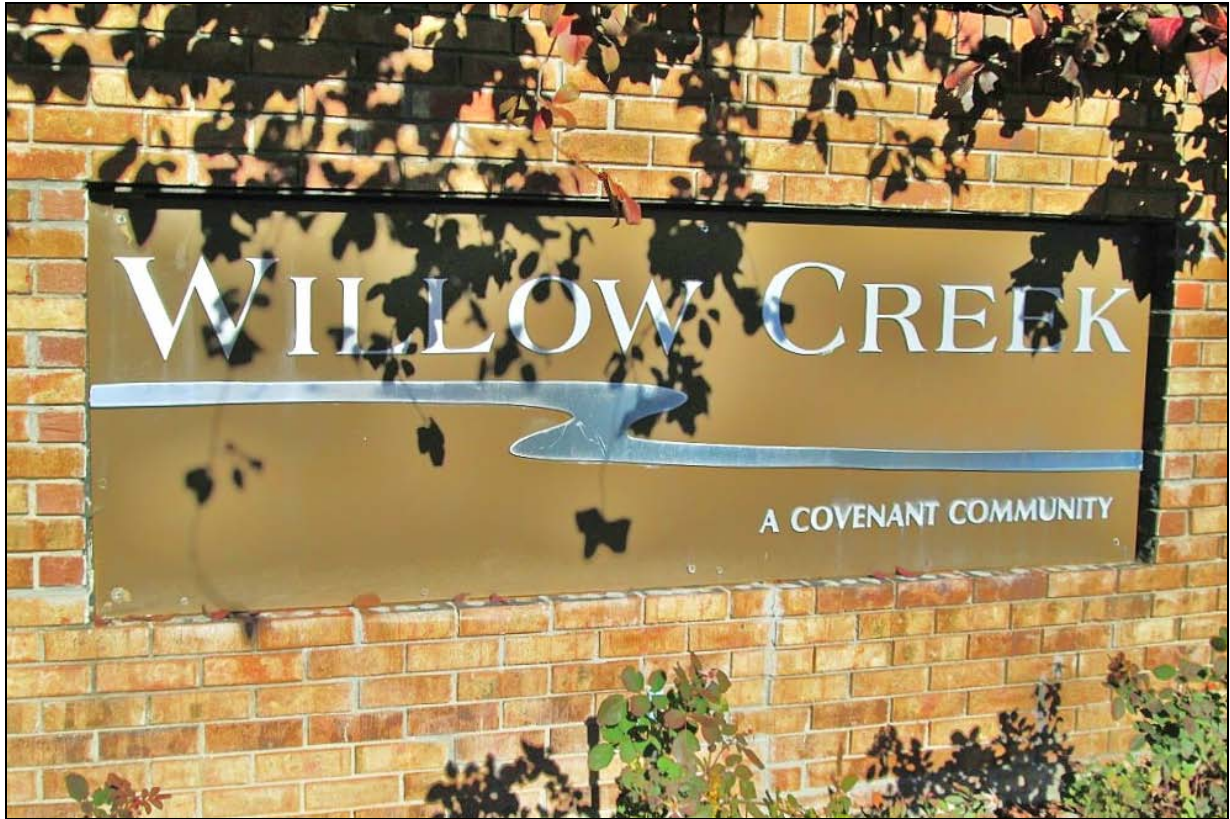


Willow Creek III Townhomes

Phillips Circle
Centennial, CO 80112



Level 2 Reserve Analysis

Report Period – 01/01/14 – 12/31/14



Client Reference Number - 7550
Property Type – Townhomes
Number of Units – 197
Fiscal Year End – December 31

Draft
Report

Date of Property Observation - October 23, 2013
Project Manager - G. Michael Kelsen, RS, PRA
Main Contact Person - Mr. Ron Valiga, Community Manager

Report was prepared on - Wednesday, December 11, 2013

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Introduction to the Reserve Analysis –

The elected officials of this association made a wise decision to invest in a Reserve Analysis to get a better understanding of the status of the Reserve funds. This Analysis will be a valuable tool to assist the Board of Directors in making the decision to which the dues are derived. Typically, the Reserve contribution makes up 15% - 40% of the association's total budget. Therefore, Reserves is considered to be a significant part of the overall monthly association payment.

Every association conducts its business within a budget. There are typically two main parts to this budget, Operating and Reserves. The Operating budget includes all expenses that are fixed on an annual basis. These would include management fees, maintenance fees, utilities, etc. The Reserves is primarily made up of Capital Replacement items such as asphalt, roofing, fencing, mechanical equipment, etc., that do not normally occur on an annual basis.

The Reserve Analysis is also broken down into two different parts, the Physical Analysis and the Financial Analysis. The Physical Analysis is information regarding the physical status and replacement cost of major common area components that the association is responsible to maintain. It is important to understand that while the Component Inventory will remain relatively "stable" from year to year, the Condition Assessment and Life/Valuation Estimates will most likely vary from year to year. You can find this information in the **Asset Inventory Section** (Section 2) of this Reserve Analysis. The **Financial Analysis Section** is the evaluation of the association's Reserve balance, income, and expenses. This is made up of a finding of the clients current Reserve Fund Status (measured as Percent Funded) and a recommendation for an appropriate Reserve Allocation rate (also known as the Funding Plan). You can find this information in Section 3 (pages 1 – 13) of this Reserve Analysis.

The purpose of this Reserve Analysis is to provide an educated estimate as to what the Reserve Allocation needs to be. The detailed schedules will serve as an advanced warning that major projects will need to be addressed in the future. This will allow the Board of Directors to have ample timing to obtain competitive estimates and bids that will result in cost savings to the individual homeowners. This will also ensure the physical well being of the property and ultimately enhance each owner's investment, while limiting the possibility of unexpected major projects that may lead to Special Assessments.

It is important for the client, homeowners, and potential future homeowners to understand that the information contained in this analysis is based on estimates and assumptions gathered from various sources. Estimated life expectancies and cycles are based upon conditions that were readily visible and accessible at time of the observation. No destructive or intrusive methods (such as entering the walls to inspect the condition of electrical wiring, plumbing lines, and telephone wires) were performed. In addition, environmental hazards (such as lead paint, asbestos, radon, etc.), construction defects, and acts of nature have not been investigated in the preparation of this report. If problem areas were revealed, a reasonable effort has been made to include these items within the report. While every effort has been made to ensure accurate results, this report reflects the judgment of Aspen Reserve Specialties and should not be construed as a guarantee or assurance of predicting future events.

General Information and Answers to Frequently Asked Questions –

Why is it important to perform a Reserve Study?

As previously mentioned, the Reserve allocation makes up a significant portion of the total monthly dues. This report provides the essential information that is needed to guide the Board of Directors in establishing the budget in order to run the daily operations of your association. It is suggested that a third party professionally prepare a Reserve Study since there is no vested interest in the property. Also, a professional knows what to look for and how to properly develop an accurate and reliable component list.

Now that we have “it”, what do we do with “it”?

Hopefully, you will not look at this report and think it is too cumbersome to understand. Our intention is to make this Reserve Analysis very easy to read and understand. Please take the time to review it carefully and make sure the “main ingredients” (asset information) are complete and accurate. If there are any inaccuracies, please inform us immediately so we may revise the report.

