



PREPARED FOR
Big Trout Condominium Association
Board of Directors
c/o
Greenstone Homes
1421 N. Meadowwood Lane, Suite 200
Liberty Lake, WA 99019

Capital Asset Replacement Reserve Study BIG TROUT CONDOMINIUM

August 2009



©2009 CDI
2500 81st Ave SE, Suite 341
Mercer Island, WA 98040

Ken White AIA RS, President
ken@ConstructionDecisions.com
206.275.3686 Office
206.275.3698 Fax

TABLE OF CONTENTS

1	EXECUTIVE SUMMARY
2	SECTION I — INTRODUCTION
3	METHODOLOGY AND SOURCES OF INFORMATION
5	GENERAL ASSUMPTIONS
8	SECTION II — CONCLUSIONS AND RECOMMENDATIONS
12	SECTION III — OBSERVATIONS AND COMMENTS
12	SITE ITEMS
12	Asphalt Resurfacing
12	Asphalt Patching & Seal coating
13	Fitness Equipment
13	Spa Equipment & Resurfacing
14	Pool Equipment
14	Pool Resurfacing
15	Metal Fencing
15	USPS Mailboxes
15	Irrigation Systems
16	Landscaping
16	Concrete Repairs
17	BUILDING EXTERIOR
17	Foundations
17	Vinyl Siding Replacement
18	Exterior Cleaning

TABLE OF CONTENTS

18	Exterior Painting
19	Composition Roofing
20	Exterior Decks
20	Fire Protection Equipment
20	Dryer Vents
22	SECTION IV — STATEMENT OF LIMITATIONS
23	SECTION V — GLOSSARY OF TERMS
24	SECTION VI — SCHEDULES & CHARTS
<i>APPENDIX</i>	SCHEDULE A
	SCHEDULE B
	SCHEDULE C - 1
	SCHEDULE C - 2
	SCHEDULE D
	CHART

EXECUTIVE SUMMARY	
BIG TROUT CONDOMINIUM ASSOCIATION	
Replacement Reserve Fund Balance ¹ (as of 06.30.09)	\$194,513
Fully Funded Balance (FFB) ²	\$274,076
Percentage Funded ³	71%
Budgeted monthly contribution to the Reserve Fund (2009)	\$3,696
Recommended monthly contribution to the Reserve Fund (2010)	\$5,490
Interest rate used [^]	2.75%
Inflationary rate used ^{**}	3.00%

GENERAL NOTES	
¹	Information in relation to the Association's finances were supplied by Greenstone Homes and is not audited.
²	The FFB represents the total cost of each component's "used up" life, using the equation $\text{FFB} = \text{Current Cost} \times \text{Effective Age} / \text{Useful Life}$
³	Percentage Funded is calculated by dividing the Reserve Fund Balance by the Fully Funded Balance (FFB).
[^]	Interest rates have been determined by utilizing current figures sourced from the London Interbank Offered Rate (LIBOR) and other interest rate indexes.
^{**}	Inflation rates are calculated on current and historical data obtained from the US Bureau of Labor Statistics. CDI's rate of inflation is conservatively set at a level marginally above the current rate.

THIS STUDY WAS conducted at the request of the Big Trout Condominium Association's Board of Directors (Association) located in Liberty Lake, Washington. This study was prepared by a certified Reserve Specialist (RS)¹ for the fiscal year of January 1, 2010 through December 31, 2010. At the time of this reserve study, Construction Decisions Inc., (CDI) nor any of their employees maintain management roles or vested interest in, or have other business relationships with the Association. There is no perceived or actual conflict of interest between CDI and the Association.

The intent of the study is to help provide the Big Trout Condominium community with a review of major common components in the project for which the establishment of replacement reserves is recommended. Establishing reserves provide for the future funding of significant replacement cost items, and reduces the need for large special assessments at the time replacement and major repairs are required.

The reserve amounts recommended in this study are not to be confused with normal operational or maintenance reserves. The reserve components listed are those "common elements whose cost of maintenance, repair, or replacement is infrequent, significant, and impractical to include in an annual budget" (*Chapter 64.34 of the Revised Code of Washington*). Normal preventative maintenance, facilities maintenance costs and operational costs should be separate items in the overall property budget.

The following description is general in nature. A detailed description of the property is not included as part of this report. It is assumed that, due to the proprietary nature and purpose of the report, readers are already familiar with the general characteristics of the project.

Big Trout Condominium consists of two hundred and twenty four (224) units in fourteen (14) two and three (2 and 3) story residential buildings. The buildings, completed in 2000 and 2001, are clad with a vinyl horizontal siding and vinyl shingles, wood trim, and asphalt composition shingle roofing. Second and third level condominiums have elevated privacy decks, while ground level units have a rear concrete porch.

"Reserve amounts recommended in this study are not to be confused with normal operational or maintenance reserves"

The complex also includes a range of private enclosed (garages) and covered (carport) parking areas. A paved roadway provides access to the community, while access to a number of units is provided via a range of breezeways, landings and stairwells. Additional amenities include gym facilities, spa, swimming pool and site landscaping.

METHODOLOGY & SOURCES OF INFORMATION

AS PART OF a “Full Level of Service”, Construction Decisions, Inc. (CDI) reviewed the property’s current condition during a site visit in August 2009. Information regarding the Association’s beginning financial contributions and reserve fund balance were provided by Greenstone Homes, located in Liberty Lake. This information is deemed reliable by the consultant (CDI) and provides the basis for the reserve study. County property records were also utilized as base reference material in the development of this report.

Compliance with the International Building Code, applicable jurisdictional codes, International Fire Code, or any of the International Code Council (ICC) documents, or the Americans with Disabilities Act is not addressed within the scope of this report.

This reserve study is based on visual inspections of the physical plant major components. On-site observations were performed using a representative sampling of building types. No invasive or destructive testing, or testing of materials was conducted during the inspections, or at any other time during the preparation of this report. No evaluation for hazardous materials, gases, functional deficiencies, mechanical operability or life cycle analysis was requested, or is contained in this report. Further limitations relating to site inspection and the associated report, in additions to being identified herein, is contained in Section IV (STATEMENT OF LIMITATIONS) of this report.

