Sterling Woods, LLC

February 5, 2025 • Port Jefferson Station, NY

FULL RESERVE STUDY

RESERVE™ ADVISORS

Long-term thinking. Everyday commitment.

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Long-term thinking. Everyday commitment.

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

Sterling Woods, LLC
Port Jefferson Station, New York

Dear Board of Directors of Sterling Woods, LLC:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of Sterling Woods, LLC in Port Jefferson Station, New York and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, February 5, 2025.

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

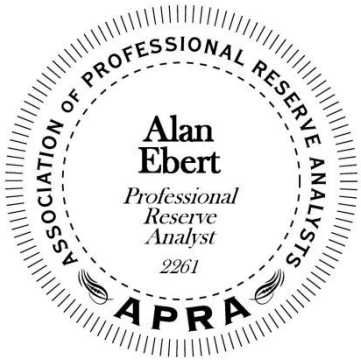
An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. We look forward to continuing to help Sterling Woods,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

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

Respectfully submitted on February 28, 2025 by

Reserve Advisors, LLC

Visual Inspection and Report by: Gene J. Kim, RS[1]
Review by: Stephen E. Breski, RS, Northeast Region Quality Assurance
Alan M. Ebert, RS, PRA[2], Director of Quality Assurance



[1] RS (Reserve Specialist) is the reserve provider professional designation of the Community Associations Institute (CAI) representing America's more than 300,000 condominium, cooperative and homeowners associations.

[2] PRA (Professional Reserve Analyst) is the professional designation of the Association of Professional Reserve Analysts. Learn more about APRA at http://www.apra-usa.com.

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1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Sterling Woods, LLC (Sterling Woods)
Location: Port Jefferson Station, New York
Reference: 232892

Property Basics: Sterling Woods, LLC is a townhome style development which consists of 61 units in 20 buildings. The community was built from 2001 to 2002.

Reserve Components Identified: 26 Reserve Components.

Inspection Date: February 5, 2025.

Funding Goal: The Funding Goal of this Reserve Study is to maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures. Our recommended Funding Plan recognizes these threshold funding years in 2028 and 2051 due to the replacement of the asphalt shingle roof assemblies.

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

- Current and future local costs of replacement
- 3.5% anticipated annual rate of return on invested reserves
- 3.0% future Inflation Rate for estimating Future Replacement Costs

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

Unaudited Cash Status of Reserve Fund:

- $275,731 as of February 15, 2025
- 2025 budgeted Reserve Contributions of $223,260

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

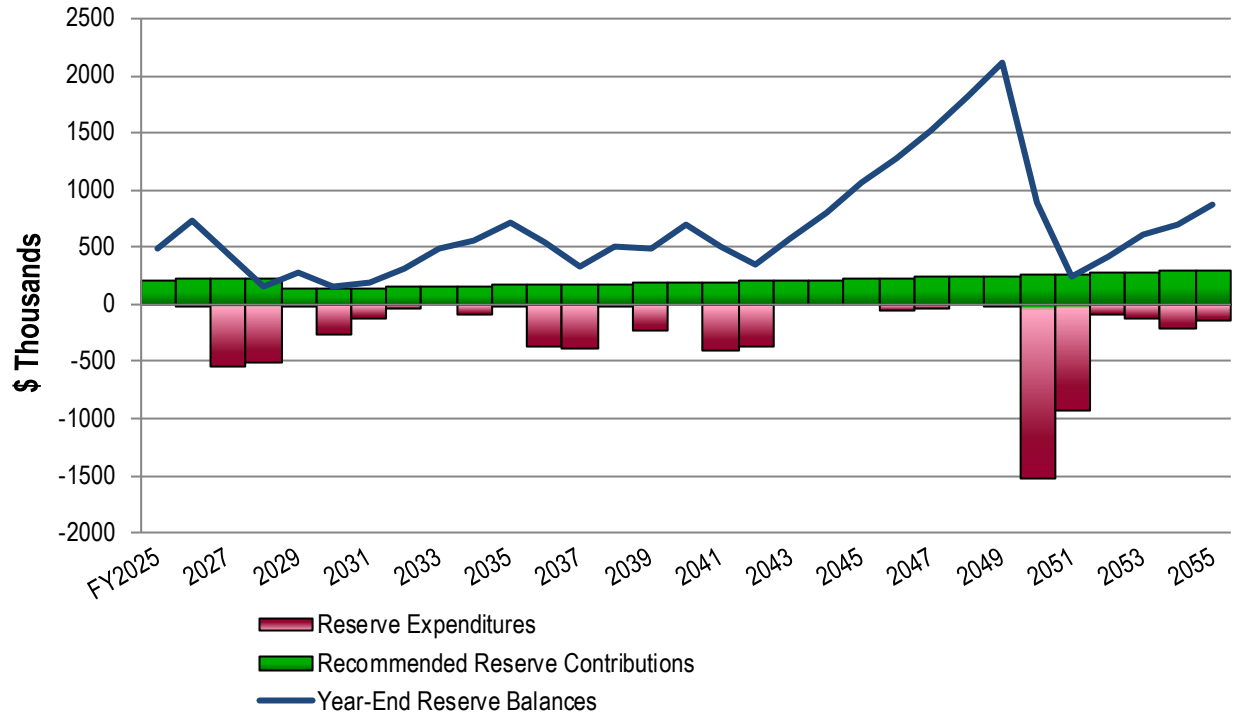
- Replacement of the asphalt shingle roof assemblies, including gutters and downspouts
- Replacement of the life safety systems
- Repaving of the street and parking areas
- Replacement of the irrigation system pumps
- Replacement of the lift station generator