Once you feel the report is an accurate tool to work from, use it to help establish your budget for the upcoming fiscal year. The Reserve allocation makes up a significant portion of the total monthly dues and this report should help you determine the correct amount of money to go into the Reserve fund. Additionally, the Reserve Study should act as a guide to obtain proposals in advance of pending normal maintenance and replacement projects. This will give you an opportunity to shop around for the best price available.

The Reserve Study should be readily available for Real Estate agents, brokerage firms, and lending institutions for potential future homeowners. As the importance of Reserves becomes more of a household term, people are requesting homeowners associations to reveal the strength of the Reserve fund prior to purchasing a condominium or townhome.

How often do we update or review “it”?

Unfortunately, there is a misconception that these reports are good for an extended period of time since the report has projections for the next 30 years. Just like any major line item in the budget, the Reserve Analysis should be reviewed *each year before* the budget is established. Invariably, some assumptions have to be made during the compilation of this analysis. Anticipated events may not materialize and unpredictable circumstances could occur. Aging rates and repair/replacement costs will vary from causes that are unforeseen. Earned interest rates may vary from year to year. These variations could alter the content of the Reserve Analysis. Therefore, this analysis should be reviewed annually, and a property observation should be conducted at least once every three years.

Is it the law to have a Reserve Study conducted?

The Government requires reserve analyses in approximately 20 states. The State of Colorado currently requires all associations to adopt a Reserve policy, but does not currently enforce a Reserve Study is completed. Despite enacting this current law, the chances are also very good the documents of the association require the association to have a Reserve fund established. This may not mean a Reserve Analysis is required, but how are you going to know there are enough funds in the account if you don't have the proper information? Hypothetically, some associations look at the Reserve fund and think \$50,000 is a lot of money and they are in good shape. What they don't know is the roof will need to be replaced within 5 years, and the cost of the roof is going to exceed \$75,000. So while \$50,000 sounds like a lot of money, in reality it won't even cover the cost of a roof, let alone all the other amenities the association is responsible to maintain.

What makes an asset a “Reserve” item versus an “Operating” item?

A “Reserve” asset is an item that is the responsibility of the association to maintain, has a limited Useful Life, predictable Remaining Useful Life expectancies, typically occurs on a cyclical basis that exceeds 1 year, and costs above a minimum threshold cost. An “operating” expense is typically a fixed expense that occurs on an annual basis. For instance, minor repairs to a roof for damage caused by high winds or other weather elements would be considered an “operating” expense. However, if the entire roof needs to be replaced because it has reached the end of its life expectancy, then the replacement would be considered a Reserve expense.

The GREY area of “maintenance” items that are often seen in a Reserve Study –

One of the most popular questions revolves around major “maintenance” items, such as painting the buildings or seal coating the asphalt. You may hear from your accountant that since painting or seal coating is not replacing a “capital” item, then it cannot be considered a Reserve issue. However, it is the opinion of several major Reserve Study providers that these items are considered to be major expenses that occur on a cyclical basis. Therefore, it makes it very difficult to ignore a major expense that meets the criteria to be considered a Reserve component. Once explained in this context, many accountants tend to agree and will include any expenses, such as these examples, as a Reserve component.

The Property Observation –

The Property Observation was conducted following a review of the documents that were established by the developer identifying all common area assets. In some cases, the Board of Directors at some point may have revised the documents. In either case, the most current set of documents was reviewed prior to inspecting the property. In addition, common area assets may have been reported to Aspen Reserve Specialties by the client, or by other parties.

Estimated life expectancies and life cycles are based upon conditions that were readily accessible and visible at the time of the observation. We did not destroy any landscape work, building walls, or perform any methods of intrusive investigation during the observation. In these cases, information may have been obtained by contacting the contractor or vendor that has worked on the property.

The Reserve Fund Analysis –

We projected the starting balance from taking the most recent balance statement, adding expected Reserve contributions for the rest of the year, and subtracting any pending projects for the rest of the year. We compared this number to the ideal Reserve Balance and arrived at the Percent funded level. Measures of strength are as follows:

0% - 30% Funded – Is considered to be a “weak” financial position. Associations that fall into this category are subject to Special Assessments and deferred maintenance, which could lead to lower property values. If the association is in this position, actions should be taken to improve the financial strength of the Reserve Fund.

31% - 69% Funded – The majority of associations are considered to be in this “fair” financial position. While this doesn’t represent financial strength and stability, the likelihood of Special Assessments and deferred maintenance is diminished. Effort should be taken to continue strengthening the financial position of the Reserve fund.

70% - 99% Funded – This indicates financial strength of a Reserve fund and every attempt to maintain this level should be a goal of the association.

100% Funded – This is the ideal amount of Reserve funding. This means that the association has the exact amount of funds in the Reserve account that should be at any given time.

Summary of Willow Creek III Townhomes -

Assoc. ID # - 07550-13

Projected Starting Balance as of January 1, 2014 -	\$94,794
Ideal Reserve Balance as of January 1, 2014 -	\$190,311
Percent Funded as of January 1, 2014 -	50%
Recommended Reserve Allocation (per month) -	\$2,500
Minimum Reserve Allocation (per month) -	\$2,325
Recommended Special Assessment (2014 - 2016) -	\$19,700 (\$100 per unit per year)

This report is an update to an existing Reserve Study that was prepared for the association 7 years ago for the 2007 fiscal period. An observation of the property's common area elements took place on October 23, 2013 to verify the information from this previous report. In addition, we obtained information by contacting local vendors and contractors, as well as communicating with the property representative. To the best of our knowledge, the conclusions and suggestions of this report are considered reliable and accurate insofar as the information obtained from these sources.

This section of the community contains 197 townhome style units within a community that was constructed in the late 1970's. Common area elements this sub-association is responsible to maintain include the driveways, address signs, and the mailbox kiosks. Reserve projects completed recently include seal coating all asphalt alleyways, resurfacing about four of the alleyways, and replacing (4) of the mailbox kiosks. Please refer to page 11 of the Financial Analysis for a detailed listing of when projects are programmed to be addressed.

In comparing the projected balance of \$94,794 versus the ideal Reserve Balance of \$190,311, we find the association Reserve fund to be in an average financial position (approximately 50% funded of ideal) at this time. However, based on the information contained within this report, we find no alternative but to recommend a multi-year Assessment for the next 3 years (\$100 per unit per year) to help strengthen the Reserve fund to address resurfacing the rest of the alleyways in a few years. In addition, the current budgeted Reserve allocation is less than adequate in funding the Reserve account to address future projects. Therefore, we suggest increasing the Reserve contribution to \$2,500 per month (representing an increase of \$7.70 per unit), followed by nominal annual increases of 3.00% - 4.00% thereafter to help offset the effects of inflation. By following the recommendation, the plan will maintain the Reserve account in a positive manner, while gradually increasing to a fully funded position within the thirty-year period.