Each of the major common property items (e.g. roofing) were assessed to determine their expected useful life. Replacement costs were calculated based upon replacing each component with a similar kind and quality. Whenever possible, price quotes from contractors and suppliers, in current dollars, were used as a basis for projecting costs. Construction documents, when made

“Replacement costs were calculated based upon replacing each component with a similar kind and quality”

“Actual estimates for work to be performed at the future replacement date should be expected to vary somewhat from projected costs”

available to the reserve study team, are used for limited quantity “take-offs” for estimating materials and components, otherwise budget estimates were prepared from materials supplied by the Association or calculations made by CDI. Other documents used to quantify components may include County site plans, floor plans, and other jurisdictional data available to the public. Additional costing is sourced using the current edition of R.S Means Building Construction Cost Data.

Actual estimates for work to be performed at the future replacement date should be expected to vary somewhat from the projected costs shown in this study. Seasonal considerations, economies of scale, material and labor availability, as well as other factors beyond our control will cause costs to vary considerably. However, it is reasonable to assume that the best means of anticipating and developing adequate reserves is by using current costs and applying inflationary factors.

Schedule A (see APPENDIX) lists the recommended reserve items (components), their quantities, their estimated useful life, remaining life and estimated current replacement costs. When phased replacement of less than 100% replacement is recommended, Schedule A also indicates the replacement cycle and percentage replacement used in the projection model.

Schedule B notes the anticipated timing of replacement for each reserve component. Based upon the life cycle of each component, the schedule plots their estimated time of replacement and the associated cost over the 30-year projection term. Replacement costs in Schedule B have been adjusted for inflation at an annual rate of 3.00%.

Schedule C-1 is the recommended 30-year Reserve Account Cash Flow Projection. Various scenarios were generated, each using a different set of assumptions for inflation rate, interest rate on accumulated reserve funds, and contribution rate increases. The recommend cash flow projection presented in Schedule C-1 is based upon the assumptions we believe are closest to those most likely to occur. Schedule C-1 also gives the Association a guideline for recommended contribution increases over the 30-year projection period.

METHODOLOGY CONTINUED

Schedule C-2 depicts the impact of a one percent rise in inflation (from 3.0% to 4.0%) over the 30 year projection period, with all other factors remaining constant. In this instance, the impact of such a rise in inflation will lead to a significant deficit or shortage of \$1,404,909 in 2039. Schedule C-2 highlights the need to manage contributions in relation to economic conditions and inflationary changes. Moreover, Schedule C-2 emphasizes the Association's need to review reserve contribution levels on a regular basis.

Schedule D lists three scenarios which are combinations of varying assumptions regarding inflation rates and contribution increases. It provides a key reference guide to the effect of a slight change in economic conditions or contribution levels.

It is important for the Board to recognize that this projection is to be used as a **guideline** for both establishing and spending reserves. Components affected by subjective decisions, varying physical conditions, and fluctuations in economic conditions will impact the ultimate allocation of funds.

The scenarios used to determine the levels of reserve contributions calculate the reserve amounts necessary to fully fund replacements adequately for each component category under each set of assumptions. The total of the recommended reserves at the end of the projection period is then compared with the projected reserve balance after expenditures. Material issues which, if not disclosed, cause a distortion of the Association's situation. A zero or positive difference indicates that if the selected assumptions were to hold true over the term of the projection, there will be sufficient funds available to pay for projected future replacements. See Section V, GLOSSARY OF TERMS, for an explanation of the term "fully funded."

GENERAL ASSUMPTIONS

DUE TO ITS long-term nature, it is necessary to make certain assumptions and predictions in a reserve study. Although every effort has been made to ensure that the recommendations are based upon reliable and experienced sources in the building industry, there can be no guarantee that events will occur at the

GENERAL ASSUMPTIONS CONTINUED

predicted intervals. Any reserve study must be viewed in the light of circumstances existing at the actual time of the study, and an annual review by an Owner's Representative of general conditions is recommended in order to make any necessary adjustments to the reserves.

A reserve study should be viewed as both a **guideline** and a reasonable assurance that adequate funds are being accumulated to pay for major replacement items without requiring special assessments. As time passes and conditions change, certain items may require replacement or major repair sooner than anticipated, while others may last longer than expected. The Association will then have the opportunity to fund the necessary repairs, without special assessment, from the overall reserve fund balance. Care should always be exercised in such an event to re-evaluate the likelihood of other major replacements in the next few years to determine whether any adjustments to reserve contributions, upward or downward, may be warranted.

The accumulation of reserves can sometimes assist in periods of short-term need. Prudence should, of course, always be exercised in such events to assure that reserves for regularly anticipated major expenses are not depleted.

This reserve study does not provide for reserves for catastrophic damage such as fire, earthquake, or windstorms. It is assumed that the Big Trout Condominium Association has adequate insurance coverage for these items.

In this report we have identified certain categories or components that we believe should be carefully monitored and maintained in order to prevent costly future expenditures. We have also identified certain items that, in our opinion, should fall into the category of regular maintenance, rather than as reserve items. Identifying these items is also offered for purposes of clarifying the difference between reserve and non-reserve components. In terms of the level of completeness of the components, those that are frequently hidden are electrical and plumbing items located within walls, that are generally considered to last and remain for the life of the building. It should be

GENERAL ASSUMPTIONS CONTINUED

recognized, however, that the determination of items that should have reserves, and those that should be funded through maintenance budgets, varies from one property owner to another.

Note that information provided about reserve projects will be considered reliable and that the site inspection should not be considered a project audit or necessarily a quality inspection.

Section III of the report is a narrative and photographic documentation of the Association's Reserve Components. We have utilized two icons to help distinguish between reserve and maintenance items.



A **dollar sign icon** is placed in the margins of the text alongside those items for which reserves are recommended.



A **wrench icon** in the margin denotes items where we have made preventative maintenance comments or suggestions.