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

- Stable contributions of $224,000 from 2026 through 2028
- Decrease to $137,000 by 2029 due to fully funding for replacement of the asphalt shingle roof assemblies
- Inflationary increases thereafter through 2055, the limit of this study's Cash Flow Analysis
- Initial adjustment in Reserve Contributions of $740 represents an average monthly increase of $1.01 per owner and about a less than one percent (0.1%) adjustment in the 2025 Total Budget of $636,108.

Sterling Woods
Recommended Reserve Funding Table and Graph

Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)
2026	224,000	729,415	2036	168,500	532,127	2046	226,500	1,270,000
2027	224,000	427,452	2037	173,600	332,107	2047	233,300	1,513,620
2028	224,000	155,630	2038	178,800	503,350	2048	240,300	1,811,102
2029	137,000	280,662	2039	184,200	482,034	2049	247,500	2,110,189
2030	141,100	162,048	2040	189,700	691,925	2050	254,900	890,703
2031	145,300	192,706	2041	195,400	506,928	2051	262,500	237,674
2032	149,700	312,840	2042	201,300	346,251	2052	270,400	423,937
2033	154,200	480,688	2043	207,300	569,298	2053	278,500	602,492
2034	158,800	559,879	2044	213,500	806,460	2054	286,900	696,629
2035	163,600	719,273	2045	219,900	1,058,434	2055	295,500	872,510



2. RESERVE STUDY REPORT

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

Sterling Woods, LLC

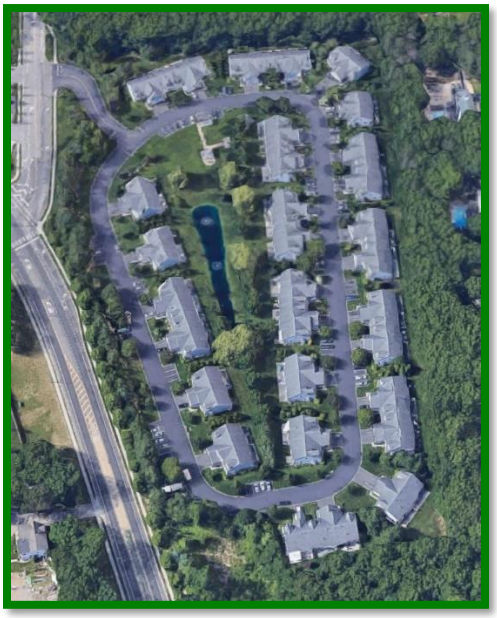
Port Jefferson Station, New York

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, February 5, 2025.

We present our findings and recommendations in the following report sections and spreadsheets:

- **Identification of Property -** Segregates all property into several areas of responsibility for repair or replacement
- **Reserve Expenditures -** Identifies reserve components and related quantities, useful lives, remaining useful lives and future reserve expenditures during the next 30 years
- **Reserve Funding Plan -** Presents the recommended Reserve Contributions and year-end Reserve Balances for the next 30 years
- **Five-Year Outlook -** Identifies reserve components and anticipated reserve expenditures during the first five years
- **Reserve Component Detail -** Describes the reserve components, includes photographic documentation of the condition of various property elements, describes our recommendations for repairs or replacement, and includes detailed solutions and procedures for replacements for the benefit of current and future board members
- **Methodology -** Lists the national standards, methods and procedures used to develop the Reserve Study
- **Definitions -** Contains definitions of terms used in the Reserve Study, consistent with national standards
- **Professional Service Conditions -** Describes Assumptions and Professional Service Conditions
- **Credentials and Resources**

IDENTIFICATION OF PROPERTY



Our investigation includes Reserve Components or property elements as set forth in your Declaration or which were identified as part of your request for proposed services. The Expenditure tables in Section 3 list the elements contained in this study. Our analysis begins by segregating the property elements into several areas of responsibility for repair and replacement.