In the percent Funded graph, you will see that we have also suggested a minimum Reserve contribution of \$2,325 per month. If the Reserve contribution falls below this rate, then the Reserve fund will fall into a situation where Special Assessments, deferred maintenance, and lower property values are possible at some point in the future. The minimum Reserve allocation follows the "threshold" theory of Reserve funding where the "percent funded" status is not allowed to dip below 30% funded at any point during the thirty-year period. This was provided for one purpose only, to show the association how small the difference is between the two scenarios and how it would not make financial sense to contribute less money (less than \$1.00 per unit per month in this case) to the Reserve fund to only stay above a certain threshold. As you can see, the difference between the two scenarios is considered to be extremely minimal, and based on the risk involved, we strongly suggest the recommended Reserve Allocation is followed.

Comp #: 107 Mailbox Kiosks - Replace



Observations:

In 2010, the association spent \$600 on the kiosks. Four of the kiosks (1-4) were removed with the new boxes, so we are assuming this expense is the labor to remove the old structures. We are also assuming as new boxes are purchased, the structures are being removed. Due to minimal area, treat any expenses associated with the kiosk structures as an operating expense.

Location: Mailbox kiosks

Quantity: (4) Structures

Life Expectancy: N/A Remaining Life:

Best Cost: \$0

Worst Cost: \$0

Source of Information:

General Notes:

Each roof is .30 Squares x (4) = 1.2 Squares
 Kiosk 5 - Wood Shake Roof
 Kiosk 6 - Composite Shingle Roof
 Kiosk 7 - Wood Shake Roof
 Kiosk 8 - Composite Shingle Roof

Raingutters/downspouts
 Kiosk 5 - 13 LF (RG & DS)
 Kiosk 6 - 15 LF (RG Only)
 Kiosk 7 - 13 LF (RG & DS)
 Kiosk 8 - 5 LF (RG Only)

Siding -
 Kiosk 5 - 65 GSF
 Kiosk 6 - 65 GSF
 Kiosk 7 - 68 GSF
 Kiosk 8 - 65 GSF

Comp #: 401 Asphalt - Overlay (2012)



Observations:

These alleyways are newer and in good condition. By reviewing the general ledger that was provided, we are assuming the major expense that was applied in 2012 was for the overlay of these alleys.

Location: See general notes

Quantity: Approx. 18,785 GSF

Life Expectancy: 24 **Remaining Life:** 21

Best Cost: \$32,900
\$1.75/GSF; Estimate for an overlay

Worst Cost: \$37,575
\$2.00/GSF; Higher estimate for local repairs

Source of Information: Past client cost

General Notes:

8150 - 8160, 8152 - 8162 = 3,700 GSF
8151 - 8157, 8161 - 8167 = 5,010 GSF
8189 - 8181, 8191 - 8197 = 5,585 GSF
8008 - 8028, 8032 - 8048 = 4,490 GSF

Project History -
2012 - \$35,000

Comp #: 401 Asphalt - Overlay (Original)



Observations:

*Project History - 10/26/2007 - \$550 (infrared patches), 11/12/2010 - \$5995.47 (description not provided).

Location: Townhome alleys/driveways

Quantity: Approx. 84,650 GSF

Life Expectancy: 24 **Remaining Life:** 3

Best Cost: \$148,150

\$1.75/GSF; Estimate for an overlay

Worst Cost: \$169,300

\$2.00/GSF; Higher estimate for local repairs

Source of Information: Past client cost

General Notes:

8120 - 8128, 8132 - 8142 = 6,400 GSF
 8150 - 8160, 8152 - 8162 = 3,700 GSF
 8015 - 8045, 8055 - 8085 = 5,235 GSF
 8101 - 8109, 8111 - 8117 = 4,290 GSF
 8121 - 8127, 8131 - 8137 = 3,750 GSF
 8151 - 8157, 8161 - 8167 = 5,010 GSF
 8189 - 8181, 8191 - 8197 = 5,585 GSF
 8251 - 8271, 8275 - 8291 = 5,090 GSF
 8308 - 8348, 8352 - 8398 = 5,090 GSF
 8250 - 8270, 8280 - 8298 = 5,475 GSF
 8200 - 8220, 8228 - 8248 = 6,125 GSF
 8052 - 8068, 8078 - 8098 = 4,690 GSF
 8008 - 8028, 8032 - 8048 = 4,490 GSF
 7956 - 7976, 7980 - 7996 = 6,390 GSF
 7906 - 7926, 7930 - 7946 = 6,130 GSF
 7804 - 7844, 7854 - 7894 = 6,175 GSF
 7702 - 7742, 7752 - 7792 = 6,425 GSF
 8007 - 8027, 8031 - 8047 = 5,735 GSF
 8108 - 8140, 8158 - 8190 = 7,640 GSF

Comp #: 402 Asphalt - Seal Coat/crack fill



Observations:

Evidence of extensive crack fill. It also appears that a seal coat was applied within the past couple years, but we were unable to confirm this in the ledger that was provided. Based on observed conditions, we recommend this project be completed again in 2015. In this climate, seal coating is recommended every 2 - 3 years. In between seal cycles, asphalt should be crack filled and repaired as a preventative maintenance measure to ensure maximum life expectancy from the material.

Location: Townhome alleys/driveways

Quantity: Approx. 103,435 GSF

Life Expectancy: 3 **Remaining Life:** 1

Best Cost: \$15,525

\$.15/GSF; Est. for seal coat and stripe

Worst Cost: \$18,625

\$.18/GSF; Higher est. includes repairs/crack fill

Source of Information: Cost Database

General Notes:

8120 - 8128, 8132 - 8142 = 6,400 GSF
8150 - 8160, 8152 - 8162 = 3,700 GSF
8015 - 8045, 8055 - 8085 = 5,235 GSF
8101 - 8109, 8111 - 8117 = 4,290 GSF
8121 - 8127, 8131 - 8137 = 3,750 GSF
8151 - 8157, 8161 - 8167 = 5,008 GSF
8189 - 8181, 8191 - 8197 = 5,585 GSF
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8008 - 8028, 8032 - 8048 = 4,490 GSF
7956 - 7976, 7980 - 7996 = 6,390 GSF
7906 - 7926, 7930 - 7946 = 6,130 GSF
7804 - 7844, 7854 - 7894 = 6,175 GSF
7702 - 7742, 7752 - 7792 = 6,425 GSF
8007 - 8027, 8031 - 8047 = 5,735 GSF
8108 - 8140, 8158 - 8190 = 7,640 GSF

Comp #: 403 Concrete Garage Drives - Repair/Replace



Observations:

There is evidence of past repairs, as well as older areas that are exhibiting some signs of deterioration and spalling. Due to varying conditions, it is unlikely that all concrete surfaces will fail at the same time. Therefore, we suggest establishing a Reserve fund for periodic repairs and replacement to approximately 10% of the total area (2115 GSF) every 3 years. Repairs should be coordinated with other concrete surfaces and asphalt for best cost estimate since most asphalt companies can also perform concrete work.