SECTION II CONCLUSIONS AND RECOMMENDATIONS

The Big Trout Condominium community is in the process of developing its reserves and have instituted a good program of maintenance. As of July 31 2009, the replacement reserve fund account balance for the Association was stated as \$194,513.36 (amount not audited), and contributions to the reserve fund were being made at an budgeted rate of \$3,696 per month (with \$18,480 to be contributed from August through December 2009). At present the fund is in “good” condition. The Association is currently 71% funded. Even with the current level of savings, we recommend that the Association increase their monthly member contributions to the reserve fund.

Starting in 2010, we recommend that the Association increase their monthly reserve contribution to a mean average rate of \$24.51 per unit per month (amounts will vary based upon percentage ownership). If implemented in 2010, the new contribution rate will be set at a level where it should not require any significant increases in the future. It will provide a financial platform for the Association to navigate expected repair and replacement costs over the projected period.

After the increase in 2010, we have suggested that the Association implement an annual inflation adjustment of 3.0% to their contribution levels. An annual increase to contributions should allow for reserves to remain in fully funded status for the duration of the thirty year projection period. This means that every year the fund would cover annual replacements and remain in a financially sound state to fund projected future replacements. If this course of action is taken, we have indicated a small surplus of \$1,125 remaining in the fund in 2039.

We would recommend the Association remain focused on the property’s maintenance and repair. We also warn against postponing necessary activities of repair and replacement which could impact upon the longevity of the building and the property’s finishes. With good management of its physical and financial resources, the Association has the capacity to maintain and improve upon the aesthetic appeal of the property and its common areas.

The projections of this Study are based on the Component Method. This is a method where the overall contribution amount is based upon the total sum cost of all the individual components

“A reserve study should be regarded as reasonable assurance that adequate funds are being accumulated for major replacements”

CONCLUSIONS AND RECOMMENDATIONS CONTINUED

(e.g. painting, seal coating of traffic areas, roofing and so forth). It is assumed that the Association will achieve their desired goal of being “fully funded,” by developing a funding plan where contributions offset anticipated and variable annual expenditures.

As indicated above, the recommended contribution level is based upon the assumption that the reserve account is to be “fully funded.” In other words, the reserve balances at the end of each year are calculated so that they not only fund the replacement of capital items scheduled for the current year, but that adequate funds are also being accumulated for full funding for replacement of other items in the future.

The “Percent Funded” equation is a basic measure of how well equipped an Association is in relation to managing current and future costs of repair and replacement. The Big Trout Condominium Association is currently 71% funded, and this represents a position which, in our opinion, is good for a property of this size and age.

For the purpose of this report, we have assumed a rate of inflation and interest. However, we recommend that these assumptions be reviewed annually to account for any changes to both inflation and interest rates. As highlighted in Schedule D (see APPENDIX), long term cash flow projections are very sensitive to changes in any of the rates over time, particularly inflation. Changes of only one or two points in the inflation rate over a long term causes wide swings in the projected cost of replacement of reserve items. For example, an increase in the inflation rate of only one percent (from 3.0% to 4.0%), with all other variables remaining the same, would require the accumulation over the 30-year projection term of **additional** reserves of approximately **\$1,406,034** by the year 2039, in order to replace reserve items on their projected schedules. To compensate for such an increase, the Association must be prepared to manage its funds wisely. Frequently, it becomes necessary to annually increase the contribution to reserves to counter the effect of inflation and reduction of reserves as items are replaced. In addition, reserve funds should be invested in a manner that maximizes earned interest.

CONCLUSIONS AND RECOMMENDATIONS CONTINUED

Although the local economy is currently experiencing deflation in the general price of goods and services, we have used an inflation rate of 3.0%. Albeit conservative, the assumed rate of inflation used in this report is based upon U.S Government statistics and projections², which reflect a higher average of inflation over the long-term. In our opinion, the current rate of inflation is more likely to increase than decrease in the future and it must also be noted that construction costs typically rise at a rate than that of the general economy. If the reserve balances are holding well, the Association can review and reduce reserve contributions if needed.

Association's invest their money in a variety of ways, using a range of investment options and financial products. Whether highly liquid or tied up in long-term CDs (certificates of deposit), the rate of return will vary considerably between Associations. For the purpose of this report, CDI has used a an interest rate of 2.75%.

Due to the sensitivity to inflation rates and interest rates we strongly recommend periodic reviews of the actual physical condition of reserve items, as well as the reserve balances. If inflation rates should increase significantly over the next five-year period, it may be necessary to revise the amount of annual contribution to reserves in order to accumulate adequate funds for the replacement of major items in the future. Periodic review of the actual physical condition of the reserve components may also suggest some necessary adjustments to reserve contributions.

Construction Decisions, Inc. recommends that, in addition to the physical condition and reserve balance reviews, the reserve projections be updated periodically. We recommend that projections be updated annually based upon actual current reserve balances and economic conditions (interest and inflation rates). This should be accomplished prior to the Association adopting new budgets. Every second or third year we recommend that a brief review of the physical conditions of the reserve components be conducted, then adjusting projections according to any changes in physical condition and life expectancy, as well as economic conditions. Because the

CONCLUSIONS AND RECOMMENDATIONS CONTINUED

information for Big Trout Condominium is in the CDI database, updated projections can be made quickly, and at a very reasonable cost.

Changes in Washington State Legislation, with the introduction of Senate Bill 6215 (SB 6215), have also increased the need for ongoing analysis and annual review of reserve accounts. Associations should be knowledgeable of the new requirements within SB 6215 and the implications for its members.

The inclusion in this Study of the following disclosure is required by Washington State Law:

"This reserve study should be reviewed carefully. It may not include all common and limited common element components that will require major maintenance, repair, or replacement in future years, and may not include regular contributions to a reserve account for the cost of such maintenance, repair, or replacement. The failure to include a component in a reserve study, or to provide contributions to a reserve account for a component, may, under some circumstances, require you to pay on demand as a special assessment your share of common expenses for the cost of major maintenance, repair, or replacement of a reserve component. "

WASHINGTON STATE LEGISLATION—SB 6215 passed by the House and Senate and amending the Revised Code of Washington, Chapter 64.34

SECTION III OBSERVATIONS AND COMMENTS

SITE ITEMS

THE GENERAL CONDITION of the property was observed during the inspections. Comments are made in this section referring to both capital reserve and non-reserve items.

