the development.

3. Fully Funded Balance is then compared to the actual projected year-end balance that the development has saved for reserves

This is called the percent funded. For our example let's say the development had $5,000 saved for their boiler. Their percent funded would be:

Percent Funded = Projected Year End Reserve Balance/Fully Funded Balance
$5,000/$7,000 = 71%

4. Next expenses are projected for each component for the next 30 years using the useful and remaining lives

This information is shown in the annual expenses by component section. Inflation is included in these figures.

5. Using the projected expenses for the next 30 years the funding plans are created

Funding plans are created so that the development has enough money to offset their projected expenses for the next 30 years.

We try to create funding plans that have a uniform contribution over a 30 year period with a slight increase over time for inflation.

Executive Summary

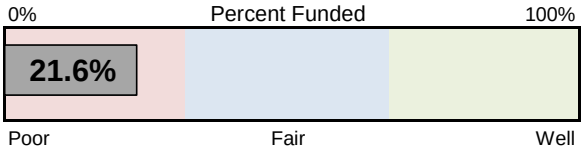
Palisades Canyon

This is a Homeowners Association with 58 Units.

The common area components include: asphalt, pool, and building exterior.

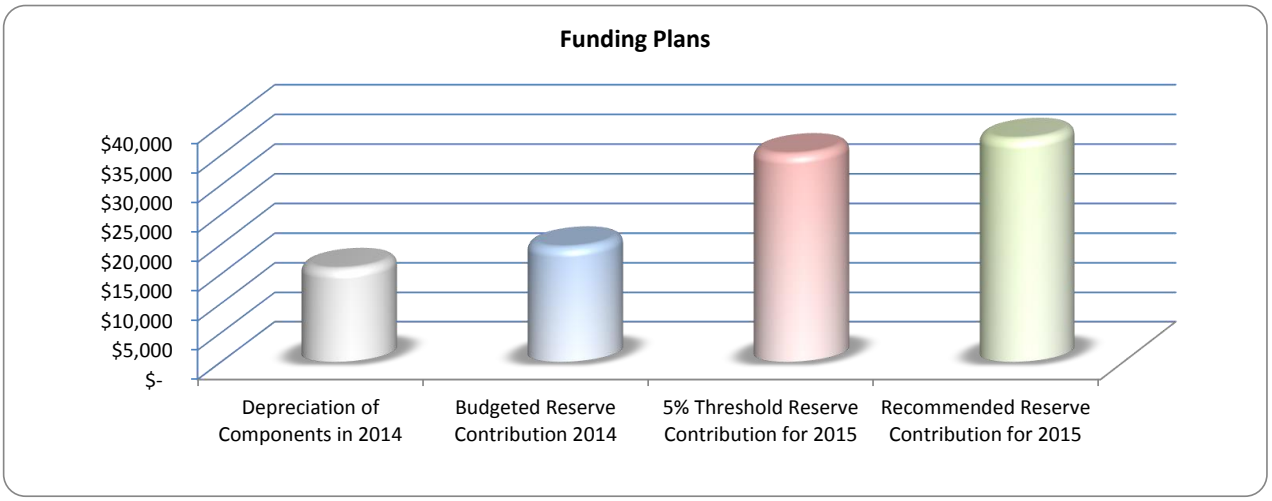
A Full Study with an on-site inspection was performed on December 18th, 2014

Number of Units	58
Year Built	
Fiscal Year End	June 30, 2015



Reserve Fund Balance	June 30, 2015
Fully Funded Reserve Balance	$ 202,551
Projected Balance	$ 43,756
Under Funded (Deficiency in Reserve Funding)	$ 158,795
Deficiency in Reserve Funding Per Unit	$ 2,737.84
Percent Funded	**21.6%**

Funding Plans	Annually	Monthly	Per Unit Monthly
Depreciation of Components in 2014	$ 15,901	$ 1,325	$ 22.85
Budgeted Reserve Contribution 2014	$ 19,524	$ 1,627	$ 28.05
5% Threshold Reserve Contribution for 2015	$ 35,220	$ 2,935	$ 50.60
Recommended Reserve Contribution for 2015	**$ 37,800**	**$ 3,150**	**$ 54.31**



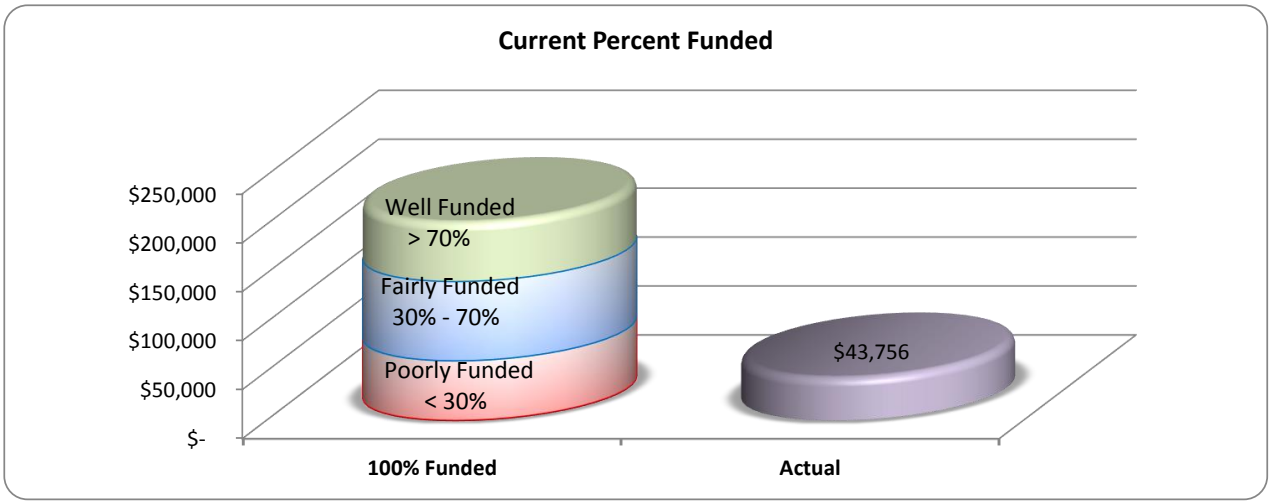
Percent Funded

Percent Funded is probably the most important number in a reserve study

Your current percent funded is:	Year End Balance	$	43,756	=	**22%**
	Fully Funded Balance	$	202,551		

