The Management Trust
NORTHWEST DIVISION

Barrington Heights
West Linn, Oregon
Account 2014 On Site Update -- Version 1
September 28, 2013

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Important Information

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This reserve analysis study and the parameters under which it has been completed are based upon information provided to us in part by representatives of the association, its contractors, assorted vendors, specialist and independent contractors, the Community Association Institute, and various construction pricing and scheduling manuals including, but not limited to: Marshall & Swift Valuation Service, RS Means Facilities Maintenance & Repair Cost Data, RS Means Repair & Remodeling Cost Data, National Construction Estimator, National Repair & Remodel Estimator, Dodge Cost Manual and McGraw-Hill Professional. Additionally, costs are obtained from numerous vendor catalogues, actual quotations or historical costs, and our own experience in the field of property management and reserve study preparation.

It has been assumed, unless otherwise noted in this report, that all assets have been designed and constructed properly and that each estimated useful life will approximate that of the norm per industry standards and/or manufacturer's specifications. In some cases, estimates may have been used on assets, which have an indeterminable but potential liability to the association. The decision for the inclusion of these as well as all assets considered is left to the client.

We recommend that your reserve analysis study be updated on an annual basis due to fluctuating interest rates, inflationary changes, and the unpredictable nature of the lives of many of the assets under consideration. All of the information collected during our inspection of the association and computations made subsequently in preparing this reserve analysis study are retained in our computer files. Therefore, annual updates may be completed quickly and inexpensively each year.

ReserveTrust© would like to thank you for using our services. We invite you to call us at any time, should you have questions, comments or need assistance. In addition, any of the parameters and estimates used in this study may be changed at your request, after which we will provide a revised study.

This reserve analysis study is provided as an aid for planning purposes and not as an accounting tool. Since it deals with events yet to take place, there is no assurance that the results enumerated within it will, in fact, occur as described.

Part I

Introduction

Preparing the annual budget and overseeing the association's finances are perhaps the most important responsibilities of board members. The annual operating and reserve budgets reflect the planning and goals of the association and set the level and quality of service for all of the association's activities.

Funding Options

When a major repair or replacement is required in a community, an association has essentially four options available to address the expenditure:

The first, and only logical means that the Board of Directors has to ensure its ability to maintain the assets for which it is obligated, is by **assessing an adequate level of reserves** as part of the regular membership assessment, thereby distributing the cost of the replacements uniformly over the entire membership. The community is not only comprised of present members, but also future members. Any decision by the Board of Directors to adopt a calculation method or funding plan which would disproportionately burden future members in order to make up for past reserve deficits, would be a breach of its fiduciary responsibility to those future members. Unlike individuals determining their own course of action, the board is responsible to the "community" as a whole.

Whereas, if the association was setting aside reserves for this purpose, using the vehicle of the regularly assessed membership dues, it would have had the full term of the life of the roof, for example, to accumulate the necessary moneys. Additionally, those contributions would have been evenly distributed over the entire membership and would have earned interest as part of that contribution.

The second option is for the association to **acquire a loan** from a lending institution in order to effect the required repairs. In many cases, banks will lend to an association using "future homeowner assessments" as collateral for the loan. With this method, the current board is pledging the future assets of an association. They are also incurring the additional expense of interest fees along with the original principal amount. In the case of a $150,000 roofing replacement, the association may be required to pay back the loan over a three to five year period, with interest.

The third option, too often used, is simply to **defer the required repair or replacement**. This option, which is not recommended, can create an environment of declining property values due to expanding lists of deferred maintenance items and the association's financial inability to keep pace with the normal aging process of the common area components. This, in turn, can have a seriously negative impact on sellers in the association by making it difficult, or even impossible, for potential buyers to obtain financing from lenders. Increasingly, lending institutions are requesting copies of the association's most recent reserve study before granting loans, either for the association itself, a prospective purchaser, or for an individual within such an association.

The fourth option is to pass a "**special assessment**" to the membership in an amount required to cover the expenditure. When a special assessment is passed, the association has the authority and responsibility to collect the assessments, even by means of foreclosure, if necessary. However, an association considering a special assessment cannot guarantee that an assessment, when needed, will be passed. Consequently, the association cannot guarantee its ability to perform the required repairs or replacements to those major components for which it is obligated when the need arises. Additionally, while relatively new communities require very little in the way of major "reserve" expenditures, associations reaching 12 to 15 years of age and older, find many components reaching the end of their effective useful lives. These required expenditures, all accruing at the same time, could be devastating to an association's overall budget.

Types of Reserve Studies

Most reserve studies fit into one of three categories:

Full Reserve Study;

Update with site inspection; and

Update without site inspection.

In a **Full Reserve Study**, the reserve provider conducts a component inventory, a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both a "fund status" and "funding plan".

In an **Update with site inspection**, the reserve provider conducts a component inventory (verification only, not quantification unless new components have been added to the inventory), a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both the "fund status and "funding plan."

In an **Update without site inspection**, the reserve provider conducts life and valuation estimates to determine the "fund status" and "funding plan."

The Reserve Study: A Physical and a Financial Analysis

There are two components of a reserve study: a physical analysis and a financial analysis.

Physical Analysis

During the physical analysis, a reserve study provider evaluates information regarding the physical status and repair/replacement cost of the association's major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates.

Developing a Component List

The budget process begins with full inventory of all the major components for which the association is responsible. The determination of whether an expense should be labeled as operational, reserve, or excluded altogether is sometimes subjective. Since this labeling may have a major impact on the financial plans of the association, subjective determinations should be minimized. We suggest the following considerations when labeling an expense.

Operational Expenses

Occur at least annually, no matter how large the expense, and can be budgeted for effectively each year. They are characterized as being reasonably predictable, both in terms of frequency and cost. Operational expenses include all minor expenses, which would not otherwise adversely affect an operational budget from one year to the next. Examples of ***operational expenses*** include:

Utilities:
- Electricity
- Gas
- Water
- Telephone
- Cable TV

Administrative:
- Supplies
- Bank Service Charges
- Dues & Publications
- Licenses, Permits & Fees
- Insurance(s)

Services:
- Landscaping
- Pool Maintenance
- Street Sweeping
- Accounting
- Reserve Study

Repair Expenses:
- Tile Roof Repairs
- Equipment Repairs
- Minor Concrete Repairs
- Operating Contingency

Reserve Expenses

These are major expenses that occur other than annually, and which must be budgeted for in advance in order to ensure the availability of the necessary funds in time for their use. Reserve expenses are reasonably predictable both in terms of frequency and cost. However, they may include significant assets that have an indeterminable but potential liability that may be demonstrated as a likely occurrence. They are expenses that, when incurred, would have a significant effect on the smooth operation of the budgetary process from one year to the next, if they were not reserved for in advance. Examples of reserve expenses include:

- Roof Replacements
- Painting
- Deck Resurfacing
- Fencing Replacement
- Asphalt Seal Coating
- Asphalt Repairs
- Asphalt Overlays
- Equipment Replacement
- Interior Furnishings
- Park/Play Equipment
- Pool/Spa Re-plastering
- Pool Equipment Replacement
- Pool Furniture Replacement
- Tennis Court Resurfacing
- Lighting Replacement
- Insurance(s)
- Reserve Study

Budgeting is Normally Excluded for:

Repairs or replacements of assets which are deemed to have an estimated useful life equal to or exceeding the estimated useful life of the facility or community itself, or exceeding the legal life of the community as defined in an association's governing documents. Examples include the complete replacement of elevators, tile roofs, wiring and plumbing. Also excluded are insignificant expenses that may be covered either by an operating or reserve contingency, or otherwise in a general maintenance fund. Expenses that are necessitated by acts of nature, accidents or other occurrences that are more properly insured for, rather than reserved for, are also excluded.