SITE ITEMS ARE those components relating to the property's grounds apart from the occupied structures themselves.



Reserves will be set aside for the 2036 overlay event



ASPHALT RESURFACING

An asphalt overlay is generally required when serious surface or sub-grade deterioration has occurred, resulting in widespread surface cracking. In these instances, repairs should be made to any and all sections of the deteriorated asphalt. In addition, an application of 1-1/2" to 2" of asphalt overlay should be applied over the existing surface. As an alternative to a complete overlay, the Association may choose to apply a surface treatment or thin layer of asphalt. The choice of surfacing material used will depend upon how well the asphalt wears over the projection period. We have included funds in the projection for resurfacing to be completed in 2036.



Repairs and sealcoating are scheduled on a six-year cycle



ASPHALT PATCHING & SEAL COATING

The drive lanes and parking areas are asphalt based and in good condition. Normal expected life for asphalt is approximately 25 to 30 years. Asphalt can generally achieve its life expectancy if parking and drive areas are maintained and seal coated regularly. We recommend re-sealing at approximately six year intervals.

Seal coating protects asphalt from two primary enemies: water and ultraviolet sunlight. Sealing helps to prevent water from penetrating into fine cracks, which eventually expand and allow significant water penetration. Seal coating approximately every six years, with a high quality asphalt emulsion coat, will help reduce water penetration into the asphalt and subsequent sub-grade deterioration. Seal coating resists the effects of ultraviolet light, which breaks down asphalt. Seal coating extends the asphalt's effective life and reduces maintenance costs prior to the need to overlay the asphalt. We project limited repairs and full seal coating in two years (2011).

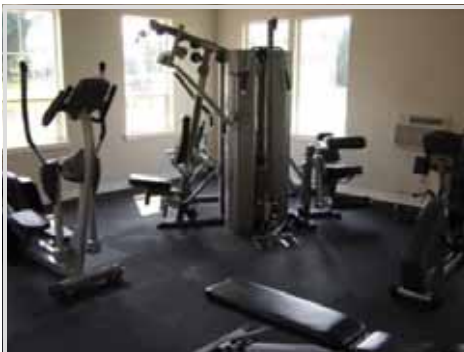
ASPHALT PATCHING & SEAL COATING CONTINUED



We recommend an annual review of the asphalt in the spring.

Even after applying seal coat, it is normal to assume that there may still be minor isolated cases of settling and “alligatoring” in the asphalt, particularly after very cold winters or winters with several freeze-thaw cycles. Minor repairs associated with these conditions are normally handled through the operating maintenance budget. In addition, we strongly recommend an annual crack sealing program incorporated as part of an annual preventative maintenance program.

We recommend an annual review of the asphalt in the spring. Any cracks that have opened as a result of winter rains or freeze-thaw cycles may be repaired by installing a hot applied crack sealer. This is, in our opinion, a maintenance budget item because, if conducted on a regular basis, it is a relatively low-cost item. It also is an effective means of limiting the spread of cracking, and thus extending the life of the asphalt.



The majority of the fitness equipment will last between five and fifteen years.



FITNESS EQUIPMENT

There is a fitness room located at the north end of the property next to the Association’s swimming pool. The equipment is of high quality (LifeSpan®, SportsArt® & Nautilus® brand), and with the exception of bearings, seat covers and hand grips that need to be periodically replaced., the majority of equipment will last between five and 15 years depending on use. In our experience, many Associations elect to replace their exercise equipment before the end of its useful life due to aesthetic considerations or a desire for newer, improved models. Because there are several machines in the room, phasing equipment replacement would be reasonable and will help in the overall accumulation of reserve dollars. We have projected \$11,500 in replacement costs at twelve year intervals.



The spa (above) will need to be resurfaced in approximately 10 to 12 years



SPA EQUIPMENT & RESURFACING

There is a spa located in the Association’s pool area. The spa should remain functional for the duration of the 30-year projection period, although it will require some repair, as well as replacement of the basic components.

SPA EQUIPMENT & RESURFACING CONTINUED

The spa's ceramic tile pool finish will require resurfacing at approximately eight to ten year intervals. The cost to resurface and set new tile on the spa has been projected at an estimated cost of \$5,500. Additional replacement items will include; replacement of the pool heater (\$2-3,000 every 5 to 12 years), spa pump (\$1,100 every 5 to 12 years), filter cartridge (\$600 every 3 to 4 years).

We have budgeted for costs of \$10,500 on an ongoing 10-year cycle to address any requirements associated repair and replacement needs.



The pool pumps, filters, motor and heater are all well maintained throughout both the Winter and Summer months



POOL EQUIPMENT

During our visit in August 2009, the condition of the pool was discussed with the maintenance contractor. We confirmed with the contractor that the pool (and the associated equipment) is in extremely good condition. The pool pumps, filters, motor and heater are all well maintained throughout both the Winter and Summer months. It is understood that the installation of the double main drain has also brought the Association up to code (although future code changes are likely).

We have scheduled for additional costs of \$3,000 to cover for the anticipated replacement of major items such as the motor (\$350), heat exchanger (\$600-800) and even the heater itself (\$2,000).

On this understanding, we have scheduled replacement costs on an ongoing eight-year cycle.



The pool walls will generally need to be re-plastered every 15 to 20 years



POOL RESURFACING

Swimming pools can be a relatively expensive component to maintenance and upgrade. Based on our experience, swimming pool walls will generally need to be re-plastered every 15 to 20 years. We assumed that the pool surface is approximately seven to 10 years old, and that there should be no repairs for some time. We have based projections on this understanding, and have scheduled for costs of \$12,000 (current dollars) in approximately 10 years. We would recommend that the condition of the pool surface be reviewed previous to that date, and the timing of re-plastering be adjusted if needed.