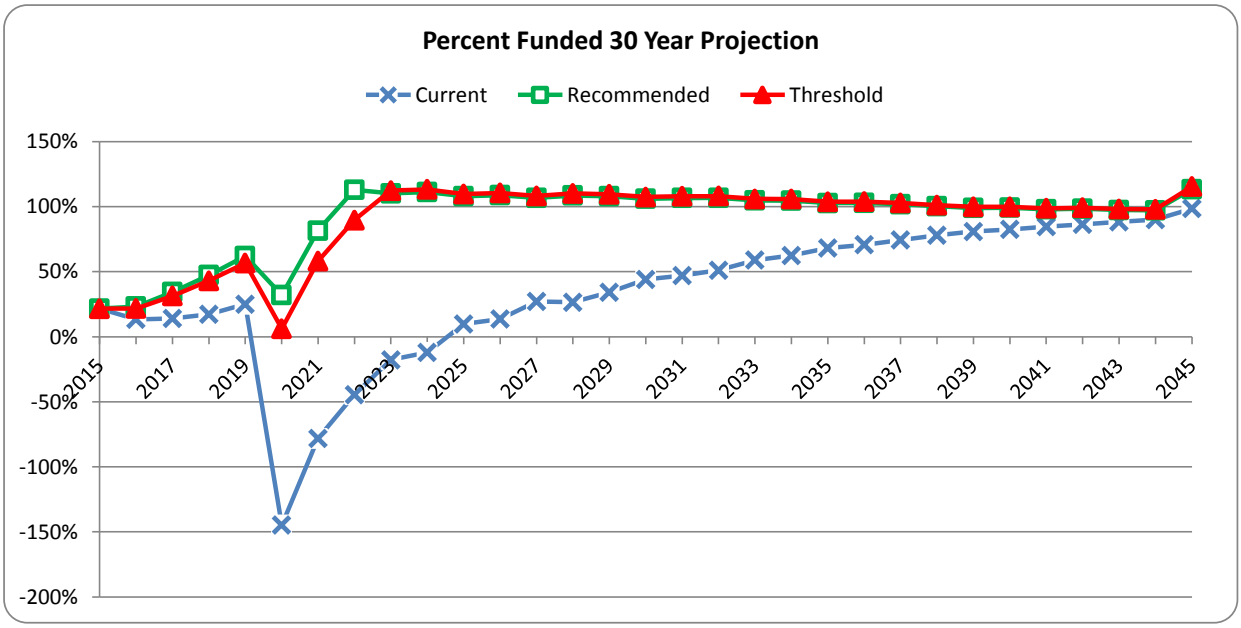
Above 70% = Well Funded Between 30% and 70% = Fairly Funded Below 30% = Poorly Funded

The higher your percent funded, the lower the risk of special assessments and deferred maintenance.



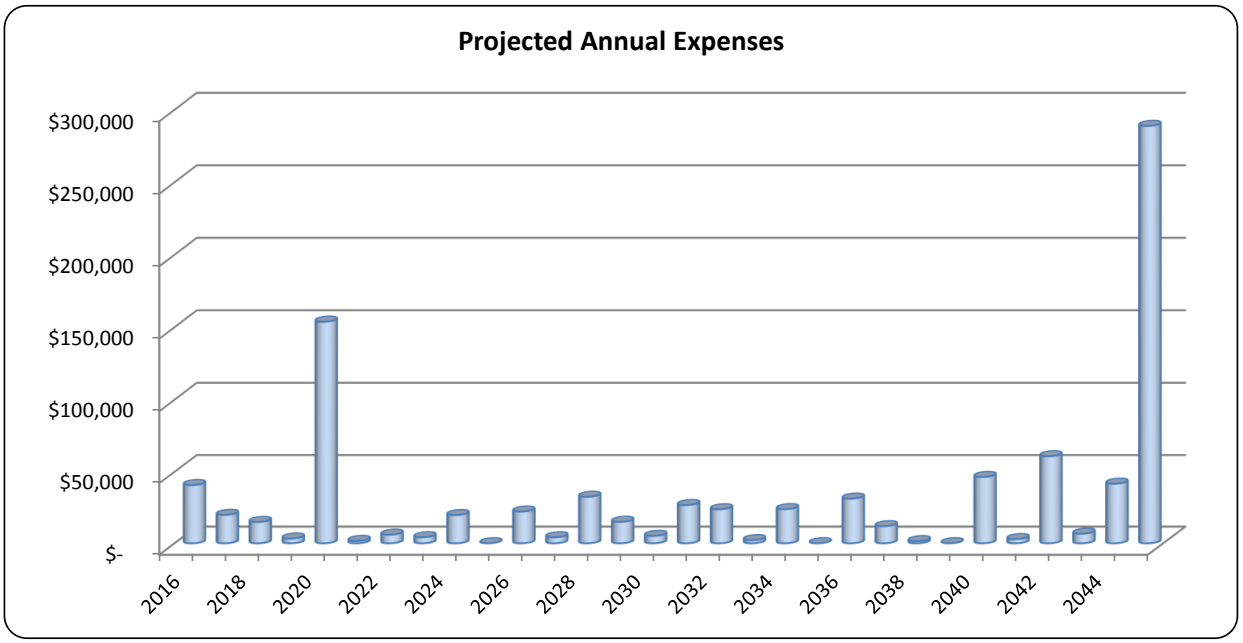
If you follow one of the 3 funding plans in this reserve study this is what your percent funded may look like over the next 30 years. Anytime the Current line drops below 0% a special assessment is likely.

	Annually	Monthly	Per Unit Monthly
Current Reserve Contribution 2014	$ 19,524	$ 1,627	$ 28.05
5% Threshold Reserve Contribution for 2015	$ 35,220	$ 2,935	$ 50.60
Recommended Reserve Contribution for 2015	$ 37,800	$ 3,150	$ 54.31