Financial Analysis

The financial analysis assesses the association's reserve balance or "fund status" (measured in cash or as percent fully funded) to determine a recommendation for the appropriate reserve contribution rate in the future, known as the "funding plan".

Preparing the Reserve Study

Once the reserve assets have been identified and quantified, their respective replacement costs, useful lives and remaining lives must be assigned so that a funding schedule can be constructed. Replacement costs and useful lives can be found in published manuals such as construction estimators, appraisal handbooks, and valuation guides. Remaining lives are calculated from the useful lives and ages of assets and adjusted according to conditions such as design, manufactured quality, usage, exposure to the elements and maintenance history.

By following the recommendations of an effective reserve study, the association should avoid any major shortfalls. However, to remain accurate, the report should be updated on an annual basis to reflect such changes as shifts in economic parameters, additions of phases or assets, or expenditures of reserve funds. The association can assist in simplifying the reserve analysis update process by keeping accurate records of these changes throughout the year.

Funding Methods

From the simplest to the most complex, reserve analysis providers use many different computational processes to calculate reserve requirements. However, there are two basic processes identified as industry standards: the cash flow method and the component method.

The cash flow method develops a reserve-funding plan 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 actual anticipated schedule of reserve expenses until the desired funding goal is achieved. This method sets up a "window" in which all future anticipated replacement costs are computed, based upon the individual lives of the components under consideration. The ReserveTrust© Threshold and the ReserveTrust© Current Assessment funding models are based upon the cash flow method.

The component method develops a reserve-funding plan where the total contribution is based upon the sum of contributions for individual components. The component method is the more conservative of the two funding options, and assures that the association will achieve and maintain an ideal level of reserve over time. This method also allows for computations on individual components in the analysis. The ReserveTrust© Component Funding model is based upon the component methodology.

Funding Strategies

Once an association has established its funding goals, the association can select an appropriate funding plan. There are four basic strategies from which most associations select. It is recommended that associations consult professionals to determine the best strategy or combination of plans that best suit the association's need. Additionally, associations should consult with their financial advisor to determine the tax implications of selecting a particular plan. Further, consultation with the American Institute of Certified Public Accountants (AICPA) for their reporting requirements is advisable. The four funding plans and descriptions of each are detailed below. Associations will have to update their reserve studies more or less frequently depending on the funding strategy they select.

Full Funding---Given that the basis of funding for reserves is to distribute the costs of the replacements over the lives of the components in question, it follows that the ideal level of reserves would be proportionately related to those lives and costs. If an association has a component with an expected estimated useful life of ten years, it would set aside approximately one-tenth of the replacement cost each year. At the end of three years, one would expect three-tenths of the replacement cost to have accumulated, and if so, that component would be "fully-funded." This model is important in that it is a measure of the adequacy of an association's reserves at any one point of time, and is independent of any particular method which may have been used for past funding or may be under consideration for future funding. This formula represents a snapshot in time and is based upon current replacement cost, independent of future inflationary or investment factors:

Fully Funded Reserves = **Age** divided by **Useful Life** the results multiplied by **Current Replacement Cost**

When an association's total accumulated reserves for all components meet this criterion, its reserves are considered "fully-funded."

The ReserveTrust© **Threshold Funding Model (Minimum Funding)**. The goal of this funding method is to keep the reserve cash balance above zero. This means that while each individual component may not be fully funded, the reserve balance overall does not drop below zero during the projected period. An association using this funding method must understand that even a minor reduction in a component's remaining useful life can result in a deficit in the reserve cash balance.

The ReserveTrust© **Threshold Funding Model.** This method is based upon the cash flow funding concept. The minimum reserve cash balance in threshold funding, however, is set at a predetermined dollar amount (other than $0).

The ReserveTrust© **Current Assessment Funding Model**. This method is also based upon the cash flow funding concept. The initial reserve assessment is set at the association's current fiscal year funding level and a 30-year projection is calculated to illustrate the adequacy of the current funding over time.

The ReserveTrust© **Component Funding Model**. This is a straight-line funding model. It distributes the cash reserves to individual reserve components and then calculates what the reserve assessment and interest contribution (minus taxes) should be, again by each reserve component. The current annual assessment is then determined by summing all the individual component assessments, hence the name "Component Funding Model". This is the most conservative funding model. It leads to or maintains the fully funded reserve position. The following details this calculation process.

Component Funding Model Distribution of Accumulated Reserves

The "Distribution of Accumulated Reserves Report" is a "Component Funding Model" calculation. This distribution **does not** apply to the cash flow funding models.

When calculating reserves based upon the component methodology, a beginning reserve balance must be allocated for each of the individual components considered in the analysis, before the individual calculations can be completed. When this distribution is not available, or of sufficient detail, the

following method is suggested for allocating reserves:

The first step the program performs in this process is subtracting, from the total accumulated reserves, any amounts for assets that have predetermined (fixed) reserve balances. The user can "fix" the accumulated reserve balance within the program on the individual asset's detail page. If, by error, these amounts total more than the amount of funds available, then the remaining assets are adjusted accordingly. A provision for a contingency reserve is then deducted by the determined percentage used, and if there are sufficient remaining funds available.

The second step is to identify the ideal level of reserves for each asset. As indicated in the prior section, this is accomplished by evaluating the component's age proportionate to its estimated useful life and current replacement cost. Again, the equation used is as follows:

Fully Funded Reserves = (Age/Useful Life) x Current Replacement Cost

The ReserveTrust© software program performs the above calculations to the actual month the component was placed-in-service. The program projects that the accumulation of necessary reserves for repairs or replacements will be available on the first day of the fiscal year in which they are scheduled to occur.

The next step the program performs is to arrange all of the assets used in the study in ascending order by remaining life, and alphabetically within each grouping of remaining life items. These assets are then assigned their respective ideal level of reserves until the amount of funds available is depleted, or until all assets are appropriately funded. If any assets are assigned a zero remaining life (scheduled for replacement in the current fiscal year), then the amount assigned equals the current replacement cost and funding begins for the next cycle of replacement. If there are insufficient funds available to accomplish this, then the software automatically adjusts the zero remaining life items to one year, and that asset assumes its new grouping position alphabetically in the final printed report.