METAL FENCING



The perimeter fence that runs along the property line between the two developments is the responsibility of the Association



METAL FENCING

A 3 to 4 foot metal fence separates Big Trout Condominium from the neighboring property. The fence lies on the Association's side of the property line and is their responsibility. However, we do not expect that this type of garden style fence will require complete replacement at any given time. A phased approach is suggested in our projection, as we have included reserves for the ongoing replacement of fencing every 10-years. We have scheduled for costs of \$3,350 beginning in ten years (2019).



We have scheduled the replacement of the mail boxes in 17 years



USPS MAILBOXES

The metal mailboxes are US Postal Service standard, mounted on pedestals without a roof or other protection from the weather. No exterior damage was observed. This style of mailbox, under normal circumstances, should not require repairs or maintenance unless struck by a heavy object such as a car.

Replacement of the current cluster style mailboxes (with a similar make and style) would cost approximately \$1,300 each. Even though we don't anticipate that there is an immediate need to replace the existing mailboxes, we have scheduled for their replacement in approximately 17 years. We have conservatively projected for the replacement of the mailboxes on an ongoing 25-year cycle.



The Rain Bird® electronic times will require replacement at approximately 8-year intervals.



IRRIGATION SYSTEMS

Landscape irrigation systems typically contain mechanical valves that require occasional maintenance or replacement. These items, as well as sprinkler heads, have been factored in as ongoing costs for the Association. There are original Rain Bird® electronic timers that will require replacement at approximately eight-year intervals, but the costs are not significant enough to warrant establishing a separate reserve item and should be covered by the \$5,000 budgeted on an ongoing 10-year cycle.

If an as-built drawing of the irrigation system has not yet been prepared, we highly recommend the Association have one prepared by the current landscaping contractor. Sprinkler systems are frequently not installed exactly as indicated on the original landscaping plans. In addition, as changes in repairs are made

IRRIGATION SYSTEMS CONTINUED



Landscaping appears to be of a good standard and we would recommend the Association continue with their current program of maintenance..



LANDSCAPING

The landscaped areas at Big Trout consist of a variety of trees, plants, shrubs and lawns. The level of landscaping appears to be of a good standard, and we recommend that the Association continue on their current program of maintenance.

Due to the comprehensive breakdown of expenses covered under the landscaping category in the Association's 2009 budget, we see no need to add a further reserve category for landscaping. Expenses should be managed within the Association's annual maintenance budget.



Periodic repairs to concrete walks and the concrete stair treads will be required in the future.



CONCRETE REPAIRS

The concrete walkways and stair treads are in serviceable condition, and should not require a high degree of maintenance, even though periodic repairs may be required. For this purpose, we have scheduled for \$8,000 in repairs on an on-going basis.

Typically, repairs to walkways are required whenever the concrete slabs crack and twist to the point where there is a significant difference in elevation at each side of the crack to cause a trip hazard. Should this occur, we recommend immediate repair, as trip hazards are a liability for the association.

All other concrete surfaces are in generally good condition. As a maintenance measure, we would recommend re-sealing the concrete surfaces periodically to provide a wearing coat and protection against usage, weather and stains. We would recommend the Association introduce this as a regular maintenance item every 6-8 years.

SECTION III

BUILDING EXTERIOR

THE EXTERIOR SURFACES of buildings are typically the common component on a building that requires the greatest amount of preventative maintenance. Lack of attention to detail or deferring maintenance can result in a significant impact on replacement reserves.

FOUNDATIONS

The building foundations are concrete. We did not observe any inordinate cracking or settling that might indicate failure and we do not anticipate any requirement for major expenditure of funds allocated to the foundations.



Ongoing replacement of the vinyl has been anticipated to occur over the 30-year projection period.



VINYL SIDING REPLACEMENT

There are two types of vinyl siding materials including horizontal siding and vinyl shingle siding. During our site visit we did not have the opportunity to observe conditions behind the siding, to ensure the correct installation of building paper or other moisture barriers. For the purpose of this report, we assume the siding work was completed appropriately in 2000 and 2001. In general, the details appear to meet the Vinyl Siding Institute's (VSI) recommendations with appropriate flashing used where material transitions occur.

Even though vinyl siding generally carries a 50-year warranty against defects, we expect that there will be a need for replacement and repair in the interim. In our experience, siding will require the purchase and installation of quantities significant enough to warrant financial reserves. Typically, all building elevations should not require replacement at the same time, as siding on the southern and western exposures will generally have a shorter life. These exposures potentially become more brittle with UV exposure, and fade earlier than other areas. If the Association chooses to introduce limited repairs as recommended, it should plan to replace complete elevations and limit the replacement of 'sections' or individual panels. If not planned, on-going replacement can reduce the aesthetic appeal of the property (as building may have a "patched" appearance) and potentially reduce the value of individual units, and the overall property in general.



An example of limited repairs which gives a "patched" appearance to the building.

VINYL SIDING REPLACEMENT CONTINUED

We have budgeted for partial replacement of the current siding (including removal, disposal and replacement of the water resistant barrier and siding) on an ongoing 10-year cycle. Actual expenditure of this reserves amount will vary in timing, but by reserving funds as recommended, funds will remain available as needed for future replacement



The buildings should be washed at least every two-years



EXTERIOR CLEANING

It is important to keep vinyl siding material clean. The buildings should be washed at least every two years. If moss or other organic materials are allowed to accumulate on the building, these accumulations become more difficult to remove. We hesitate to recommend cleaning the vinyl with a pressure washer. However, cleaning the vinyl may require the use of a pressure washer. If this becomes necessary, washing with a low-pressure setting is recommended. The primary problem with pressure washers is the difficulty of using them without damaging the vinyl materials or inadvertently forcing water behind the vinyl panels. We also suggest that cleaning is incorporated as a maintenance budget line item every other year.