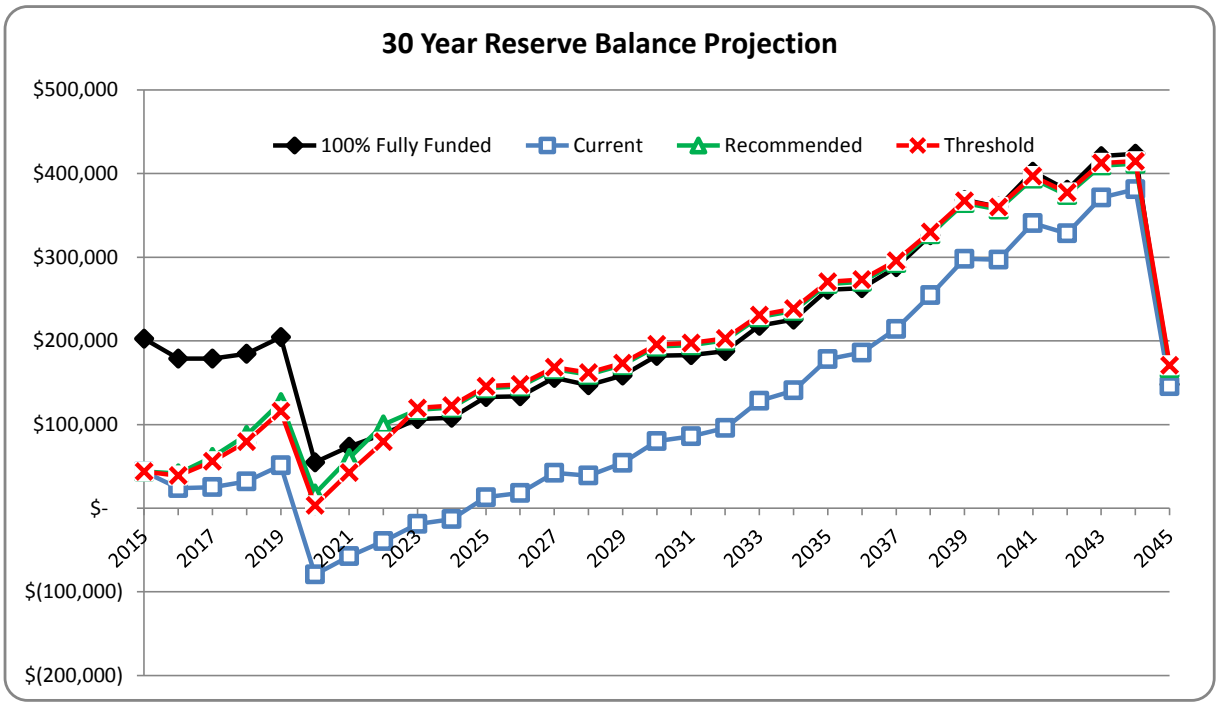


30 Year Projections

Reserve expenses will vary from year to year. A reserve study predicts these expenses and offsets them by creating a uniform funding plan that increases slightly over time to keep up with inflation.



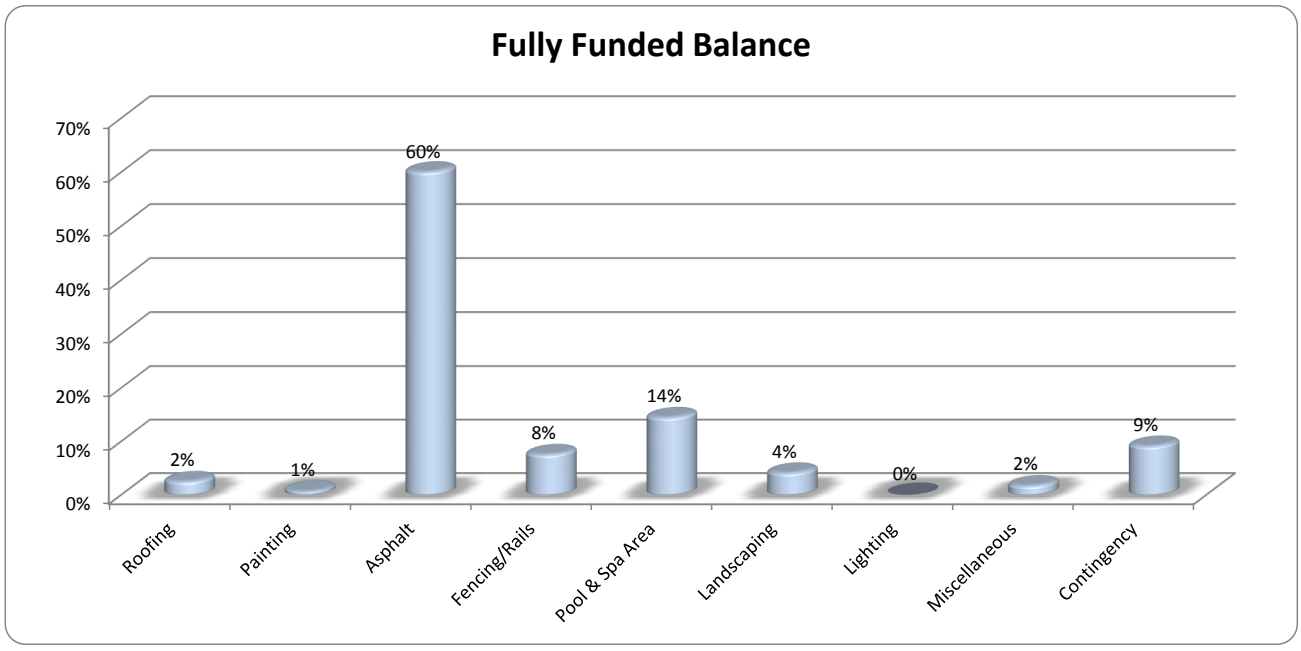
The black 100% funded line shows the ideal balance over the next 30 years. It increases over time due to inflation and depreciation of your components. The 100% funded line will drop after years with large expenses. The recommend funding plan will keep you well funded. The threshold plan will approach $0 dollars, following this plan has a higher risk of special assessments or deferred maintenance.



Category Significance

This chart breaks down the total fully funded balance for each category

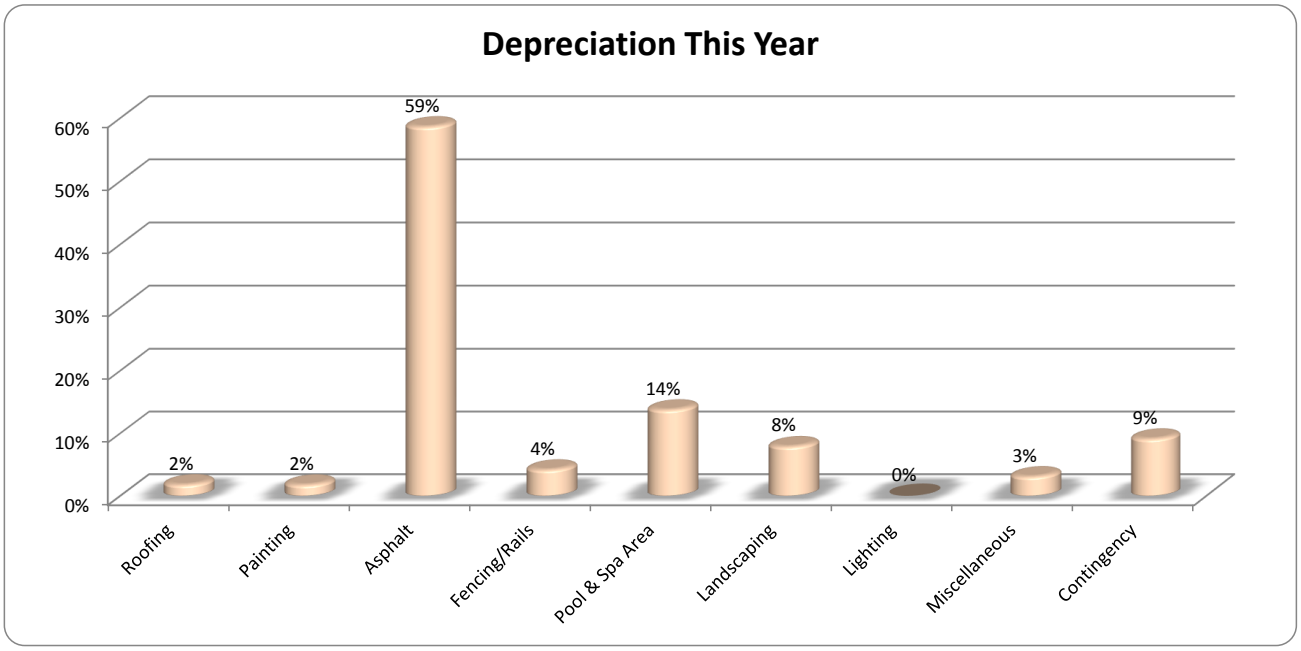
Roofing	Fully Funded Balance	$	5,019	=	**2%**
Total	Fully Funded Balance	$	202,551		