If, at the completion of this task, there are additional moneys that have not been distributed, the remaining reserves are then assigned, in ascending order, to a level equal to, but not exceeding, the current replacement cost for each component. If there are sufficient moneys available to fund all assets at their current replacement cost levels, then any excess funds are designated as such and are not factored into any of the report computations. If, at the end of this assignment process there are designated excess funds, they can be used to offset the monthly contribution requirements recommended, or used in any other manner the client may desire.

Assigning the reserves in this manner defers the make-up period for any under-funding over the longest remaining life of all assets under consideration, thereby minimizing the impact of any deficiency. For example, if the report indicates an under funding of $50,000, this under-funding will be assigned to components with the longest remaining lives in order to give more time to "replenish" the account. If the $50,000 under-funding were to be assigned to short remaining life items, the impact would be felt immediately.

If the reserves are under-funded, the monthly contribution requirements, as outlined in this report, can be expected to be higher than normal. In future years, as individual assets are replaced, the funding requirements will return to their normal levels. In the case of a large deficiency, a special assessment may be considered. The program can easily generate revised reports outlining how the monthly contributions would be affected by such an adjustment, or by any other changes that may be under consideration.

Funding Reserves

Three assessment and contribution figures are provided in the report, the "Monthly Reserve Assessment Required", the "Average Net Monthly Interest Earned" contribution and the "Total Monthly Allocation to Reserves." The association should allocate the "Monthly Reserve Assessment Required" amount to reserves each month when the interest earned on the reserves is left in the reserve accounts as part of the contribution. Any interest earned on reserve deposits, must be left in reserves and only amounts set aside for taxes should be removed.

The second alternative is to allocate the "Total Monthly Allocation" to reserves (this is the member assessment plus the anticipated interest earned for the fiscal year). This method assumes that all interest earned will be assigned directly as operating income. This allocation takes into consideration the anticipated interest earned on accumulated reserves regardless of whether or not it is actually earned. When taxes are paid, the amount due will be taken directly from the association's operating accounts as the reserve accounts are allocated only those moneys net of taxes.

Users' Guide to your Reserve Analysis Study

Part II of your ReserveTrust© Report contains the reserve analysis study for your association. There are seven types of reports in the study as described below.

Report Summaries

The Report Summary for all funding models lists all of the parameters that were used in calculating the report as well as the summary of your reserve analysis study.

Index Reports

The **Distribution of Accumulated Reserves** report lists all assets in remaining life order. It also identifies the ideal level of reserves that should have accumulated for the association as well as the actual reserves available. This information is valid only for the "Component Funding Model" calculation.

The **Component Listing/Summary** lists all assets by category (i.e. roofing, painting, lighting, etc.) together with their remaining life, current cost, monthly reserve contribution, and net monthly allocation.

Detail Reports

The Detail Report itemizes each asset and lists all measurements, current and future costs, and calculations for that asset. Provisions for percentage replacements, salvage values, and one-time replacements can also be utilized. These reports can be sorted by category or group.

The numerical listings for each asset are enhanced by extensive narrative detailing factors such as design, manufactured quality, usage, exposure to elements and maintenance history.

The Reserve Trust© Detail Index is an alphabetical listing of all assets, together with the page number of the asset's detail report, the projected replacement year, and the asset number.

Projections

Thirty-year projections add to the usefulness of your reserve analysis study.

Definitions

Report I.D.
Includes the Report Date (example: November 15, 1992), Account Number (example: 9773), and Version (example: 1.0). Please use this information (displayed on the summary page) when referencing your report.

Budget Year Beginning/Ending
The budgetary year for which the report is prepared. For associations with fiscal years ending December 31st, the monthly contribution figures indicated are for the 12-month period beginning 1/1/20xx and ending 12/31/20xx.

Number of Units and/or Phases
If applicable, the number of units and/or phases included in this version of the report.

Inflation
This figure is used to approximate the future cost to repair or replace each component in the report. The current cost for each component is compounded on an annual basis by the number of remaining years to replacement, and the total is used in calculating the monthly reserve contribution that will be necessary to accumulate the required funds in time for replacement.

Annual Assessment Increase
This represents the percentage rate at which the association will increase its assessment to reserves at the end of each year. For example, in order to accumulate $10,000 in 10 years, you could set aside $1,000 per year. As an alternative, you could set aside $795 the first year and increase that amount by 5% each year until the year of replacement. In either case you arrive at the same amount. The idea is that you start setting aside a lower amount and increase that number each year in accordance with the planned percentage. Ideally this figure should be equal to the rate of inflation. It can, however, be used to aide those associations that have not set aside appropriate reserves in the past, by making the initial year's allocation less formidable.

Investment Yield Before Taxes

The average interest rate anticipated by the association based upon its current investment practices.

Taxes on Interest Yield
The estimated percentage of interest income that will be set aside to pay income taxes on the interest earned.

Projected Reserve Balance
The anticipated reserve balance on the first day of the fiscal year for which this report has been prepared. This is based upon information provided and not audited.

Percent Fully Funded
The ratio, at the beginning of the fiscal year, of the actual (or projected) reserve balance to the calculated fully funded balance, expressed as a percentage.

Phase Increment Detail and/or Age
Comments regarding aging of the components on the basis of construction date or date of acceptance by the association.

Monthly Assessment
The assessment to reserves required by the association each month.

Interest Contribution (After Taxes)
The interest that should be earned on the reserves, net of taxes, based upon their beginning reserve balance and monthly contributions for one year. This figure is averaged for budgeting purposes.

Total Monthly Allocation
The sum of the monthly assessment and interest contribution figures.

Group and Category
The report may be prepared and sorted either by group (location, building, phase, etc.) or by category (roofing, painting, etc.). The standard report printing format is by category.

Percentage of Replacement or Repairs
In some cases, an asset may not be replaced in its entirety or the cost may be shared with a second party. Examples are budgeting for a percentage of replacement of streets over a period of time, or sharing the expense to replace a common wall with a neighboring party.

Placed-In-Service Date
The month and year that the asset was placed-in-service. This may be the construction date, the first escrow closure date in a given phase, or the date of the last servicing or replacement.

Estimated Useful Life
The estimated useful life of an asset based upon industry standards, manufacturer specifications, visual inspection, location, usage, association standards and prior history. All of these factors are taken into consideration when tailoring the estimated useful life to the particular asset. For example, the carpeting in a hallway or elevator (a heavy traffic area) will not have the same life as the identical carpeting in a seldom-used meeting room or office.

Adjustment to Useful Life
Once the useful life is determined, it may be adjusted, up or down, by this separate figure for the current cycle of replacement. This will allow for a current period adjustment without affecting the estimated replacement cycles for future replacements.

Estimated Remaining Life
This calculation is completed internally based upon the report's fiscal year date and the date the asset was placed-in-service.