Location: Aprons in front of garage doors

Quantity: Approx. 21,600 GSF

Life Expectancy: 3 Remaining Life: 1

Best Cost: \$17,300

Estimate to replace 10% of area every 3 years

Worst Cost: \$19,450

Higher estimate for more repairs

Source of Information: Cost Database

General Notes:

Most Garage Aprons are 1,100 GSF, Except:
 8250 - 8298 East Phillips Place, 1,225 GSF
 8200 - 8248 East Phillips Place, 1,225 GSF

Drain Pans -
 Townhome Units:
 8120 - 8128 = 360 GSF
 8121 - 8127 = 30 GSF
 8151 - 8157 = 20 GSF
 8251 - 8271 = 20 GSF

Project History -
 2011 - \$10,885 (townhome portion)

Comp #: 803 Mailboxes - Replace (new)



Observations:

No unusual conditions noted at time of property observation. According to several manufacturers, the typical life expectancy for this type of mailbox is 15 - 20 years in this environment. Remaining life is based on average age of all units. While it is likely the US Post Office will maintain and replace these boxes in the future, in our experience, we have seen in numerous similar circumstances that the post office makes the association responsible for replacement. Research with the local post office revealed that the boxes are theirs to maintain at this time. Therefore, separate Reserve funding is not required for this component. The association should be prepared to pay for these at some point in the future in case the government changes their policy.

Location: See general notes

Quantity: (8) Assorted CBU's

Life Expectancy: 18 Remaining Life: 17

Best Cost: \$13,200

\$1650/CBU; Estimate to replace and install

Worst Cost: \$15,200

\$1900/CBU; Higher estimate for better quality

Source of Information: Cost Database

General Notes:

Across from 7946 -
(2) 12 box CBU's (4/2013)

Across from 7804 -
(2) 12 box CBU's (4/2013)

Across from 8140 -
(1) 12 box CBU's (4/2013)
(3) 16 box CBU's (5/2013, 5/2013, 3/2013)

Comp #: 803 Mailboxes - Replace



Observations:

Assume these structures and boxes will be replaced with Cluster Box Units, similar to the other 4 locations. Our estimate is for demolition and disposal of the structure and installation of the new CBU's.

Location: Townhome units
Quantity: Approx. 215 boxes
Life Expectancy: 20 *Remaining Life:* 0
Best Cost: \$14,000
 Estimate to replace boxes
Worst Cost: \$17,500
 Higher estimate for better quality
Source of Information: Cost Database

General Notes:

Kiosk 5 - 35 Box Bank (replace w/ (3) 12 box CBU's)
 Kiosk 6 - 18 Box Bank (replace w/ (1) 8 box, (1) 12 box CBU's)
 Kiosk 7 - 21 Box Bank (replace w/ (2) 12 box CBU's)
 Kiosk 8 - 30 Box Bank (replace w/ (2) 16 box CBU's)
 (8) Sets of parcel lockers (won't purchase new)

Costs of new CBU's:
 8 box - approx. \$1200 each plus installation
 12 box - approx. \$1250 each plus installation
 16 box - approx. \$1300 each plus installation

Comp #: 809 Signage - Replace



Observations:

Signs are legible and in good condition, considering the age of the signs. In our experience, we have seen this type of sign material last 12 - 18 years on average before replacement is required. The remaining life is based on age of the signs and the observed condition.

Location: Front of all townhome clusters

Quantity: Approx. (37) Signs

Life Expectancy: 17 *Remaining Life:* 8

Best Cost: \$12,000
\$325/sign; Estimate to replace

Worst Cost: \$13,875
\$375/sign; Higher estimate

Source of Information: Cost Database

General Notes:

Address Sign's:
(37) 2x2 sign mounted on wood posts

Funding Summary For Willow Creek III Townhomes

Beginning Assumptions

Financial Information Source	Research With Client
# of units	197
Fiscal Year End	December 31, 2014
Monthly Dues from 2013 budget	\$2,118.00
Monthly Reserve Allocation from 2013 Budget	\$985.00
Projected Starting Reserve Balance (as of 1/1/2014)	\$94,794
Ideal Starting Reserve Balance (as of 1/1/2014)	\$190,311

Economic Factors

Past 20 year Average Inflation Rate (Based on CCI)	4.00%
Current Average Interest Rate	1.00%

Current Reserve Status

Current Balance as a % of Ideal Balance	50%
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Recommendations for 2014 Fiscal Year

Monthly Reserve Allocation	\$2,500
Per Unit	\$12.69
Minimum Monthly Reserve Allocation	\$2,325
Per Unit	\$11.80
Primary Annual Increases	3.00%
# of Years	11
Secondary Annual Increases	4.00%
# of Years	19
Special Assessment	\$19,700
Per Unit	\$100

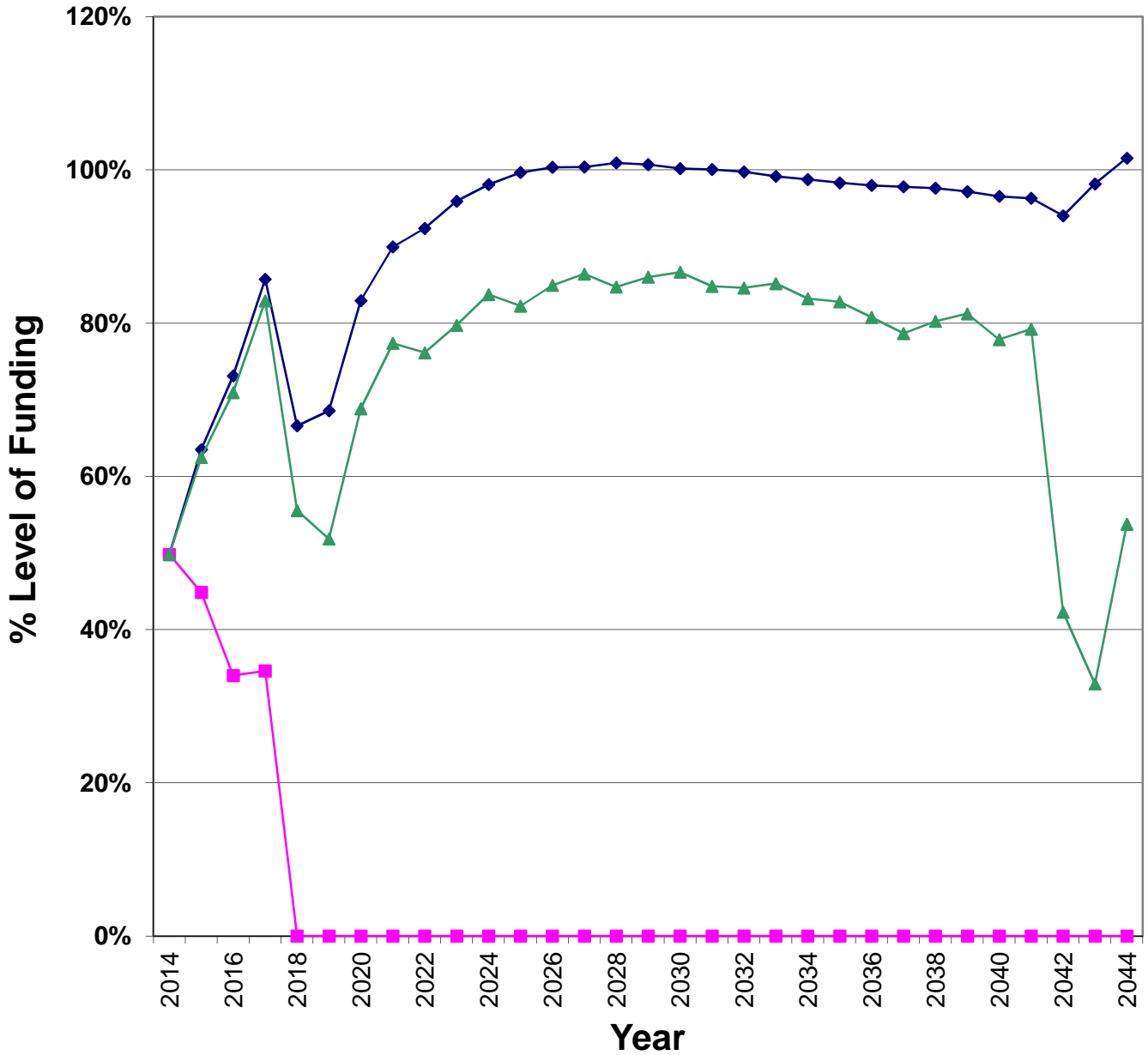
Changes From Prior Year (2013 to 2014)