The complete replacement of the vinyl siding has been anticipated to occur in 2041



EXTERIOR PAINTING

Exterior painting of wood trim, including garage door frames, stair stringers, fascia boards and support beams should be completed on an 7- to 8-year cycle. We have planned for trim prep and re-painting and scheduled for painting cycle of the property's exterior surfaces at approximately seven-year intervals. We have allocated \$28,742 (in 2009 costs) in reserves for the on-going painting of the common area wood or metal items. We strongly recommend that specifications are prepared prior to the solicitation of any painting bids. Painting specifications should identify the different and varying details present on the buildings. The contractors should identify how the building will be cleaned (power washed, scraped, and or sanded), if paint chips are removed as part of this scope, the manufacturer and the type of paint and the number of coats applied. By providing this level of detail in the specification, the Association's representative will ensure all paint related items are included and that all painting contractors are submitting painting bids for the same items.



Replacement of the current roof is scheduled for 2026.



COMPOSITION ROOFING

The roofing at Big Trout Condominium is a GAF 30-year Laminate composition shingle. The 30-year designation on the material relates to the manufacturer's warranty. The actual life of the project may vary somewhat on either side of 30 years, depending upon specific conditions, quality of maintenance, etc. The surface of the roofing material should be kept free of moss and other organic materials. Allowing moss to accumulate on the roof can significantly reduce the life of the roofing product.

It is likely that the roofing material, for the most part, will achieve a 30-year life. In the projection, a 30-year term has been used, as it is reasonable to assume that as the 30-year life approaches it may be both necessary and practical to phase the new roofing. Replacement of the current roof has been staggered in an effort to afford the Association adequate time to fund the necessary costs.

The estimate cost does not take into account potential issues that may be encountered during replacement such as dry-rot, structural damage or corrections to the current system. Such costs are outside the scope of this estimate and would certainly add to the overall expense incurred. To address the potential need for having to completely replace the roofing structure, we would strongly recommend that the Association enter into an annual roofing maintenance contract so any early wear areas can be addressed.

Proper roof maintenance can have a significant effect on the life achieved. In the future we would suggest that the roof replacement sequence be re-evaluated every couple of years.

It is customary for gutters and downspouts to be replaced at the same time that the roofing is replaced. Those additional costs have been included in the roofing reserve funding for the projected 2026 re-roofing event.

Gutters and downspouts appear to be well designed, and no inordinate conditions were noted during our site visits. Clean-outs should be installed above the grade level to provide easier access for cleaning the below-grade tight lines.



Basic maintenance is important to extend the life of the roofing

EXTERIOR DECKS



All unit owners are responsible for maintaining their own individual decks

EXTERIOR DECKS

Decks are considered a Limited Common Area and are in this instance the responsibility of the individual owner. We have been advised by the Association, that all units will take responsibility for the maintenance and upkeep of their individual decks.

Even with the removal of responsibility, we would still like to highlight the Association's need to monitor the condition of decks. In our experience, elevated privacy decks are a component that typically requires relatively heavy maintenance and repairs throughout the life of the building. Regular deck inspections every two to three years, particularly after the first five-year life of the decks, should identify the decks requiring the most repair and the individual owners can be advised accordingly. We also recommend that the galvanized pipe railings be painted regularly to prevent rust.



Pull stations are located in the breezeways of the each three story buildings.

FIRE PROTECTION EQUIPMENT

Fire extinguishers are located in the breezeways of each building. Fire alarm pull handles and the 75 fire extinguishers must be confidence tested annually. Beyond mandatory annual testing, hydro-testing or replacement is required on a 12-year cycle.

Pull-stations and alarms are located at each of the three story buildings. For the purpose of this report we assume that the installation and maintenance of this equipment is to code and in accordance with the manufacturer's guidelines.

Costs for the replacement of fire related equipment and fire extinguishes have not been included as part of this report. Due to ongoing maintenance and repair of these items, they should be managed within the Association's annual operating budget.



Dryer vents should be cleaned every 2-4 years as part of regular maintenance.

DRYER VENTS

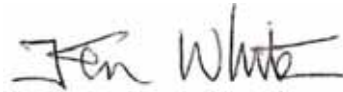
Dryer vents should be cleaned regularly to prevent accumulation of lint in vent pipes, which can become a fire hazard. Homeowners should be reminded to regularly clean dryer vents and to change dryer filters. Heavy usage can continue to result in accumulations of lint in vent lines or at vent openings of individual units. We rec-

DRYER VENTS CONTINUED

ommend this maintenance item that should be conducted approximately every three years. We noted some accumulation of lint at several of the dryer vents.

END OF REPORT

Respectfully submitted,

A handwritten signature in black ink that reads "Ken White". The signature is written in a cursive, slightly stylized font.

Ken White AIA Reserve Specialist
Architect
President CONSTRUCTION DECISIONS, INC.

SECTION IV STATEMENT OF LIMITATIONS

Certain limitations apply to any inspection, including those diligently performed by a qualified expert. The limitations on this inspection include those discussed throughout the report, together with those listed in the following paragraphs. If you make any use of the information contained in this report, it is necessary that you understand and accept these limitations. **IF THESE LIMITATIONS ARE UNACCEPTABLE TO YOU, YOU SHOULD NOT RELY ON THE INFORMATION IN THIS REPORT.**

Statements, representations, or conclusions offered by the inspector who conducts the inspection and/or by Construction Decisions, Inc. are based solely upon a visual examination of the exposed areas of the structure inspected. Hidden defects could have a significant impact on the visually based conclusions, statements and representations made by the inspector.

If an item is not mentioned in the report, it should be assumed that it was not inspected. If an item that you feel is important has not been mentioned, you should request that the inspector revisit the site to perform additional work at additional cost.

Personal safety hazards are often mentioned in our reports. However, identification of every possible personal safety hazard is not the purpose of this inspection and report and is beyond its scope. Personal safety hazards may exist without being noted in this report.

This inspection does not include an inspection for construction materials or any other substances, which might be hazardous to health; such materials or substances may be present and not noted in this report. In some cases, the presence of hazardous materials may be noted in the report, but this should not be interpreted as a complete list of hazardous materials or their locations. This inspection does not include any evaluation of air or water quality. Asbestos, lead, radon, ozone, formaldehyde or other hazardous substances may be present and not noted in this report.