Replacement Year
The year that the asset is scheduled to be replaced. The appropriate funds will be available by the first

day of the fiscal year for which replacement is anticipated.

Annual Fixed Reserves
An optional figure which, if used, will override the normal process of allocating reserves to each asset.

Fixed Assessment
An optional figure which, if used, will override all calculations and set the assessment at this amount. This assessment can be set for monthly, quarterly or annually as necessary.

Salvage Value
The salvage value of the asset at the time of replacement, if applicable.

One-Time Replacement
Notation if the asset is to be replaced on a one-time basis.

Current Replacement Cost
The estimated replacement cost effective at the beginning of the fiscal year for which the report is being prepared

Future Replacement Cost
The estimated cost to repair or replace the asset at the end of its estimated useful life based upon the current replacement cost and inflation.

Component Inventory
The task of selecting and qualifying reserve components. This task can be accomplished through on-site visual, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representative(s).

A Multi-Purpose Tool

Your ReserveTrust© Report is an important part of your association's budgetary process. Following its recommendations should ensure the association's smooth budgetary transitions from one fiscal year to the next, and either decrease or eliminate the need for "special assessments".

In addition, your ReserveTrust© reserve study serves a variety of useful purposes:

- Following the recommendations of a reserve study performed by a professional consultant can protect the Board of Directors in a community from personal liability concerning reserve components and reserve funding.
- A reserve analysis study is required by your accountant during the preparation of the association's annual audit.
- The ReserveTrust© reserve study is often requested by lending institutions during the process of loan applications, both for the community and, in many cases, the individual owners.
- Your ReserveTrust© Report is also a detailed inventory of the association's major assets and serves as a management tool for scheduling, coordinating and planning future repairs and replacements.
- Your ReserveTrust© Report is a tool that can assist the Board in fulfilling its legal and fiduciary obligations for maintaining the community in a state of good repair. If a community is operating on a special assessment basis, it cannot guarantee that an assessment, when needed, will be passed. Therefore, it cannot guarantee its ability to perform the required repairs or replacements to those major components for which the association is obligated.
- Since the ReserveTrust© reserve analysis study includes measurements and cost estimates of the client's assets, the detail reports may be used to evaluate the accuracy and price of contractor bids when assets are due to be repaired or replaced.
- The ReserveTrust© reserve study is an annual disclosure to the membership concerning the financial condition of the association, and may be used as a "consumers' guide" by prospective purchasers.
- The ReserveTrust© Owners' Summary meets the disclosure requirements of the California Civil Code and also the recently adopted ECHO standards.
- Your ReserveTrust© Report provides a record of the time, cost, and quantities of past reserve replacements. At times the association's management company and board of directors are transitory which may result in the loss of these important records.

Barrington Heights
West Linn, Oregon
RA Current Assessment Funding Model Summary

Report Date	September 28, 2013
Account Number	2014 On Site Update
Version	1
Budget Year Beginning	January 01, 2014
Budget Year Ending	December 31, 2014
Total Units	12

Report Parameters

Inflation	2.42%
Interest Rate on Reserve Deposit	0.20%
Tax Rate on Interest	0.00%
2014 Beginning Balance	$10,699.00

Disclosures:

Physical Analysis - An on-site reserve study was performed observations were limited to visual observations only. Destructive testing (invasive testing) was not performed. Any items that were not clearly visible at the time of the site observation were not viewed, and therefore were not included in the drafting of this reserve study.

Measurements - Measuring and inventory (+/- 10%) were identified via a combination of onsite physical measurements, previous reserve study and/or drawing take-offs. Drawing sets (if used) were provided by the property manager or Declarant for our use relating only to the reserve study scope of work.

Reliance on Client Data - Data received from property management, association representatives and/or Declarant is deemed reliable by ReserveTrust / The Management Trust. Such data may include financial information, physical deficiencies or physical conditions, quantity of physical assets, or historical issues.

Scope - The Reserve Study is a reflection of information provided to the Consultant and assembled for the Association's use, not for the purpose of performing an audit, quality/forensic analysis, or background checks of historical records.

Reserve Balance - The actual or projected (estimated) total presented in this reserve study is based upon information provided or collected and was not audited.

Reserve Projects -Information provided or collected for the purpose of this reserve study will be considered reliable and should not be considered a project audit or quality inspection.

Adjustments to Reserve Study - Should components suggested by Consultant be removed from the reserve study or any life cycles or costs other than current bids, engineering construction standards, or current component history be used in this reserve study, the Client accepts full responsibility for the results of the reserve study and is not warranted by Consultant.

Information Provided - Quantity, design and material information included in this report was provided in part by the Association and is subject to course of construction changes.

Limitations on Inventory -The following items, but not limited to, are not included in the physical analysis because they have a useful life greater than 30 years. Grading/drainage, foundations/footings, party walls, bearing and shear walls, perimeter walls, beams, columns and girders, sub floors, unfinished floors, concrete stair surfaces, windows, exterior doors, window and door frames, plumbing system, flues (chimneys), air delivery or return systems, ducts, chutes, conduits, pipes, plumbing, sanitary sewage and storm drains, wire, telephone, cable, central television system, sprinkler systems and internet lines.

Warranty or Guaranty - This reserve study and its recommendations should not be construed in any way to constitute a warranty or guaranty regarding the current or future performance of the components. Components will be replaced as required, not necessarily in their expected replacement year.

Annual Updates - Often times there can be a significant expenditure in those years that exceeds the life of the reserve study. Hence, annual updates should be performed to allow adjustments in the reserve contribution each year if required.

Ongoing Maintenance - The reserve study component life cycles assumes that assets are inspected and maintained on an ongoing scheduled basis funded with operating budget funds and/or reserve funds set aside for this work. For example, an asphalt overlay surface should have a seal coating applied every 4 to 5 years in order to achieve the estimated expected life cycle of 30 years. Failure to perform maintenance per the recommended schedule may adversely impact the condition of said assets and have undesired affects on reserve funding.

Tax Consequences - The tax consequences are not considered in this reserve study due to the uncertainty of all factors affecting net taxable income and the election of the tax form to be filed.

We recommend a building envelope (water intrusion) inspection for the Building every two years and a roofing inspection every six years (not funded in the reserve).

House Bill 955 (HB 955), in Oregon since 1/1/2006, specifically calls for the provision of a reserve study, reserve study update, maintenance plan and reserve summary. ORS 94.595 states that: "The board of directors of the association annually shall conduct a reserve study, or review and update an existing reserve study to determine the reserve study requirements". In addition ORS 94.595 (3)(B)(c) and ORS 100.175 (3)(C)(c) further require that a Reserve Study Update be done each year.

Barrington Heights
West Linn, Oregon
RA Current Assessment Funding Model Summary

House Bill 2665 (Chapter 409, Oregon Laws 2007) revises portions on SB 955 by removing the requirement for a maintenance plan from the reserve study and makes it a separate requirement. Also, after 9/27/2007 HB 2665 no longer requires that owners be provided a reserve summary of the reserve study or any revisions thereto.