Increase/Decrease to Reserve Allocation	\$1,515
as Percentage	154%
Per Unit	\$7.69

Percent Funded Graph For Willow Creek III Townhomes

Percent Funded

- ◆ Recommended
- Monthly Reserve Allocation from 2013 Budget
- ▲ Minimum



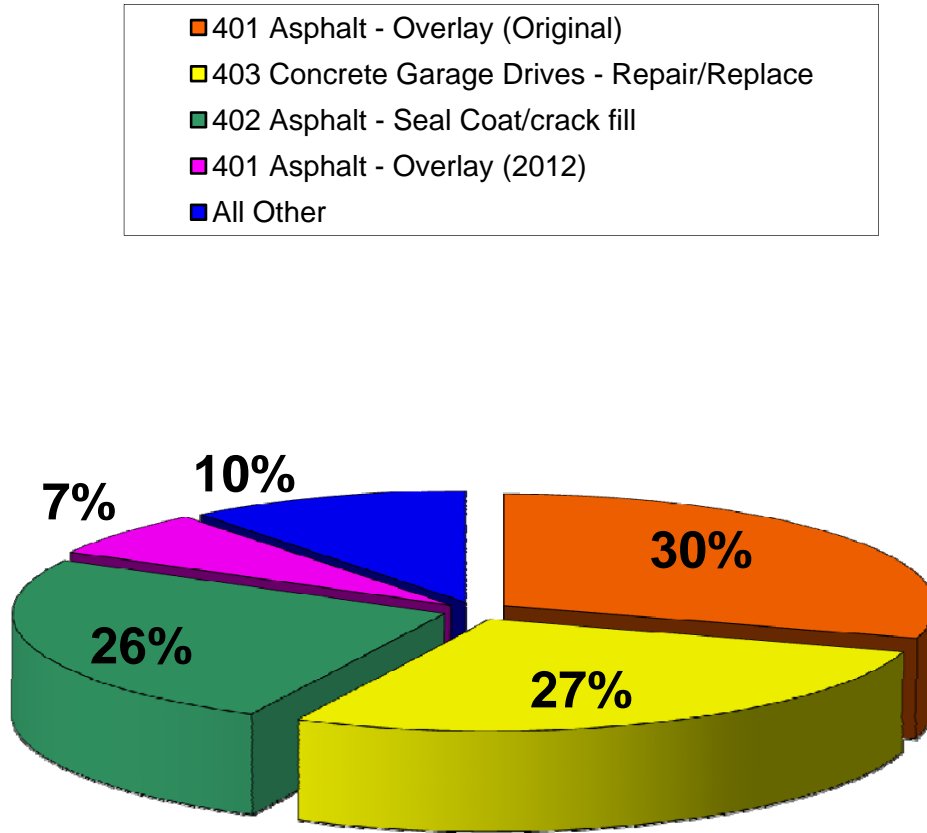
Component Inventory for Willow Creek III Townhomes

Category	Asset #	Asset Name	UL	RUL	Best Cost	Worst Cost
Roofing	107	Mailbox Kiosks - Replace	N/A		\$0	\$0
Drive Materials	401	Asphalt - Overlay (2012)	24	21	\$32,900	\$37,575
	401	Asphalt - Overlay (Original)	24	3	\$148,150	\$169,300
	402	Asphalt - Seal Coat/crack fill	3	1	\$15,525	\$18,625
	403	Concrete Garage Drives - Repair/Replac	3	1	\$17,300	\$19,450
Prop. Identification	803	Mailboxes - Replace (new)	18	17	\$13,200	\$15,200
	803	Mailboxes - Replace	20	0	\$14,000	\$17,500
	809	Signage - Replace	17	8	\$12,000	\$13,875

Significant Components For Willow Creek III Townhomes

ID	Asset Name	UL	RUL	Ave Curr Cost	Significance: (Curr Cost/UL)	
					As \$	As %
401	Asphalt - Overlay (2012)	24	21	\$35,238	\$1,468	6.6030%
401	Asphalt - Overlay (Original)	24	3	\$158,725	\$6,614	29.7427%
402	Asphalt - Seal Coat/crack fill	3	1	\$17,075	\$5,692	25.5968%
403	Concrete Garage Drives - Repair/Replace	3	1	\$18,375	\$6,125	27.5456%
803	Mailboxes - Replace	20	0	\$15,750	\$788	3.5416%
803	Mailboxes - Replace (new)	18	17	\$14,200	\$789	3.5478%
809	Signage - Replace	17	8	\$12,938	\$761	3.4225%