This chart breaks down the total annual depreciation for each category

Roofing	Annual Depreciation	$	281	=	**2%**
Total	Annual Depreciation	$	15,901		

This chart may differ from the chart above because it does not account for remaining life



Theoretical 30 Year Funding Plans

Palisades Canyon

Above 70% = Well Funded (Low Risk of Special Assessment) Between 30% and 70% = Fairly Funded Below 30% = Poorly Funded (Higher Risk of Special Assessment)

Before Tax Interest Rate	1.5%
Annual Inflation Rate	3.0%
Annual Funding Increase	3.0%

Year End	Annual Expenses	Fully Funded Balance	Current Funding Plan			Recommended Funding Plan			5% Threshold Funding Plan		
			Contribution	Balance	% Funded	Contribution	Balance	% Funded	Contribution	Balance	% Funded
2015	$ -	$ 202,551	$ 19,524	$ 43,756	22%	$ -	$ 43,756	22%	$ -	$ 43,756	22%
2016	$ 40,670	$ 178,926	$ 20,110	$ 23,852	13%	$ 37,800	$ 41,542	23%	$ 35,220	$ 38,962	22%
2017	$ 19,828	$ 178,699	$ 20,713	$ 25,095	14%	$ 38,934	$ 61,272	34%	$ 36,277	$ 55,996	31%
2018	$ 14,853	$ 184,608	$ 21,334	$ 31,954	17%	$ 40,102	$ 87,440	47%	$ 37,365	$ 79,348	43%
2019	$ 3,278	$ 204,329	$ 21,974	$ 51,129	25%	$ 41,305	$ 126,779	62%	$ 38,486	$ 115,746	57%
2020	$ 153,733	$ 54,713	$ 22,634	$ (79,204)	-145%	$ 42,544	$ 17,492	32%	$ 39,640	$ 3,389	6%
2021	$ 1,600	$ 73,529	$ 23,313	$ (57,491)	-78%	$ 43,821	$ 59,975	82%	$ 40,830	$ 42,670	58%
2022	$ 5,970	$ 88,527	$ 24,012	$ (39,449)	-45%	$ 45,135	$ 100,039	113%	$ 42,055	$ 79,394	90%
2023	$ 4,182	$ 106,588	$ 24,732	$ (18,898)	-18%	$ 20,143	$ 117,502	110%	$ 43,316	$ 119,720	112%
2024	$ 19,686	$ 108,230	$ 25,474	$ (13,109)	-12%	$ 20,748	$ 120,326	111%	$ 20,748	$ 122,578	113%
2025	$ -	$ 132,847	$ 26,239	$ 13,129	10%	$ 21,370	$ 143,501	108%	$ 21,370	$ 145,786	110%
2026	$ 22,148	$ 133,750	$ 27,026	$ 18,204	14%	$ 22,011	$ 145,517	109%	$ 22,011	$ 147,836	111%
2027	$ 4,153	$ 155,729	$ 27,837	$ 42,161	27%	$ 22,671	$ 166,218	107%	$ 22,671	$ 168,573	108%
2028	$ 32,493	$ 146,937	$ 28,672	$ 38,972	27%	$ 23,352	$ 159,570	109%	$ 23,352	$ 161,960	110%
2029	$ 14,979	$ 158,426	$ 29,532	$ 54,110	34%	$ 24,052	$ 171,037	108%	$ 24,052	$ 173,462	109%
2030	$ 5,143	$ 182,126	$ 30,418	$ 80,196	44%	$ 24,774	$ 193,233	106%	$ 24,774	$ 195,695	107%
2031	$ 26,688	$ 182,869	$ 31,330	$ 86,041	47%	$ 25,517	$ 194,960	107%	$ 25,517	$ 197,459	108%
2032	$ 23,734	$ 187,748	$ 32,270	$ 95,869	51%	$ 26,282	$ 200,434	107%	$ 26,282	$ 202,970	108%
2033	$ 2,149	$ 218,016	$ 33,238	$ 128,396	59%	$ 27,071	$ 228,362	105%	$ 27,071	$ 230,937	106%
2034	$ 23,834	$ 225,436	$ 34,235	$ 140,724	62%	$ 27,883	$ 235,837	105%	$ 27,883	$ 238,450	106%
2035	$ -	$ 260,918	$ 35,263	$ 178,097	68%	$ 28,719	$ 268,094	103%	$ 28,719	$ 270,746	104%
2036	$ 31,192	$ 262,987	$ 36,320	$ 185,897	71%	$ 29,581	$ 270,505	103%	$ 29,581	$ 273,196	104%
2037	$ 11,906	$ 287,856	$ 37,410	$ 214,190	74%	$ 30,468	$ 293,125	102%	$ 30,468	$ 295,857	103%
2038	$ 1,437	$ 326,246	$ 38,532	$ 254,498	78%	$ 31,383	$ 327,467	100%	$ 31,383	$ 330,240	101%
2039	$ -	$ 368,357	$ 39,688	$ 298,004	81%	$ 32,324	$ 364,703	99%	$ 32,324	$ 367,518	100%
2040	$ 46,327	$ 360,213	$ 40,879	$ 297,025	82%	$ 33,294	$ 357,140	99%	$ 33,294	$ 359,997	100%
2041	$ 2,889	$ 402,038	$ 42,105	$ 340,697	85%	$ 34,293	$ 393,900	98%	$ 34,293	$ 396,800	99%
2042	$ 60,816	$ 380,516	$ 43,368	$ 328,360	86%	$ 35,321	$ 374,314	98%	$ 35,321	$ 377,258	99%
2043	$ 6,664	$ 420,762	$ 44,669	$ 371,291	88%	$ 36,381	$ 409,646	97%	$ 36,381	$ 412,634	98%
2044	$ 41,617	$ 423,705	$ 46,010	$ 381,252	90%	$ 37,472	$ 411,646	97%	$ 37,472	$ 414,678	98%
2045	$ 288,797	$ 147,806	$ 47,390	$ 145,564	98%	$ 38,597	$ 167,620	113%	$ 38,597	$ 170,698	115%

Note: All future projections are theoretical. The estimated lives and costs of components will likely change over time depending on factors such as inflation rates and levels of maintenance. Reserve analysis should be performed annually to account for these factors.