Further House Bill 2665 makes windows and unit access doors, except for glazing and screening, general common elements, unless Declaration provides otherwise, (Sec 5).

Preparation of a Reserve Study:

Data is collected from several sources to prepare a reserve study and a variety of document reviews, interviews, and site observations are required to adequately fulfill our duties as a reserve provider. The following sources, but not limited to, and methods were utilized in the preparation of this reserve study document:

- Property Management Personnel Interviews
- As built Plans and Specifications Document Reviews
- On-site Observations - If Applicable
- Discussions with Engineering or Architectural Consultants
- RS Means Facilities Maintenance & Repair Cost Data, 16th Edition (2009) printed manual
- Interviewing General Contractor Consultants

A tabular list of commonly owned items has been developed and given a current condition grade, expected useful life, and remaining useful life. A portion of that data will determine in what year it is estimated the component should be replaced.

The percent funded ratings recognized by industry standards is:

0-30% - poor

31-70% - fair

71-100% - good

Current Assessment Funding Model Summary of Calculations

Required Annual Contribution	$2,464.00
$205.33 per unit annually	
Average Net Annual Interest Earned	$10.14
Total Annual Allocation to Reserves	$2,474.14
$206.18 per unit annually	

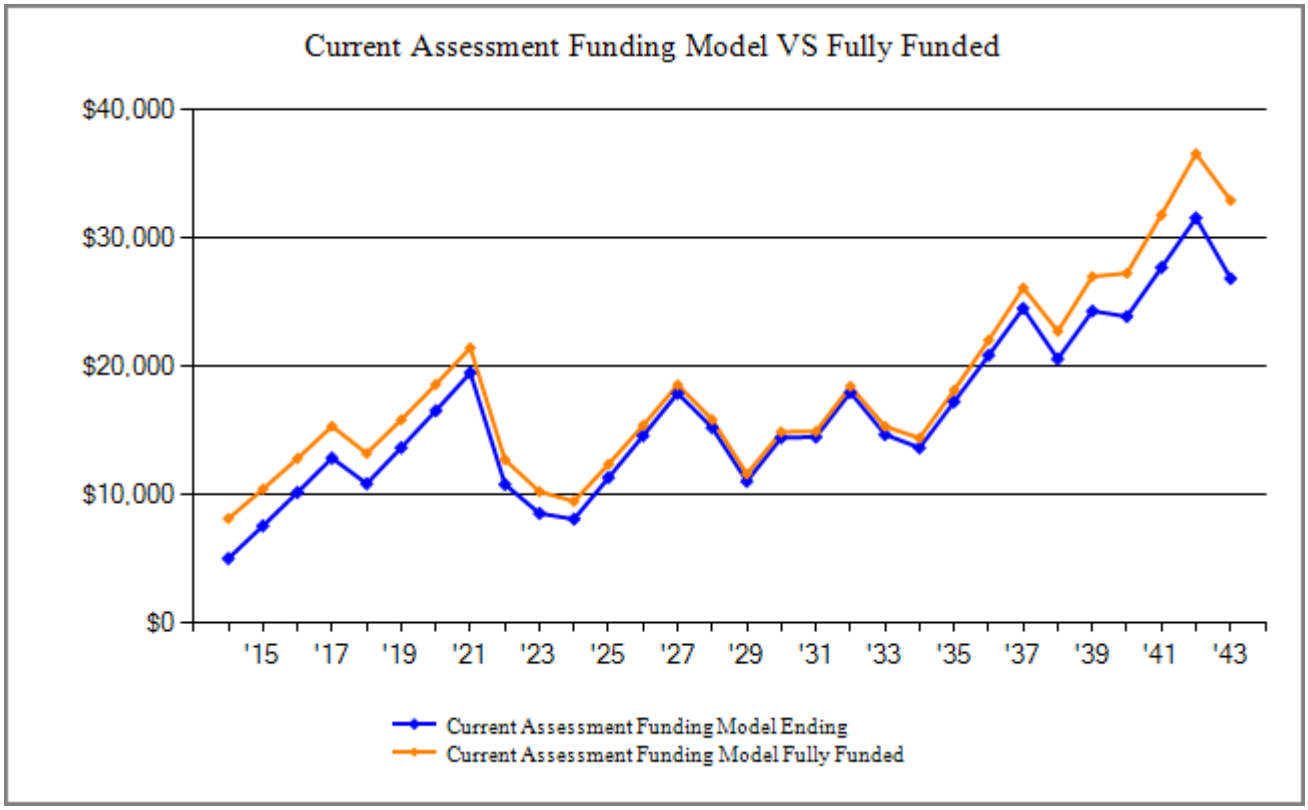
Barrington Heights
RA Current Assessment Funding Model Projection

Beginning Balance: $10,699

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2014	22,049	2,464	10	8,095	5,078	8,183	62%
2015	22,583	2,524	15		7,617	10,471	72%
2016	23,129	2,585	20		10,222	12,865	79%
2017	23,689	2,647	26		12,895	15,368	83%
2018	24,262	2,711	22	4,732	10,897	13,254	82%
2019	24,849	2,777	27		13,701	15,874	86%
2020	25,451	2,844	33		16,578	18,613	89%
2021	26,066	2,913	39		19,530	21,476	90%
2022	26,697	2,983	22	11,689	10,846	12,777	84%
2023	27,343	3,056	17	5,333	8,586	10,284	83%
2024	28,005	3,130	16	3,594	8,137	9,530	85%
2025	28,683	3,205	23		11,366	12,415	91%
2026	29,377	3,237	29		14,632	15,434	94%
2027	30,088	3,270	36		17,938	18,592	96%
2028	30,816	3,302	30	6,010	15,261	15,884	96%
2029	31,562	3,335	22	7,537	11,082	11,653	95%
2030	32,325	3,369	29		14,480	14,926	97%
2031	33,108	3,403	29	3,385	14,527	14,967	97%
2032	33,909	3,437	36		17,999	18,467	97%
2033	34,730	3,471	29	6,773	14,727	15,355	95%
2034	35,570	3,506	27	4,565	13,694	14,453	94%
2035	36,431	3,541	34		17,269	18,174	95%
2036	37,312	3,576	42		20,887	22,066	94%
2037	38,215	3,612	49		24,548	26,137	93%
2038	39,140	3,648	41	7,633	20,604	22,758	90%
2039	40,087	3,684	49		24,337	27,019	90%
2040	41,058	3,721	48	4,197	23,909	27,275	87%
2041	42,051	3,759	55		27,722	31,827	87%
2042	43,069	3,796	63		31,582	36,582	86%
2043	44,111	3,834	54	8,603	26,867	32,947	81%

Description	Remaining Life	Ideally Funded	Beginning Balance	Percent Funded	Assessment Distributed	Interest Distributed	Expenditures	Ending Balance
Radcliffe								
Access System	0	1,750	1,447	83%	303		1,750	0
Asphalt Overlay		*Unfunded*						
Asphalt Sealcoat & Repairs	4	860	561	65%	149			710
Gate - Wrought Iron - 15ft Vehicle	8	5,032	3,281	65%	871			4,152
Gate - Wrought Iron - Painting	8	250	163	65%	43			207
Sensor - Infrared	0	1,080	893	83%	187		1,080	0
Swing Gate Operator Motor	0	5,265	4,354	83%	911		5,265	0
Radcliffe - Total		$14,237	$10,699	75%	$2,464		$8,095	$5,068
Grand - Total		$14,237	$10,699		$2,464		$8,095	$5,068

Barrington Heights
RA Current Assessment Funding Model VS Fully Funded Chart



The Current Assessment Funding Model is based on the current annual assessment, parameters, and reserve fund balance. Because it is calculated using the current annual assessment, it will give the accurate projection of how well the association is funded for the next 30 years of planned reserve expenditures.