Significant Components Graph For Willow Creek III Townhomes



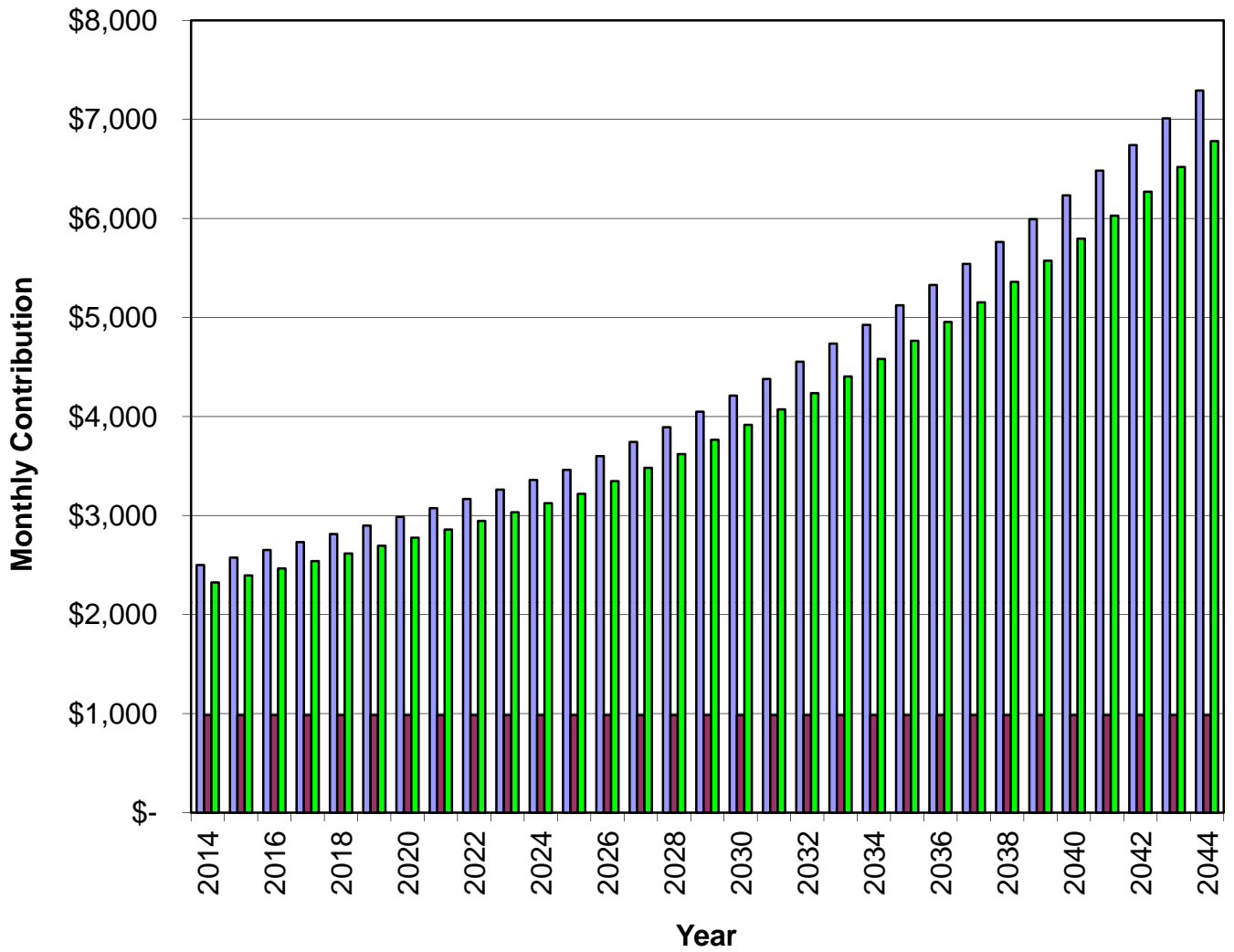
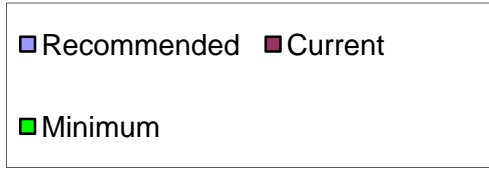
Asset ID	Asset Name	UL	RUL	Average Curr. Cost	Significance: (Curr Cost/UL)	
					As \$	As %
401	Asphalt - Overlay (Original)	24	3	\$158,725	\$6,614	30%
403	Concrete Garage Drives - Repair/Repla	3	1	\$18,375	\$6,125	28%
402	Asphalt - Seal Coat/crack fill	3	1	\$17,075	\$5,692	26%
401	Asphalt - Overlay (2012)	24	21	\$35,238	\$1,468	7%
All Other	See Expanded Table on Page 4 For Additional Breakdown				\$2,337	11%

Yearly Summary For Willow Creek III Townhomes

Fiscal Year	Start	Fully Funded Balance	Starting Reserve Balance	Percent Funded	Annual Reserve Contribs	Rec. Special Ass'mnt	Interest Income	Reserve Expenses
2014		\$190,311	\$94,794	50%	\$30,000	\$19,700	\$1,222	\$15,750
2015		\$204,668	\$129,966	64%	\$30,900	\$19,700	\$1,474	\$36,868
2016		\$198,563	\$145,171	73%	\$31,827	\$19,700	\$1,816	\$0
2017		\$231,517	\$198,514	86%	\$32,782	\$0	\$1,262	\$178,544
2018		\$81,105	\$54,014	67%	\$33,765	\$0	\$504	\$41,471
2019		\$68,272	\$46,812	69%	\$34,778	\$0	\$645	\$0
2020		\$99,139	\$82,235	83%	\$35,822	\$0	\$1,006	\$0
2021		\$132,365	\$119,063	90%	\$36,896	\$0	\$1,147	\$46,650
2022		\$119,575	\$110,456	92%	\$38,003	\$0	\$1,212	\$17,706
2023		\$137,593	\$131,965	96%	\$39,143	\$0	\$1,522	\$0
2024		\$176,011	\$172,631	98%	\$40,317	\$0	\$1,673	\$52,475
2025		\$162,709	\$162,147	100%	\$41,527	\$0	\$1,838	\$0
2026		\$204,817	\$205,511	100%	\$43,188	\$0	\$2,281	\$0
2027		\$250,034	\$250,981	100%	\$44,916	\$0	\$2,450	\$59,027
2028		\$237,153	\$239,320	101%	\$46,712	\$0	\$2,639	\$0
2029		\$286,685	\$288,671	101%	\$48,581	\$0	\$3,144	\$0
2030		\$339,800	\$340,396	100%	\$50,524	\$0	\$3,340	\$66,397
2031		\$327,652	\$327,863	100%	\$52,545	\$0	\$3,419	\$27,660
2032		\$357,037	\$356,166	100%	\$54,647	\$0	\$3,853	\$0
2033		\$418,166	\$414,665	99%	\$56,833	\$0	\$4,076	\$74,688
2034		\$405,939	\$400,886	99%	\$59,106	\$0	\$4,151	\$34,510
2035		\$436,956	\$429,633	98%	\$61,470	\$0	\$4,222	\$80,298
2036		\$423,622	\$415,026	98%	\$63,929	\$0	\$4,068	\$84,014
2037		\$407,997	\$399,010	98%	\$66,486	\$0	\$4,342	\$0
2038		\$481,314	\$469,838	98%	\$69,146	\$0	\$5,067	\$0
2039		\$559,844	\$544,051	97%	\$71,911	\$0	\$5,179	\$128,993
2040		\$509,733	\$492,148	97%	\$74,788	\$0	\$5,320	\$0
2041		\$594,237	\$572,256	96%	\$77,779	\$0	\$3,841	\$457,663
2042		\$208,716	\$196,213	94%	\$80,890	\$0	\$1,843	\$106,304
2043		\$175,854	\$172,643	98%	\$84,126	\$0	\$2,157	\$0

Reserve Contributions For Willow Creek III Townhomes

Reserve Contributions



Component Funding Information For Willow Creek III Townhomes

ID	Component Name	Ave Current Cost	Future Cost	Ideal Balance	Current Fund Balance	Monthly
401	Asphalt - Overlay (2012)	\$35,238	\$80,298	\$4,405	\$0	\$165.07
401	Asphalt - Overlay (Original)	\$158,725	\$178,544	\$138,884	\$55,411	\$743.57
402	Asphalt - Seal Coat/crack fill	\$17,075	\$17,758	\$11,383	\$11,383	\$639.92
403	Concrete Garage Drives - Repair/Replace	\$18,375	\$19,110	\$12,250	\$12,250	\$688.64
803	Mailboxes - Replace	\$15,750	\$34,510	\$15,750	\$15,750	\$88.54
803	Mailboxes - Replace (new)	\$14,200	\$27,660	\$789	\$0	\$88.70
809	Signage - Replace	\$12,938	\$17,706	\$6,849	\$0	\$85.56