Any mechanical equipment, which is inspected, is checked for operability only and may contain undisclosed defects, which impair its usefulness, safety or durability.

Any statements, representations or conclusions offered by the inspector are the considered opinion of the inspector, but these statements, representations, or conclusions do not constitute an express or implied warranty of any kind. Construction Decisions, Inc., its officers, employees, and agents (collectively CDI) shall not be liable for any direct, special, incidental, or consequential damages under any circumstances whatsoever, whether arising in tort, negligence or contract, nor for any loss, claim, expense, or damage caused by or arising out of CDI inspection of a property.

The sole remedy for material errors made in the inspection or contained in this report shall be the refund of the inspection fee paid. CDI shall not indemnify or hold others harmless for any loss, claim, expense, or damage arising out of CDI's inspection of a property.

Any estimates of cost to remedy, of deferred maintenance, or of any other deficiency or required corrective action are exactly that—ESTIMATES—and represent no guarantee that the identified work can be performed for the estimated dollar amount.

SECTION V GLOSSARY OF TERMS

COMPONENT	The individual line items in the Reserve Study which are included in the Physical Analysis. These elements form the building blocks for the Reserve Study.
ESTIMATED USEFUL LIFE	The estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed in its present application or installation.
FULLY FUNDED	When the actual (or projected) Reserve balance is equal to the Fully Funded Balance.
FULLY FUNDED BALANCE (FFB)	<p>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, then summed together for an Association total.</p> $\text{FFB} = \text{Current Cost} \times \text{Effective Age} / \text{Useful Life}$
PERCENT FUNDED	The ratio, at a particular point of time, of the actual Reserve Balance to the Fully Funded Balance (FFB), expressed as a percentage.
REMAINING USEFUL LIFE	<p>The estimated time, in years, that a Reserve Component can be expected to continue to service its intended function. Projects anticipated to occur in the initial year have a “zero” Remaining Life.</p> <p>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 the current year.</p>
UNIT COST ESTIMATE	Various units of measure have been used as the quantify the amounts and costs in relation to each reserve component. Below are the key units used as part of this report.
UNIT OF MEASURE	<p><u>SF = Square Foot</u> <u>SY = Square Yard</u> <u>LF = Linear Foot</u> <u>SQUARE = 100 Square Feet (Roofing)</u></p>

SECTION VI SCHEDULES AND CHARTS

SCHEDULE A

Life and Current Replacement Cost Schedule

SCHEDULE B

Future Replacement Cost and Funding Schedule

SCHEDULE C -1

RECOMMENDED Replacement Reserve Cash Flow Projection using an annual inflation rate of 3.0%.

SCHEDULE C -2

Replacement Reserve Cash Flow Projection if the using an annual inflation rate of 4.0%, with all other factors remaining constant.

SCHEDULE D

Scenario Summary Under Varying Assumptions

CHART

A thirty-year illustration of the projected annual reserve contributions, expenditures and balances reflected in Schedule C - 1.

SCHEDULE A

BIG TROUT CONDOMINIUM -- 30-YEAR REPLACEMENT RESERVE STUDY LIFE AND CURRENT REPLACEMENT COST SCHEDULE

AUGUST 2009



COMPONENT *	Quantity	Unit of Measure	% of Quantity Replaced	Estimated Useful Life in Years	Replacement Cycle	Remaining Life-- Years	Unit Cost Estimate	Current Replacement Cost
Site Items								
Asphalt Resurfacing	115,400	SF	100%	35	35	27	\$1.90	\$219,260
Asphalt limited patching, seal coating	115,400	SF	100%	6	6	2	\$0.30	\$34,620
Fitness Equipment	1	Lump Sum	100%	12	12	12	\$11,500	\$11,500
Spa Equipment & Resurfacing	1	Lump Sum	100%	10	10	10	\$10,500	\$10,500
Pool Equipment	1	Lump Sum	100%	8	8	8	\$4,100	\$4,100
Pool Resurfacing	1	Lump Sum	100%	15	15	10	\$12,000	\$12,000
Fencing (Property line)	1,675	LF	25%	40	10	10	\$8	\$3,350
USPS Mailboxes	16	Each	100%	25	25	17	\$1,300	\$20,800
Irrigation systems	1	Lump Sum	100%	10	10	10	\$5,000	\$5,000
Concrete repairs	1	Lump Sum	100%	10	10	10	\$8,000	\$8,000
Building Exterior								
Vinyl siding Replacement	162,115	SF	25%	40	10	8	\$5	\$182,380
Exterior Painting (trim and rails)	14	Per building	100%	7	7	5	\$2,053	\$28,742
Composition Roofing	1,895	SQUARES	100%	25	25	17	\$240	\$454,800

* See report text for explanation of replacement cycles.

SCHEDULE B
BIG TROUT CONDOMINIUM -- 30-YEAR REPLACEMENT RESERVE STUDY
FUTURE REPLACEMENT COST AND FUNDING SCHEDULE
AUGUST 2009



Inflation Rate = 3.00%		1st	Am't to	2nd	Am't to	3rd	Am't to	4th	Am't to
COMPONENT		Funding	fund--	Funding	fund	Funding	fund--	Funding	fund--
		Year	Infl. adj'td	Year	Infl. adj'td	Year	Infl. adj'td	Year	Infl. adj'td
Site Items									
Asphalt Resurfacing		2036	\$487,040						
Asphalt limited patching, seal coating		2011	\$36,728	2017	\$43,856	2023	\$52,366	2029	\$62,528
Fitness Equipment		2021	\$16,396	2033	\$23,377				
Spa Equipment & Resurfacing		2019	\$14,111	2029	\$18,964	2039	\$25,486		
Pool Equipment		2017	\$5,194	2025	\$6,579	2033	\$8,334		
Pool Resurfacing		2019	\$16,127	2034	\$25,125				
Fencing (Property line)		2019	\$4,502	2029	\$6,050	2039	\$8,131		
USPS Mailboxes		2026	\$34,379						
Irrigation systems		2019	\$6,720	2029	\$9,031	2039	\$12,136		
Concrete repairs		2019	\$10,751	2029	\$14,449	2039	\$19,418		
Building Exterior									
Vinyl siding Replacement		2017	\$231,033	2027	\$310,489	2037	\$417,271		
Exterior Painting (trim and rails)		2014	\$33,320	2021	\$40,979	2028	\$50,399	2035	\$61,985
Composition Roofing		2026	\$751,715						