Barrington Heights
RA Distribution of Accumulated Reserves

Description	Remaining Life	Replacement Year	Assigned Reserves	Fully Funded Reserves
Access System	0	2014	1,750	1,750
Sensor - Infrared	0	2014	1,080	1,080
Swing Gate Operator Motor	0	2014	5,265	5,265
Asphalt Sealcoat & Repairs	4	2018	860	860
Gate - Wrought Iron - 15ft Vehicle	8	2022	*4,208	5,032
Gate - Wrought Iron - Painting	8	2022		250
Asphalt Overlay		Unfunded		
Total Asset Summary			$13,163	$14,237
Fully Funded Level			92%	
Current Average Liability per Unit (Total Units: 12)			-$90	

'' Indicates Partially Funded*

Barrington Heights
RA Annual Expenditure Detail

Description	Expenditures
Replacement Year 2014	
Access System	1,750
Sensor - Infrared	1,080
Swing Gate Operator Motor	5,265
Total for 2014	**$8,095**
No Replacement in 2015	
No Replacement in 2016	
No Replacement in 2017	
Replacement Year 2018	
Asphalt Sealcoat & Repairs	4,732
Total for 2018	**$4,732**
No Replacement in 2019	
No Replacement in 2020	
No Replacement in 2021	
Replacement Year 2022	
Gate - Wrought Iron - 15ft Vehicle	8,960
Gate - Wrought Iron - Painting	2,729
Total for 2022	**$11,689**
Replacement Year 2023	
Asphalt Sealcoat & Repairs	5,333
Total for 2023	**$5,333**
Replacement Year 2024	
Access System	2,223
Sensor - Infrared	1,372
Total for 2024	**$3,594**
No Replacement in 2025	
No Replacement in 2026	
No Replacement in 2027	
Replacement Year 2028	
Asphalt Sealcoat & Repairs	6,010
Total for 2028	**$6,010**
Replacement Year 2029	
Swing Gate Operator Motor	7,537
Total for 2029	**$7,537**

Barrington Heights
RA Annual Expenditure Detail

Description	Expenditures
No Replacement in 2030	
Replacement Year 2031	
Gate - Wrought Iron - Painting	3,385
Total for 2031	**$3,385**
No Replacement in 2032	
Replacement Year 2033	
Asphalt Sealcoat & Repairs	6,773
Total for 2033	**$6,773**
Replacement Year 2034	
Access System	2,823
Sensor - Infrared	1,742
Total for 2034	**$4,565**
No Replacement in 2035	
No Replacement in 2036	
No Replacement in 2037	
Replacement Year 2038	
Asphalt Sealcoat & Repairs	7,633
Total for 2038	**$7,633**
No Replacement in 2039	
Replacement Year 2040	
Gate - Wrought Iron - Painting	4,197
Total for 2040	**$4,197**
No Replacement in 2041	
No Replacement in 2042	
Replacement Year 2043	
Asphalt Sealcoat & Repairs	8,603
Total for 2043	**$8,603**

Access System - 2014

		1 Total	@ $1,750.00
Asset ID	1024	Asset Cost	$1,750.00
		Percent Replacement	100%
	Radcliffe	Future Cost	$1,750.00
Placed in Service	January 1997	Assigned Reserves	$302.86
Useful Life	10		
Replacement Year	2014	Annual Assessment	$302.86
Remaining Life	0	Interest Contribution	
		Reserve Allocation	$302.86

Remarks:

Maintenance and repair as needed. Expect replacement every ten (10) years, or as needed.

Asphalt Overlay

		16,700 Square Feet	@ $1.10
Asset ID	1030	Asset Cost	$18,370.00
		Percent Replacement	100%
	Radcliffe	Future Cost	$48,964.89
Placed in Service	January 1985	Assigned Reserves	
Useful Life	40		
Adjustment	30	*No Future Assessments*	
Replacement Year	2055		
Remaining Life	41		

Remarks:

This line item is for the 1 1/2" to 2" overlay on the asphalt streets and basketball court in the common area. Includes re-setting of the manhole or valve covers and grinding of edges as required.

Regular sealcoating will help prolong this component to exceed thirty (30) years.

Asphalt Sealcoat & Repairs - 2018

		1 Event	@ $4,300.00
Asset ID	1025	Asset Cost	$4,300.00
		Percent Replacement	100%
	Radcliffe	Future Cost	$4,731.59
Placed in Service	September 2013	Assigned Reserves	$148.84
Useful Life	5		
Replacement Year	2018	Annual Assessment	$148.84
Remaining Life	4	Interest Contribution	
		Reserve Allocation	$148.84

Remarks:

This item is the seal coating (slurry seal) of the asphalt surface and includes any re-striping, crack repair, or alligatoring sealing as needed.

This cost was obtained from the work completed by Hal's Construction in September of 2013 where 16,700 square feet of ashpalt was sealed.

Gate - Wrought Iron - 15ft Vehicle - 2022

		2 Each	@ $3,700.00
Asset ID	1026	Asset Cost	$7,400.00
		Percent Replacement	100%
	Radcliffe	Future Cost	$8,960.04
Placed in Service	January 1997	Assigned Reserves	$870.86
Useful Life	25		
Replacement Year	2022	Annual Assessment	$870.86
Remaining Life	8	Interest Contribution	
		Reserve Allocation	$870.86

Remarks:

Inspect hinge integrity and maintain as necessary. Expect replacement of wrought iron vehicle gate every twenty five (25) years, or as needed.

Gate - Wrought Iron - Painting - 2022

		1 Event	@ $2,254.00
Asset ID	1027	Asset Cost	$2,254.00
		Percent Replacement	100%
	Radcliffe	Future Cost	$2,729.18
Placed in Service	October 2013	Assigned Reserves	$43.34
Useful Life	9		
Replacement Year	2022	Annual Assessment	$43.34
Remaining Life	8	Interest Contribution	
		Reserve Allocation	$43.34

Remarks:

The black paint on the wrought iron gate can start to fad and oxidize. To maintain a clean and fresh appearance, expect to paint the wrought iron gate every nine (9) years, or as needed.