Component Summary

Palisades Canyon

Category / Component	Approx. Quantity	Unit of Measure	Useful Life	Remaining Life	Unit Cost	Total Cost	Cost Source
Roofing							
Pool Roof	1	Each	16	1	$ 1,300	$ 1,300	1
Wood Trellis	1	Each	25	6	$ 5,000	$ 5,000	1
						$ 6,300	
Painting							
Pool Fence	230	LF	5	0	$ 6.00	$ 1,380	1
						$ 1,380	
Asphalt							
Slurry Seal & Repair	87000	SF	4	0	$ 0.17	$ 14,790	1
Overlay & Replace	87000	SF	25	4	$ 1.40	$ 121,800	1
Concrete Repairs	1	Allowance	8	2	$ 6,000	$ 6,000	1
						$ 142,590	
Fencing/Rails							
Pool Fencing	230	LF	25	1	$ 40.00	$ 9,200	1
Tennis Chain Link	340	LF	35	13	$ 30.00	$ 10,200	1
						$ 19,400	
Pool & Spa Area							
Pool Resurface/Tile	1	Allowance	12	0	$ 8,000	$ 8,000	1
Pool Heater	1	Each	10	1	$ 3,000	$ 3,000	1
Pool Filter	1	Each	10	0	$ 1,100	$ 1,100	1
Pool Pump/Motor	1	Each	7	1	$ 750	$ 750	1
Deck Resurface	1	Allowance	15	0	$ 12,000	$ 12,000	1
Restroom Refurbish	1	Allowance	25	1	$ 5,000	$ 5,000	1
						$ 29,850	
Landscaping							
Irrigation System Upgrade	1	Allowance	12	3	$ 3,000	$ 3,000	1
Landscape Replacements	1	Allowance	8	2	$ 8,000	$ 8,000	1
Tree Trimming		Included in Operating Budget					3
						$ 11,000	
Lighting							
Street Lights		Indluced in Operating Budget					3
						$ -	
Miscellaneous							
Tennis Resurface	1	Each	7	0	$ 3,400	$ 3,400	1
						$ 3,400	
Contingency							
10%							1
				TOTALS		**$ 213,920**	

Notes: Any other items not listed are included in operating budget.

Component Significance

Category / Component	Fully Funded Balance $ Amount	Fully Funded Balance %	Fully Funded Balance Quick Glance Graph	Depreciation This Year $ Amount	Depreciation This Year %	Depreciation This Year Quick Glance Graph	Monthly Contribution
Roofing							
Pool Roof	$ 1,219	0.60%		$ 81	0.51%		$ 16.10
Wood Trellis	$ 3,800	1.88%		$ 200	1.26%		$ 39.62
	$ 5,019	2.48%		$ 281	1.77%		$ 55.71
Painting							
Pool Fence	$ 1,380	0.68%		$ 276	1.74%		$ 54.67
	$ 1,380	0.68%		$ 276	1.74%		$ 54.67
Asphalt							
Slurry Seal & Repair	$ 14,790	7.30%		$ 3,698	23.25%		$ 732.46
Overlay & Replace	$ 102,312	50.51%		$ 4,872	30.64%		$ 965.13
Concrete Repairs	$ 4,500	2.22%		$ 750	4.72%		$ 148.57
	$ 121,602	60.04%		$ 9,320	58.61%		$1,846.17
Fencing/Rails							
Pool Fencing	$ 8,832	4.36%		$ 368	2.31%		$ 72.90
Tennis Chain Link	$ 6,411	3.17%		$ 291	1.83%		$ 57.73
	$ 15,243	7.53%		$ 659	4.15%		$ 130.63
Pool & Spa Area							
Pool Resurface/Tile	$ 8,000	3.95%		$ 667	4.19%		$ 132.06
Pool Heater	$ 2,700	1.33%		$ 300	1.89%		$ 59.43
Pool Filter	$ 1,100	0.54%		$ 110	0.69%		$ 21.79
Pool Pump/Motor	$ 643	0.32%		$ 107	0.67%		$ 21.22
Deck Resurface	$ 12,000	5.92%		$ 800	5.03%		$ 158.48
Restroom Refurbish	$ 4,800	2.37%		$ 200	1.26%		$ 39.62
	$ 29,243	14.44%		$ 2,184	13.73%		$ 432.61
Landscaping							
Irrigation System Upgrade	$ 2,250	1.11%		$ 250	1.57%		$ 49.52
Landscape Replacements	$ 6,000	2.96%		$ 1,000	6.29%		$ 198.10
Tree Trimming		0.00%					
	$ 8,250	4.07%		$ 1,250	7.86%		$ 247.62
Lighting							
Street Lights							
	$ -	0.00%		$ -	0.00%		$ -
Miscellaneous							
Tennis Resurface	$ 3,400	1.68%		$ 486	3.05%		$ 96.22
	$ 3,400	1.68%		$ 486	3.05%		$ 96.22
Contingency							
10%	$ 18,414	9.09%		$ 1,446	9.09%		$ 286.36
	$ 202,551	**100.00%**	**100%**	**$ 15,901**	**100%**	**100%**	**$ 3,150**

Annual Expenses by Component

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Roofing									
Pool Roof	$ -	$ 1,339	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Wood Trellis	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,970	$ -	$ -
Painting									
Pool Fence	$ 1,380	$ -	$ -	$ -	$ -	$ 1,600	$ -	$ -	$ -
Asphalt									
Slurry Seal & Repair	$ 14,790	$ -	$ -	$ -	$ 16,646	$ -	$ -	$ -	$ 18,736
Overlay & Replace	$ -	$ -	$ -	$ -	$ 137,087	$ -	$ -	$ -	$ -
Concrete Repairs	$ -	$ -	$ 6,365	$ -	$ -	$ -	$ -	$ -	$ -
Fencing/Rails									
Pool Fencing	$ -	$ 9,476	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Tennis Chain Link	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pool & Spa Area									
Pool Resurface/Tile	$ 8,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pool Heater	$ -	$ 3,090	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pool Filter	$ 1,100	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pool Pump/Motor	$ -	$ 773	$ -	$ -	$ -	$ -	$ -	$ -	$ 950
Deck Resurface	$ 12,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Restroom Refurbish	$ -	$ 5,150	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Landscaping									
Irrigation System Upgrade	$ -	$ -	$ -	$ 3,278	$ -	$ -	$ -	$ -	$ -
Landscape Replacements	$ -	$ -	$ 8,487	$ -	$ -	$ -	$ -	$ -	$ -
Tree Trimming	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Lighting									
Street Lights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Miscellaneous									
Tennis Resurface	$ 3,400	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,182	$ -
Totals	$ - $ 40,670	$ 19,828	$ 14,853	$ 3,278	$ 153,733	$ 1,600	$ 5,970	$ 4,182	$ 19,686