SCHEDULE D
BIG TROUT CONDOMINIUM -- 30-YEAR REPLACEMENT RESERVE STUDY
SCENARIO SUMMARY UNDER VARYING ASSUMPTIONS
AUGUST 2009



Assumptions	Scenario 1	Scenario 2	Scenario 3
	SEE SCHEDULE C-1	SEE SCHEDULE C-2	
Inflation Rate	3.00%	4.00%	3.00%
Interest Rate	2.75%	2.75%	2.75%
Beginning Reserve Fund Balance	\$194,513	\$194,513	\$194,513
Annual Contribution Increase (See Schedules C-1 & C-2)	Recommended increase & 3% from 2011 thru 2039	Recommended increase & 3% from 2011 thru 2039	No ANNUAL contribution increases
Results			
Projected Reserve Balance at End of Projection Term	\$1,125 SURPLUS in 2039	(\$1,404,909) SHORTAGE IN 2039	(\$2,309,509) SHORTAGE IN 2039
Average Contribution per unit, per month in 2009	\$16.50	\$16.50	\$16.50
Average Contribution per unit, per month in 2039	\$56.07	\$56.07	\$16.50

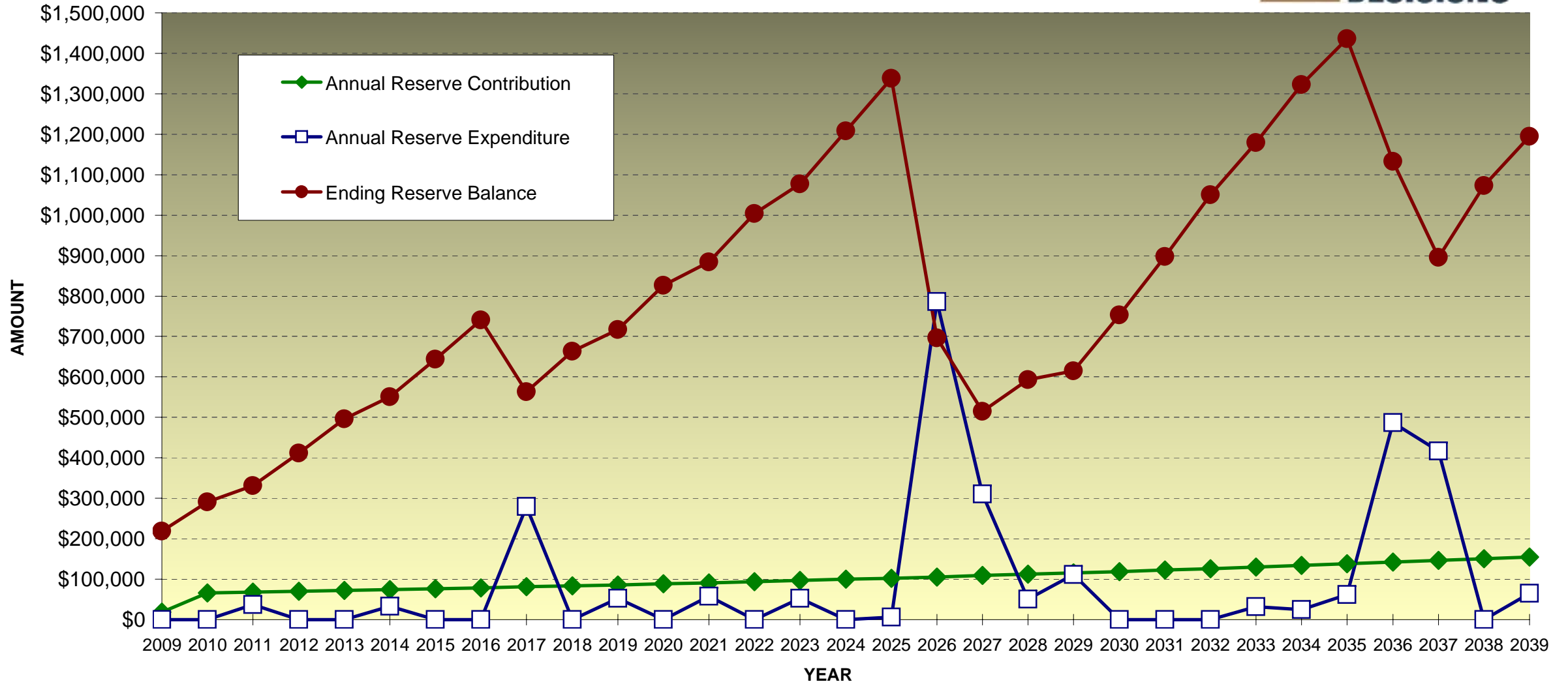
Note: Shaded cells = "most likely" scenario used in Cash Flow Projection (Schedule C-1). Scenario 2 shows Schedule C-2 data.

SCENARIO DESCRIPTIONS

- Scenario 1. Reserve contribution determined by finding the amount which produces recommended reserves at end of period (2039) using "most likely" inflation and interest rates by increasing the contribution to a rate of \$24.51 per unit per month in 2010 and then by 3% annually from 2011 through 2039.
- Scenario 2. Effect of a one percent increase in inflation rate over the previous scenario, with all other factors remaining constant.
- Scenario 3. Effect of no annual contribution increases over the projection period, with all other factors remaining constant.

CHART

BIG TROUT CONDOMINIUM
ANNUAL RESERVE CONTRIBUTIONS, EXPENDITURES, AND BALANCES
 (Based upon Schedule C-1 Projections)



BIG TROUT CONDOMINIUM

Replacement Reserve Study
 AUGUST 2009

APPENDIX