Sensor - Infrared - 2014

		4 Each	@ $270.00
Asset ID	1028	Asset Cost	$1,080.00
		Percent Replacement	100%
	Radcliffe	Future Cost	$1,080.00
Placed in Service	January 1997	Assigned Reserves	$186.91
Useful Life	10		
Replacement Year	2014	Annual Assessment	$186.91
Remaining Life	0	Interest Contribution	
		Reserve Allocation	$186.91

Remarks:

Maintenance and repair as needed. Expect replacement every ten (10) years, or as needed.

Swing Gate Operator Motor - 2014

		1 Total	@ $5,265.00
Asset ID	1029	Asset Cost	$5,265.00
		Percent Replacement	100%
	Radcliffe	Future Cost	$5,265.00
Placed in Service	January 1997	Assigned Reserves	$911.19
Useful Life	15		
Replacement Year	2014	Annual Assessment	$911.19
Remaining Life	0	Interest Contribution	
		Reserve Allocation	$911.19

Remarks:

Maintenance and repair as needed. Expect replacement the vehicle gate operators every twenty five (25) years, or as needed.

This cost was obtained from the proposal submitted in March of 2013 by Metro Access Control.

Detail Report Summary

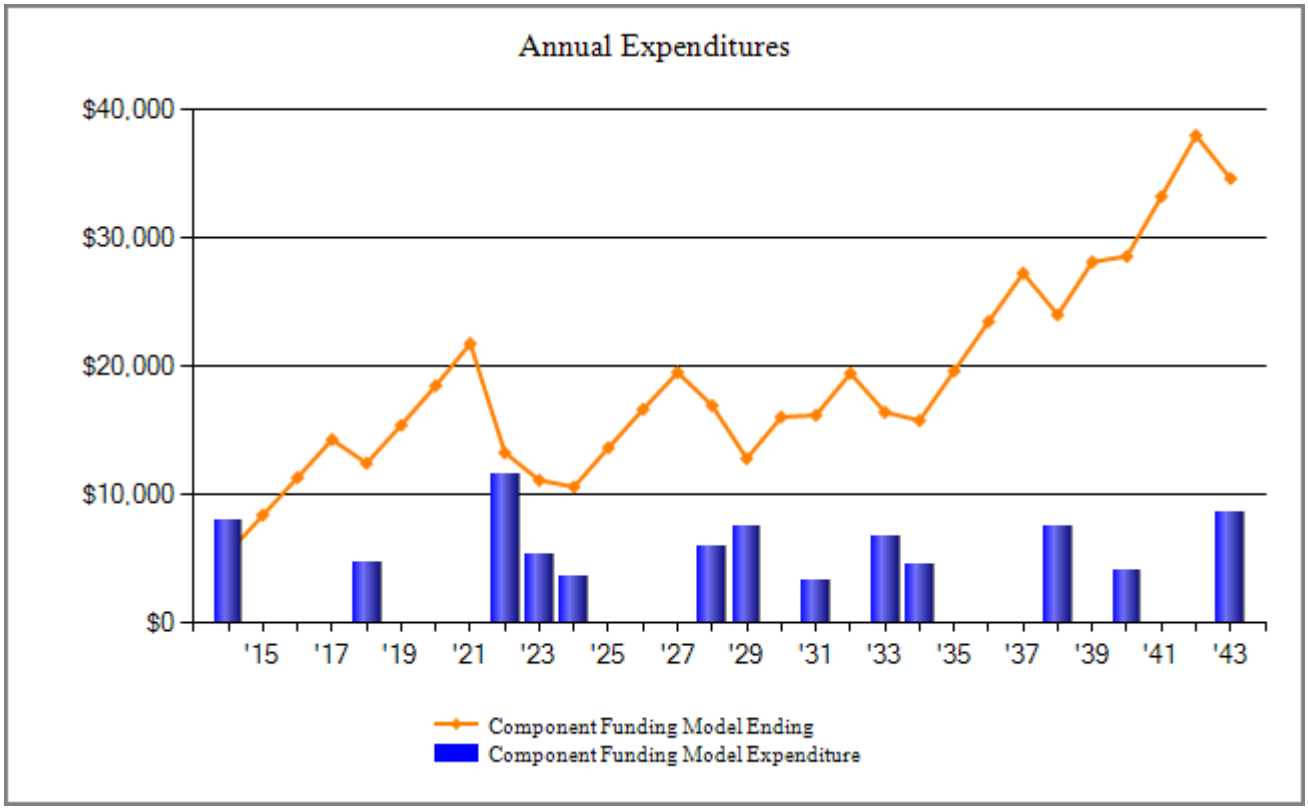
Grand Total

Assigned Reserves	$13,163.00
Annual Contribution	$3,497.44
Annual Interest	$17.13
Annual Allocation	$3,514.57

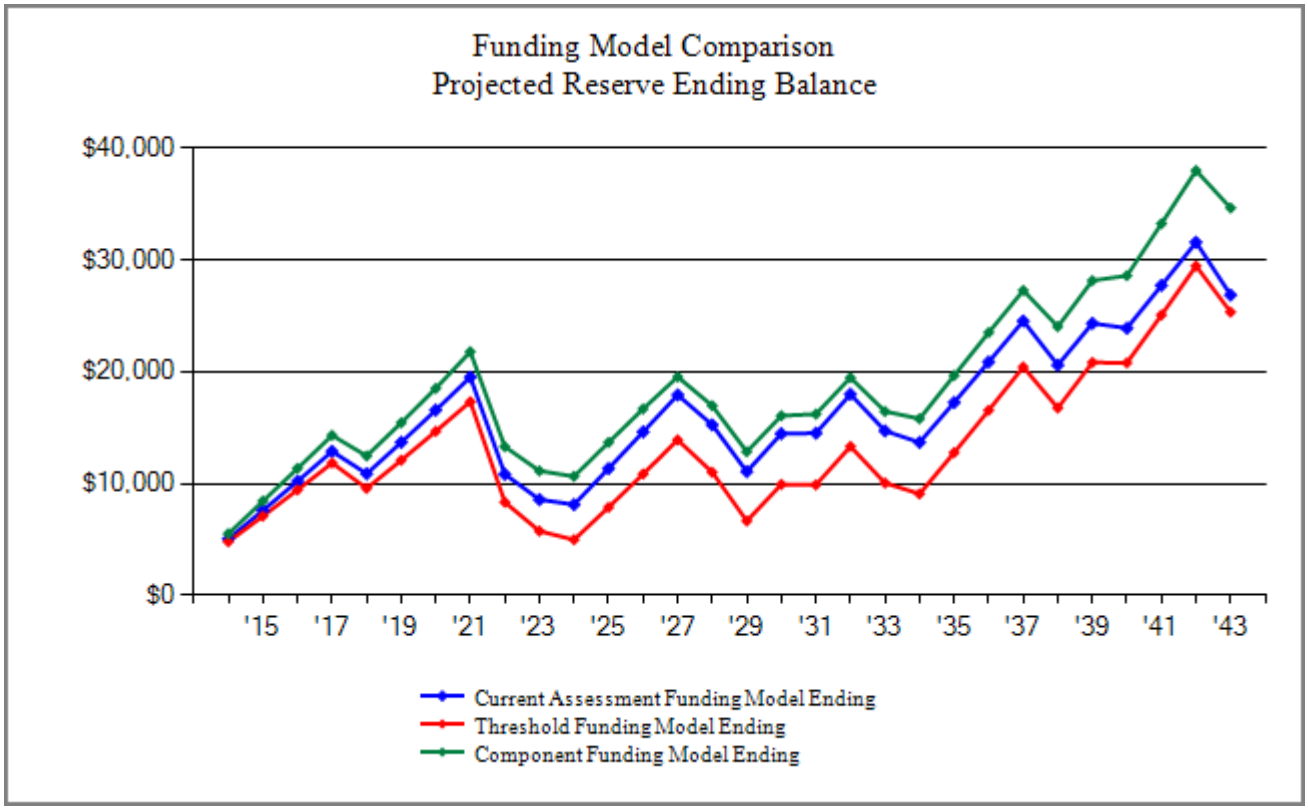
Barrington Heights
RA Category Detail Index