Annual Expenses by Component

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Roofing												
Pool Roof	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,149	$ -	$ -	$ -
Wood Trellis	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Painting												
Pool Fence	$ -	$ 1,855	$ -	$ -	$ -	$ -	$ 2,150	$ -	$ -	$ -	$ -	$ 2,492
Asphalt												
Slurry Seal & Repair	$ -	$ -	$ -	$ 21,087	$ -	$ -	$ -	$ 23,734	$ -	$ -	$ -	$ 26,712
Overlay & Replace	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Concrete Repairs	$ -	$ 8,063	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,215	$ -	$ -
Fencing/Rails												
Pool Fencing	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Tennis Chain Link	$ -	$ -	$ -	$ -	$ 14,979	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pool & Spa Area												
Pool Resurface/Tile	$ -	$ -	$ -	$ 11,406	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pool Heater	$ -	$ -	$ 4,153	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pool Filter	$ -	$ 1,478	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,987
Pool Pump/Motor	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,168	$ -	$ -	$ -	$ -	$ -
Deck Resurface	$ -	$ -	$ -	$ -	$ -	$ -	$ 18,696	$ -	$ -	$ -	$ -	$ -
Restroom Refurbish	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Landscaping												
Irrigation System Upgrade	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,674	$ -	$ -	$ -	$ -	$ -
Landscape Replacements	$ -	$ 10,751	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,619	$ -	$ -
Tree Trimming	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Lighting												
Street Lights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Miscellaneous												
Tennis Resurface	$ -	$ -	$ -	$ -	$ -	$ 5,143	$ -	$ -	$ -	$ -	$ -	$ -
Totals	$ -	$ 22,148	$ 4,153	$ 32,493	$ 14,979	$ 5,143	$ 26,688	$ 23,734	$ 2,149	$ 23,834	$ -	$ 31,192

Annual Expenses by Component

	2037	2038	2039	2040	2041	2042	2043	2044	2045
Roofing									
Pool Roof	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Wood Trellis	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Painting									
Pool Fence	$ -	$ -	$ -	$ -	$ 2,889	$ -	$ -	$ -	$ -
Asphalt									
Slurry Seal & Repair	$ -	$ -	$ -	$ 30,065	$ -	$ -	$ -	$ 33,838	$ -
Overlay & Replace	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 287,030
Concrete Repairs	$ -	$ -	$ -	$ -	$ -	$ 12,940	$ -	$ -	$ -
Fencing/Rails									
Pool Fencing	$ -	$ -	$ -	$ -	$ -	$ 19,841	$ -	$ -	$ -
Tennis Chain Link	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pool & Spa Area									
Pool Resurface/Tile	$ -	$ -	$ -	$ 16,262	$ -	$ -	$ -	$ -	$ -
Pool Heater	$ 5,581	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pool Filter	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pool Pump/Motor	$ -	$ 1,437	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,767
Deck Resurface	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Restroom Refurbish	$ -	$ -	$ -	$ -	$ -	$ 10,783	$ -	$ -	$ -
Landscaping									
Irrigation System Upgrade	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,664	$ -	$ -
Landscape Replacements	$ -	$ -	$ -	$ -	$ -	$ 17,253	$ -	$ -	$ -
Tree Trimming	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Lighting									
Street Lights	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Miscellaneous									
Tennis Resurface	$ 6,325	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,779	$ -
Totals	$ 11,906	$ 1,437	$ -	$ 46,327	$ 2,889	$ 60,816	$ 6,664	$ 41,617	$ 288,797

Component Details

Roofing — Pool Roof

Approximate Component Quantity	-	1	Estimated Current Unit Cost	$	1,300.00
Unit of Measure	-	Each	Estimated Total Current Cost	$	1,300
Normal Useful Life (Years)	-	16	Estimated Total Future Cost	$	1,339
Estimated Remaining Useful Life (Years)	-	1	Fully Funded Balance	$	1,219
Estimated Replacement Year	-	2017	Depreciation This Year	$	81
Cost Source	-	1	Monthly Contribution	$	16.10
Depreciation Percent	-	0.51%	Fully Funded Balance Percent		0.60%
Life Remainging Percent	-	**6%**			

Roofing — Wood Trellis

Approximate Component Quantity	-	1	Estimated Current Unit Cost	$	5,000.00
Unit of Measure	-	Each	Estimated Total Current Cost	$	5,000
Normal Useful Life (Years)	-	25	Estimated Total Future Cost	$	5,970
Estimated Remaining Useful Life (Years)	-	6	Fully Funded Balance	$	3,800
Estimated Replacement Year	-	2022	Depreciation This Year	$	200
Cost Source	-	1	Monthly Contribution	$	39.62
Depreciation Percent	-	1.26%	Fully Funded Balance Percent		1.88%
Life Remainging Percent	-	**24%**			

Painting — Pool Fence

Approximate Component Quantity	-	230	Estimated Current Unit Cost	$	6.00
Unit of Measure	-	LF	Estimated Total Current Cost	$	1,380
Normal Useful Life (Years)	-	5	Estimated Total Future Cost	$	1,380
Estimated Remaining Useful Life (Years)	-	0	Fully Funded Balance	$	1,380
Estimated Replacement Year	-	2016	Depreciation This Year	$	276
Cost Source	-	1	Monthly Contribution	$	54.67
Depreciation Percent	-	1.74%	Fully Funded Balance Percent		0.68%
Life Remainging Percent	-	**0%**			

Asphalt — Slurry Seal & Repair

Approximate Component Quantity	-	87000	Estimated Current Unit Cost	$	0.17
Unit of Measure	-	SF	Estimated Total Current Cost	$	14,790
Normal Useful Life (Years)	-	4	Estimated Total Future Cost	$	14,790
Estimated Remaining Useful Life (Years)	-	0	Fully Funded Balance	$	14,790
Estimated Replacement Year	-	2016	Depreciation This Year	$	3,698
Cost Source	-	1	Monthly Contribution	$	732.46
Depreciation Percent	-	23.25%	Fully Funded Balance Percent		7.30%
Life Remainging Percent	-	**0%**			

Asphalt — Overlay & Replace

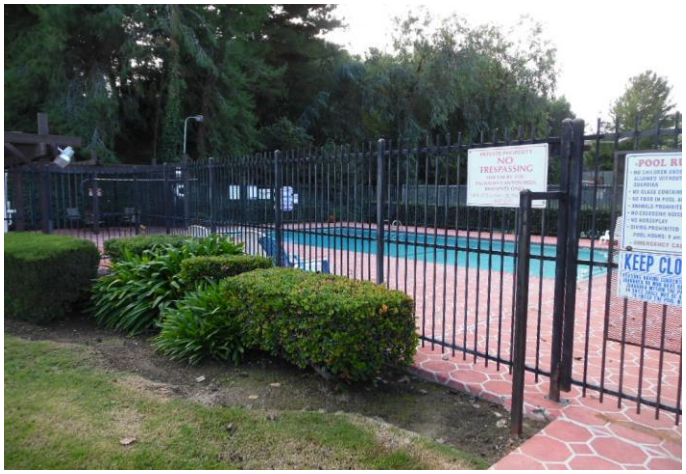
Approximate Component Quantity	-	87000	Estimated Current Unit Cost	$	1.40
Unit of Measure	-	SF	Estimated Total Current Cost	$	121,800
Normal Useful Life (Years)	-	25	Estimated Total Future Cost	$	137,087
Estimated Remaining Useful Life (Years)	-	4	Fully Funded Balance	$	102,312
Estimated Replacement Year	-	2020	Depreciation This Year	$	4,872
Cost Source	-	1	Monthly Contribution	$	965.13
Depreciation Percent	-	30.64%	Fully Funded Balance Percent		50.51%
Life Remainging Percent	-	**16%**			