Yearly Cash Flow For Willow Creek III Townhomes

Year	2014	2015	2016	2017	2018
Starting Balance	\$94,794	\$129,966	\$145,171	\$198,514	\$54,014
<i>Reserve Income</i>	\$30,000	\$30,900	\$31,827	\$32,782	\$33,765
<i>Interest Earnings</i>	\$1,222	\$1,474	\$1,816	\$1,262	\$504
<i>Special Assessments</i>	\$19,700	\$19,700	\$19,700	\$0	\$0
Funds Available	\$145,716	\$182,039	\$198,514	\$232,558	\$88,284
Reserve Expenditures	\$15,750	\$36,868	\$0	\$178,544	\$41,471
Ending Balance	\$129,966	\$145,171	\$198,514	\$54,014	\$46,812

Year	2019	2020	2021	2022	2023
Starting Balance	\$46,812	\$82,235	\$119,063	\$110,456	\$131,965
<i>Reserve Income</i>	\$34,778	\$35,822	\$36,896	\$38,003	\$39,143
<i>Interest Earnings</i>	\$645	\$1,006	\$1,147	\$1,212	\$1,522
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$82,235	\$119,063	\$157,106	\$149,671	\$172,631
Reserve Expenditures	\$0	\$0	\$46,650	\$17,706	\$0
Ending Balance	\$82,235	\$119,063	\$110,456	\$131,965	\$172,631

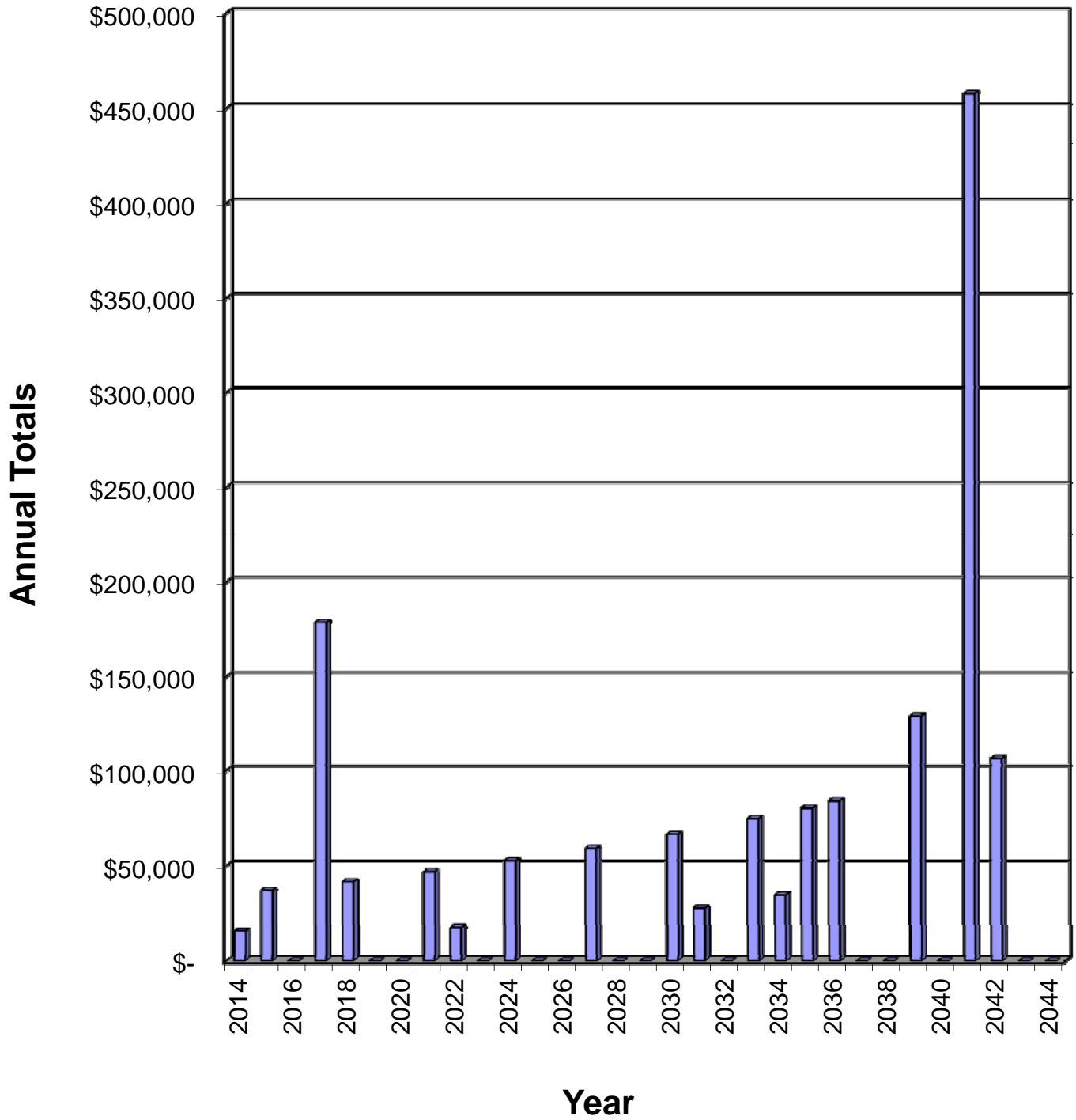
Year	2024	2025	2026	2027	2028
Starting Balance	\$172,631	\$162,147	\$205,511	\$250,981	\$239,320
<i>Reserve Income</i>	\$40,317	\$41,527	\$43,188	\$44,916	\$46,712
<i>Interest Earnings</i>	\$1,673	\$1,838	\$2,281	\$2,450	\$2,639
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$214,621	\$205,511	\$250,981	\$298,347	\$288,671
Reserve Expenditures	\$52,475	\$0	\$0	\$59,027	\$0
Ending Balance	\$162,147	\$205,511	\$250,981	\$239,320	\$288,671

Year	2029	2030	2031	2032	2033
Starting Balance	\$288,671	\$340,396	\$327,863	\$356,166	\$414,665
<i>Reserve Income</i>	\$48,581	\$50,524	\$52,545	\$54,647	\$56,833
<i>Interest Earnings</i>	\$3,144	\$3,340	\$3,419	\$3,853	\$4,076
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$340,396	\$394,260	\$383,826	\$414,665	\$475,574
Reserve Expenditures	\$0	\$66,397	\$27,660	\$0	\$74,688
Ending Balance	\$340,396	\$327,863	\$356,166	\$414,665	\$400,886

Year	2034	2035	2036	2037	2038
Starting Balance	\$400,886	\$429,633	\$415,026	\$399,010	\$469,838
<i>Reserve Income</i>	\$59,106	\$61,470	\$63,929	\$66,486	\$69,146
<i>Interest Earnings</i>	\$4,151	\$4,222	\$4,068	\$4,342	\$5,067
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$464,143	\$495,324	\$483,024	\$469,838	\$544,051
Reserve Expenditures	\$34,510	\$80,298	\$84,014	\$0	\$0
Ending Balance	\$429,633	\$415,026	\$399,010	\$469,838	\$544,051