Total Funded Assets	6
Total Unfunded Assets	1
Total Assets	7

Barrington Heights
RA Annual Expenditure Chart

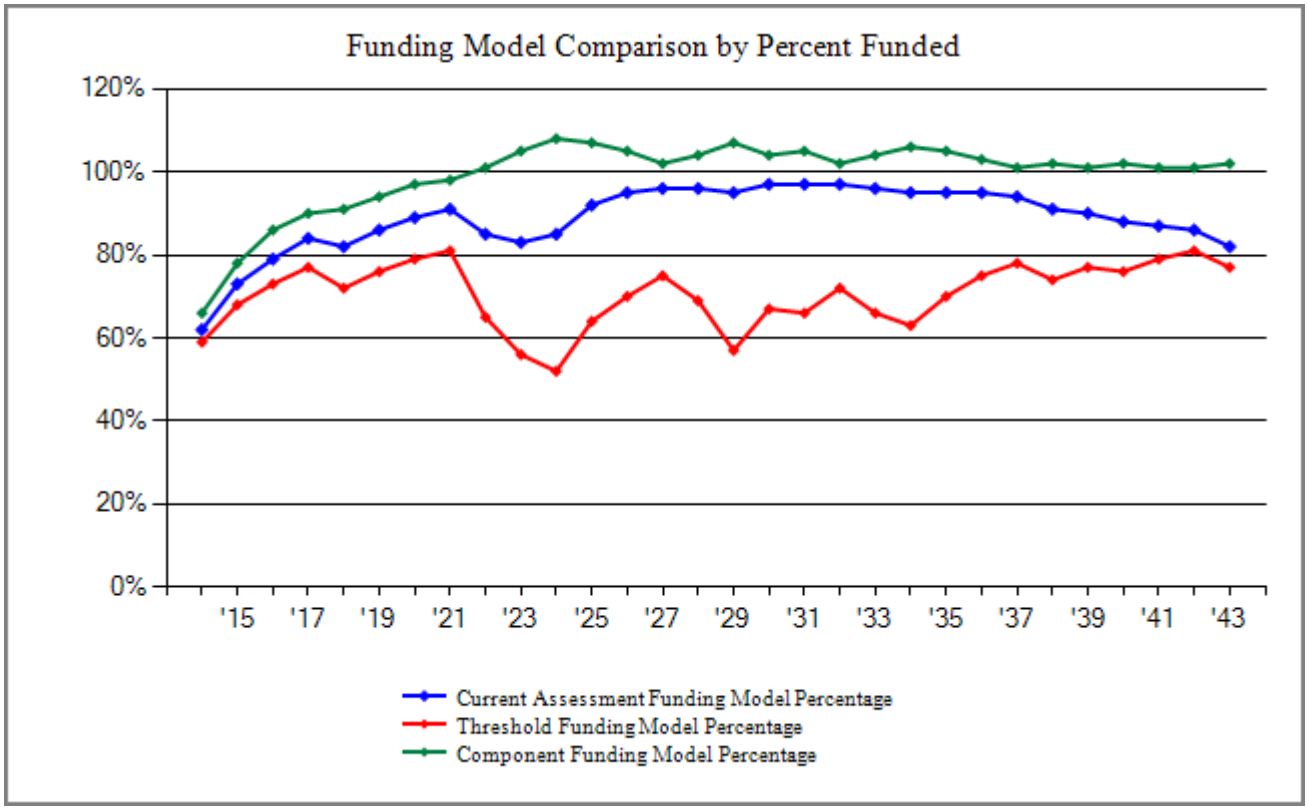


Barrington Heights
RA Funding Model Reserve Ending Balance Comparison Chart



The chart above compares the projected reserve ending balances of the three funding models (Current Assessment Funding Model, Threshold Funding Model and Component Funding Model) over 30 years.

Barrington Heights
RA Funding Model Comparison by Percent Funded



The chart above compares the three funding models (Current Assessment Funding Model, Threshold Funding Model and Component Funding Model) by the percentage fully funded over 30 years. This allows your association to view and then choose the funding model that might best fit your community's needs.

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Barrington Heights
RA Spread Sheet

Description	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Access System	1,750									
Asphalt Overlay	*Unfunded*									
Asphalt Sealcoat & Repairs					4,732					5,333
Gate - Wrought Iron - 15ft Vehicle									8,960	
Gate - Wrought Iron - Painting									2,729	
Sensor - Infrared	1,080									
Swing Gate Operator Motor	5,265									
Year Total:	**8,095**				**4,732**				**11,689**	**5,333**

Barrington Heights
RA Spread Sheet

Description	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Access System	2,223									
Asphalt Overlay	*Unfunded*									
Asphalt Sealcoat & Repairs					6,010					6,773
Gate - Wrought Iron - 15ft Vehicle										
Gate - Wrought Iron - Painting								3,385		
Sensor - Infrared	1,372									
Swing Gate Operator Motor						7,537				
Year Total:	**3,594**				**6,010**	**7,537**		**3,385**		**6,773**

Barrington Heights
RA Spread Sheet

Description	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Access System	2,823									
Asphalt Overlay	*Unfunded*									
Asphalt Sealcoat & Repairs					7,633					8,603
Gate - Wrought Iron - 15ft Vehicle										
Gate - Wrought Iron - Painting							4,197			
Sensor - Infrared	1,742									
Swing Gate Operator Motor										
Year Total:	**4,565**				**7,633**		**4,197**			**8,603**