Asphalt — Concrete Repairs

Approximate Component Quantity	-	1	Estimated Current Unit Cost	$	6,000.00
Unit of Measure	-	Allowance	Estimated Total Current Cost	$	6,000
Normal Useful Life (Years)	-	8	Estimated Total Future Cost	$	6,365
Estimated Remaining Useful Life (Years)	-	2	Fully Funded Balance	$	4,500
Estimated Replacement Year	-	2018	Depreciation This Year	$	750
Cost Source	-	1	Monthly Contribution	$	148.57
Depreciation Percent	-	4.72%	Fully Funded Balance Percent		2.22%
Life Remainging Percent	-	**25%**			

Fencing/Rails — Pool Fencing

Approximate Component Quantity	-	230	Estimated Current Unit Cost	$	40.00
Unit of Measure	-	LF	Estimated Total Current Cost	$	9,200
Normal Useful Life (Years)	-	25	Estimated Total Future Cost	$	9,476
Estimated Remaining Useful Life (Years)	-	1	Fully Funded Balance	$	8,832
Estimated Replacement Year	-	2017	Depreciation This Year	$	368
Cost Source	-	1	Monthly Contribution	$	72.90
Depreciation Percent	-	2.31%	Fully Funded Balance Percent		4.36%
Life Remainging Percent	-	**4%**			



Fencing/Rails — Tennis Chain Link

Approximate Component Quantity	-	340	Estimated Current Unit Cost	$	30.00
Unit of Measure	-	LF	Estimated Total Current Cost	$	10,200
Normal Useful Life (Years)	-	35	Estimated Total Future Cost	$	14,979
Estimated Remaining Useful Life (Years)	-	13	Fully Funded Balance	$	6,411
Estimated Replacement Year	-	2029	Depreciation This Year	$	291
Cost Source	-	1	Monthly Contribution	$	57.73
Depreciation Percent	-	1.83%	Fully Funded Balance Percent		3.17%
Life Remainging Percent	-	**37%**			

Pool & Spa Area — Pool Resurface/Tile

Approximate Component Quantity	-	1	Estimated Current Unit Cost	$	8,000.00
Unit of Measure	-	Allowance	Estimated Total Current Cost	$	8,000
Normal Useful Life (Years)	-	12	Estimated Total Future Cost	$	8,000
Estimated Remaining Useful Life (Years)	-	0	Fully Funded Balance	$	8,000
Estimated Replacement Year	-	2016	Depreciation This Year	$	667
Cost Source	-	1	Monthly Contribution	$	132.06
Depreciation Percent	-	4.19%	Fully Funded Balance Percent		3.95%
Life Remainging Percent	-	**0%**			

Pool & Spa Area — Pool Heater

Approximate Component Quantity	-	1	Estimated Current Unit Cost	$	3,000.00
Unit of Measure	-	Each	Estimated Total Current Cost	$	3,000
Normal Useful Life (Years)	-	10	Estimated Total Future Cost	$	3,090
Estimated Remaining Useful Life (Years)	-	1	Fully Funded Balance	$	2,700
Estimated Replacement Year	-	2017	Depreciation This Year	$	300
Cost Source	-	1	Monthly Contribution	$	59.43
Depreciation Percent	-	1.89%	Fully Funded Balance Percent		1.33%
Life Remainging Percent	-	**10%**			

Pool & Spa Area — Pool Filter

Approximate Component Quantity	-	1	Estimated Current Unit Cost	$	1,100.00
Unit of Measure	-	Each	Estimated Total Current Cost	$	1,100
Normal Useful Life (Years)	-	10	Estimated Total Future Cost	$	1,100
Estimated Remaining Useful Life (Years)	-	0	Fully Funded Balance	$	1,100
Estimated Replacement Year	-	2016	Depreciation This Year	$	110
Cost Source	-	1	Monthly Contribution	$	21.79
Depreciation Percent	-	0.69%	Fully Funded Balance Percent		0.54%
Life Remainging Percent	-	**0%**			

Pool & Spa Area — Pool Pump/Motor

Approximate Component Quantity	-	1	Estimated Current Unit Cost	$	750.00
Unit of Measure	-	Each	Estimated Total Current Cost	$	750
Normal Useful Life (Years)	-	7	Estimated Total Future Cost	$	773
Estimated Remaining Useful Life (Years)	-	1	Fully Funded Balance	$	643
Estimated Replacement Year	-	2017	Depreciation This Year	$	107
Cost Source	-	1	Monthly Contribution	$	21.22
Depreciation Percent	-	0.67%	Fully Funded Balance Percent		0.32%
Life Remainging Percent	-	**14%**			

Pool & Spa Area — Deck Resurface

Approximate Component Quantity	-	1	Estimated Current Unit Cost	$	12,000.00
Unit of Measure	-	Allowance	Estimated Total Current Cost	$	12,000
Normal Useful Life (Years)	-	15	Estimated Total Future Cost	$	12,000
Estimated Remaining Useful Life (Years)	-	0	Fully Funded Balance	$	12,000
Estimated Replacement Year	-	2016	Depreciation This Year	$	800
Cost Source	-	1	Monthly Contribution	$	158.48
Depreciation Percent	-	5.03%	Fully Funded Balance Percent		5.92%
Life Remainging Percent	-	**0%**			

Pool & Spa Area — Restroom Refurbish

Approximate Component Quantity	-	1	Estimated Current Unit Cost	$	5,000.00
Unit of Measure	-	Allowance	Estimated Total Current Cost	$	5,000
Normal Useful Life (Years)	-	25	Estimated Total Future Cost	$	5,150
Estimated Remaining Useful Life (Years)	-	1	Fully Funded Balance	$	4,800
Estimated Replacement Year	-	2017	Depreciation This Year	$	200
Cost Source	-	1	Monthly Contribution	$	39.62
Depreciation Percent	-	1.26%	Fully Funded Balance Percent		2.37%
Life Remainging Percent	-	**4%**			

Landscaping — Irrigation System Upgrade

Approximate Component Quantity	-	1	Estimated Current Unit Cost	$	3,000.00
Unit of Measure	-	Allowance	Estimated Total Current Cost	$	3,000
Normal Useful Life (Years)	-	12	Estimated Total Future Cost	$	3,278
Estimated Remaining Useful Life (Years)	-	3	Fully Funded Balance	$	2,250
Estimated Replacement Year	-	2019	Depreciation This Year	$	250
Cost Source	-	1	Monthly Contribution	$	49.52
Depreciation Percent	-	1.57%	Fully Funded Balance Percent		1.11%
Life Remainging Percent	-	**25%**			

Landscaping — Landscape Replacements

Approximate Component Quantity	-	1	Estimated Current Unit Cost	$	8,000.00
Unit of Measure	-	Allowance	Estimated Total Current Cost	$	8,000
Normal Useful Life (Years)	-	8	Estimated Total Future Cost	$	8,487
Estimated Remaining Useful Life (Years)	-	2	Fully Funded Balance	$	6,000
Estimated Replacement Year	-	2018	Depreciation This Year	$	1,000
Cost Source	-	1	Monthly Contribution	$	198.10
Depreciation Percent	-	6.29%	Fully Funded Balance Percent		2.96%
Life Remainging Percent	-	**25%**			