Year	2039	2040	2041	2042	2043
Starting Balance	\$544,051	\$492,148	\$572,256	\$196,213	\$172,643
<i>Reserve Income</i>	\$71,911	\$74,788	\$77,779	\$80,890	\$84,126
<i>Interest Earnings</i>	\$5,179	\$5,320	\$3,841	\$1,843	\$2,157
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$621,141	\$572,256	\$653,876	\$278,947	\$258,926
Reserve Expenditures	\$128,993	\$0	\$457,663	\$106,304	\$0
Ending Balance	\$492,148	\$572,256	\$196,213	\$172,643	\$258,926

Reserve Expenditures



Projected Reserve Expenditures For Willow Creek III Townhomes

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2014	803	Mailboxes - Replace	\$15,750	\$15,750
2015	402	Asphalt - Seal Coat/crack fill	\$17,758	
	403	Concrete Garage Drives - Repair/Replace	\$19,110	\$36,868
2016		No Expenditures Projected		\$0
2017	401	Asphalt - Overlay (Original)	\$178,544	\$178,544
2018	402	Asphalt - Seal Coat/crack fill	\$19,975	
	403	Concrete Garage Drives - Repair/Replace	\$21,496	\$41,471
2019		No Expenditures Projected		\$0
2020		No Expenditures Projected		\$0
2021	402	Asphalt - Seal Coat/crack fill	\$22,470	
	403	Concrete Garage Drives - Repair/Replace	\$24,180	\$46,650
2022	809	Signage - Replace	\$17,706	\$17,706
2023		No Expenditures Projected		\$0
2024	402	Asphalt - Seal Coat/crack fill	\$25,275	
	403	Concrete Garage Drives - Repair/Replace	\$27,199	\$52,475
2025		No Expenditures Projected		\$0
2026		No Expenditures Projected		\$0
2027	402	Asphalt - Seal Coat/crack fill	\$28,431	
	403	Concrete Garage Drives - Repair/Replace	\$30,596	\$59,027
2028		No Expenditures Projected		\$0
2029		No Expenditures Projected		\$0
2030	402	Asphalt - Seal Coat/crack fill	\$31,981	
	403	Concrete Garage Drives - Repair/Replace	\$34,416	\$66,397
2031	803	Mailboxes - Replace (new)	\$27,660	\$27,660
2032		No Expenditures Projected		\$0
2033	402	Asphalt - Seal Coat/crack fill	\$35,974	
	403	Concrete Garage Drives - Repair/Replace	\$38,713	\$74,688
2034	803	Mailboxes - Replace	\$34,510	\$34,510
2035	401	Asphalt - Overlay (2012)	\$80,298	\$80,298
2036	402	Asphalt - Seal Coat/crack fill	\$40,466	
	403	Concrete Garage Drives - Repair/Replace	\$43,547	\$84,014
2037		No Expenditures Projected		\$0
2038		No Expenditures Projected		\$0
2039	402	Asphalt - Seal Coat/crack fill	\$45,519	
	403	Concrete Garage Drives - Repair/Replace	\$48,985	
	809	Signage - Replace	\$34,489	\$128,993
2040		No Expenditures Projected		\$0
2041	401	Asphalt - Overlay (Original)	\$457,663	\$457,663
2042	402	Asphalt - Seal Coat/crack fill	\$51,203	
	403	Concrete Garage Drives - Repair/Replace	\$55,101	\$106,304
2043		No Expenditures Projected		\$0
2044		No Expenditures Projected		\$0

Glossary of Commonly used Words and Phrases (provided by the National Reserve Study Standards of the Community Associations Institute)

Asset or Component – Individual line items in the Reserve Study, developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association Responsibility, 2) with limited Useful Life expectancies, 3) have predictable Remaining Life expectancies, 4) above a minimum threshold cost, and 5) required by local codes.

Cash Flow Method – A method of developing 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 anticipated schedule of Reserve expenses until the desired Funding Goal is achieved.

Component Inventory – The task of selecting and quantifying Reserve Components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representatives.

Deficit – An actual (or projected) Reserve Balance, which is less than the Fully Funded Balance.

Effective Age – The difference between Useful Life and Remaining Useful Life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

Financial Analysis – The portion of the Reserve Study where current status of the Reserves (Measured as cash or Percent Funded) and a recommended Reserve contribution rate (Reserve Funding Plan) are derived, and the projected Reserve income and expense over time is presented. The Financial Analysis is one of the two parts of the Reserve Study.

Component Full Funding – When the actual (or projected) cumulative Reserve balance for all components is equal to the Fully Funded Balance.

Fully Fund Balance (aka – Ideal Balance) – An indicator against which Actual (or projected) Reserve Balance can be compared. The Reserve balance that is in direct proportion to the fraction of life “used up” of the current Repair or Replacement cost. This number is calculated for each component, and then summed together for an association total.

$$\text{FFB} = \text{Replacement Cost} \times \text{Effective Age} / \text{Useful Life}$$

Fund Status – The status of the Reserve Fund as compared to an established benchmark, such as percent funding.

Funding Goals – Independent of methodology utilized, the following represent the basic categories of Funding Plan Goals.

- **Baseline Funding:** Establishing a Reserve funding goal of keeping the Reserve Balance above zero.
- **Component Full Funding:** Setting a Reserve funding goal of attaining and maintaining cumulative Reserves at or near 100% funded.
- **Threshold Funding:** Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than the “Component Fully Funding” method.

Funding Plan – An associations plan to provide income to a Reserve fund to offset anticipated expenditures from that fund.

Funding Principles –

- Sufficient Funds When Required
- Stable Contribution Rate over the Years
- Evenly Distributed Contributions over the Years
- Fiscally Responsible

Life and Valuation Estimates – The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components.

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

Physical Analysis – The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed. This represents one of the two parts of the Reserve Study.

Remaining Useful Life (RUL) – Also referred to as “Remaining Life” (RL). The estimated time, in years, that a reserve component can be expected to *continue* to serve its intended function. Projects anticipated to occur in the initial year have “0” Remaining Useful Life.

Replacement Cost – The cost of replacing, repairing, or restoring a Reserve Component to its original functional condition. The Current Replacement Cost would be the cost to replace, repair, or restore the component during that particular year.

Reserve Balance – Actual or projected funds as of a particular point in time (typically the beginning of the fiscal year) that the association has identified for use to defray the future repair or replacement of those major components in which the association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves. This is based upon information provided and is not audited.

Reserve Provider – An individual that prepares Reserve Studies. Also known as **Aspen Reserve Specialties**.

Reserve Study – A budget-planning tool that identifies the current status of the Reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures. The Reserve Study consists of two parts: The Physical Analysis and the Financial Analysis.

Special Assessment – An assessment levied on the members of an association in addition to regular assessments. Special Assessments are often regulated by governing documents or local statutes.

Surplus – An actual (or projected) Reserve Balance that is greater than the Fully Funded Balance.

Useful Life (UL) – Also known as “Life Expectancy”, or “Depreciable Life”. The estimated time, in years, that a Reserve component can be expected to serve its intended function if properly constructed and maintained in its present application or installation.