Lighting — Street Lights

Approximate Component Quantity	-	0	Estimated Current Unit Cost	$	-
Unit of Measure	-	0	Estimated Total Current Cost	$	-
Normal Useful Life (Years)	-	Indluced in Operating E	Estimated Total Future Cost	$	-
Estimated Remaining Useful Life (Years)	-	0	Fully Funded Balance	$	-
Estimated Replacement Year	-	2016	Depreciation This Year	$	-
Cost Source	-	3	Monthly Contribution	$	-
Depreciation Percent	-	0.00%	Fully Funded Balance Percent		0.00%
Life Remainging Percent	-	**#VALUE!**			

Miscellaneous — Tennis Resurface

Approximate Component Quantity	-	1	Estimated Current Unit Cost	$	3,400.00
Unit of Measure	-	Each	Estimated Total Current Cost	$	3,400
Normal Useful Life (Years)	-	7	Estimated Total Future Cost	$	3,400
Estimated Remaining Useful Life (Years)	-	0	Fully Funded Balance	$	3,400
Estimated Replacement Year	-	2016	Depreciation This Year	$	486
Cost Source	-	1	Monthly Contribution	$	96.22
Depreciation Percent	-	3.05%	Fully Funded Balance Percent		1.68%
Life Remainging Percent	-	**0%**			

Assessment and Reserve Funding Disclosure Summary
Palisades Canyon

(1) The current regular assessment per ownership interest per month is:

$ 154.00 per month for the year ending 06/30/15

(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members: As of 12/29/2014

Date Assessment is Due	Amount per unit	Purpose of Assessment
NA		
Total:		

(3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Yes [ ] No [X]

Note: This calculation assumes the association will raise their current reserve contribution 3% per year over the next 30 years.

(4) If the answer to #3 is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years?

Increase the monthly reserve contribution by $ 22.55 per unit

For more detail see attached theoretical 30 year funding plans.

Note: This calculation assumes the association will raise their current reserve contribution 3% per year over the next 30 years.

(5) All major components appropriate for reserve funding are included in the reserve study and are included in it's calculations.

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the civil code the estimated amount required in the reserve fund at the end of the current fiscal year is:
$ 202,551
based in whole or in part on the last reserve study or update prepared by McCaffery Reserve Consulting as of 6/30/2015 the projected reserve fund cash balance at the end of the current fiscal year is: $ 43,756 resulting in the reserves being 22% funded at this date.

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the civil code the projected required amount in reserves, projected reserve fund cash balance and projected percent funded for each of the next 5 years is:

Year	Amt Required	Proj. Balance	% Funded
2016	$ 178,926	$ 23,852	13%
2017	$ 178,699	$ 25,095	14%
2018	$ 184,608	$ 31,954	17%
2019	$ 204,329	$ 51,129	25%
2020	$ 54,713	$ (79,204)	-145%

For more detail see attached theoretical 30 year funding plans.

Note: This calculation assumes the association will raise their reserve contribution 3% per year over the next 30 years.

NOTE: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate was : 1.50% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was: 3.00% per year

(b) For the purposes of preparing a summary pursuant to this section:

(1) "Estimated remaining useful life" means the time reasonably calculated to remain before a major component will require replacement.

(2) "Major component" has the meaning used in Section 5530. Components with an estimated remaining useful life of more than 30 years may be included in a study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary.

(3) The form set out in subdivision (a) shall accompany each pro forma operating budget or summary thereof that is delivered pursuant to this article. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in subdivision (a) is provided.

(4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. This shall not be construed to require the board to fund reserves in accordance with this calculation.

The Preparer of this form will be indemnified and held harmless against all losses, claims, action, 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 has been provided to Preparer by others and relied upon by Preparer which may result from any improper use or reliance on this disclosure.

Disclaimer

This report attempts to determine the estimated remaining useful life of the components that can be visually observed. This report is expressly for the use of the client and only for the purpose of establishing reserve funding requirements. The study is not a guarantee or warranty, or a recommendation to purchase. Estimated remaining useful lives are calculated with reasonable consideration for weather conditions. Natural disasters, including seismic activity will not be addressed in this report. Reserve Funding for earthquake damages and other disasters exceeds the scope of the study. We recommend the development consider additional insurance to cover unforeseen disasters. We assume the components of the association will receive proper maintenance. The report is expressly for the use of the client and only for the purpose of establishing reserve funding requirements.

In providing the opinions of probable construction costs, the client understands that McCaffery Reserve Consulting (MRC) has no control over costs or the price of labor, equipment or materials, or over the contractor's method of pricing, and that the opinions of probable construction costs provided herein are to be made on the basis of MRC's qualifications and experience. MRC makes no warranty, expressed or implied, as to the accuracy of such opinions as compared to bid or actual costs.

Because the reserve study is a projection, the estimated lives and costs of components will likely change over time depending on a variety of factors such as future inflation rates and levels of maintenance applied by future boards, unknown defects in materials that may lead to premature failures, etc. As a result, some components may experience longer lives while others will experience premature failures. Some components may cost less at the time of replacement due to changes in manufacturing methods while others may cost more due to material shortages or high demand. All future projections are therefore theoretical and reserve studies should be updated annually.

MRC has made a reasonable effort to ensure that the report is accurate. This study does not preclude errors resulting from unforeseen conditions or circumstances. The scope of this report is expressly limited to the components described herein. MRC has obtained certain information, documentation and materials from the association agent and the reserve study is based upon the accuracy of such information. Material inaccuracies could adversely effect the reserve study. MRC is not responsible for such inaccuracies. This study is limited to a visual observation. There has been neither destructive testing nor inspection of the interior of private units; floors, wall or ceiling cavities, or structural elements. It is assumed that the components have been constructed per original construction documents and comply with applicable codes. This study in not designed to uncover latent or patent defects. Estimates represent replacement of a component with similar materials unless otherwise noted. Local building codes have not been researched to determine whether or not current ordinances will permit the replacement of any component with components of like material. The estimates do not take into account the abbreviated useful life of a component as a result of its original construction, installation, or design. MRC is not responsible for any claims, demands, or damages arising out of the discovery of asbestos, radon or any environmental claims, demands or damages. We do not assume any liability for damages which may result from this study. We are not responsible for conditions this report fails to disclose. The information contained in this study is deemed reliable as of the date of this study, but is not guaranteed.

The Association, by accepting this study, agrees to release MRC from any claims, demands or damages. The Association, in consideration of MRC performing the reserve study, hereby agrees to indemnify, defend and hold harmless MRC from and against any and all liability, damages, losses, claims, demands, or lawsuits arising out of or relating to this reserve study.

The information contained within the report is assembled in conjunction with the client and is intended to assist the client with its reserve planning. MRC does not guarantee, either explicitly or implied, that all repair and replacement items have been identified, the accuracy of the probable costs or the product lives associated with these items.