Our process of identification helps assure that future boards and the management team understand whether reserves, the operating budget or Owners fund certain replacements and assists in preparation of the annual budget. We derive these segregated classes of property from our review of the information provided by the Association and through conversations with Management and the Board. These classes of property include:

- Reserve Components
- Long-Lived Property Elements
- Operating Budget Funded Repairs and Replacements
- Property Maintained by Owners
- Property Maintained by Others

We advise the Board conduct an annual review of these classes of property to confirm its policy concerning the manner of funding, i.e., from reserves or the operating budget. Reserve Components are defined by CAI as property elements with:

- Sterling Woods responsibility
- Limited useful life expectancies
- Predictable remaining useful life expectancies
- Replacement cost above a minimum threshold

The following tables depict the items excluded from the Reserve Expenditure plan:

Excluded Components

for
Sterling Woods
LLC
Port Jefferson Station, New York

Operating Budget Components

Repairs normally funded through the Operating Budget and Expenditures less than $5,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)

The operating budget provides money for the repair and replacement of certain Reserve Components. The Association may develop independent criteria for use of operating and reserve funds.

- Catch Basins, Landscape
- Doors, Storage Shed and Lift Station Shed
- Irrigation System, Controls and Maintenance
- Landscape, General Maintenance
- Paint Finishes, Touch Up, Trim
- Pond, Liner, Partial Replacement
- Railings, Vinyl, Stoops
- Septic System (The Association is responsible for thirteen percent (13%) of all related maintenance, repairs and replacement of the septic system. Separate entities are responsible for the remaining eighty-seven percent (87%))
- Signage, Street and Traffic
- Site Furniture, At Pergola and Gazebo

Long-Lived Components

These elements may not have predictable Remaining Useful Lives or their replacement may occur beyond the scope of this study. The operating budget should fund infrequent repairs. Funding untimely or unexpected replacements from reserves will necessitate increases to Reserve Contributions. Periodic updates of this Reserve Study will help determine the merits of adjusting the Reserve Funding Plan.	Useful Life	Estimated Cost
• Electrical Systems, Common	to 70+	N/A
• Foundations	Indeterminate	N/A
• Pipes, Subsurface Utilities	to 85+	N/A
• Structural Frames	Indeterminate	N/A

Excluded Components

for
Sterling Woods
LLC
Port Jefferson Station, New York

Owners Responsibility Components
Certain items have been designated as the responsibility of the Owners to repair or replace at their cost, including items billed back.
• Electrical Systems (Including Circuit Protection Panels)
• Garage Doors and Operators
• Heating, Ventilating and Air Conditioning (HVAC) Units
• Interiors
• Patios
• Pipes (Within Units)
• Windows and Doors

Others Responsibility Components
Certain items have been designated as the responsibility of Others to repair or replace.
• Fence, Chain Link, South Perimeter (Municipality)
• Fences, Vinyl and Wood, East Perimeter (Neighboring Property)
• Septic System (The Association is responsible for thirteen percent (13%) of all related maintenance, repairs and replacement of the septic system. Separate entities are responsible for the remaining eighty-seven percent (87%))

3. RESERVE EXPENDITURES and FUNDING PLAN

The tables following this introduction present:

Reserve Expenditures

- Line item numbers
- Total quantities
- Quantities replaced per phase (in a single year)
- Reserve component inventory
- Estimated first year of event (i.e., replacement, application, etc.)
- Life analysis showing
  - useful life
  - remaining useful life
- 2025 local cost of replacement
  - Per unit
  - Per phase
  - Replacement of total quantity
- Percentage of future expenditures anticipated during the next 30 years
- Schedule of estimated future costs for each reserve component including inflation

Reserve Funding Plan

- Reserves at the beginning of each year
- Total recommended reserve contributions
- Estimated interest earned from invested reserves
- Anticipated expenditures by year
- Anticipated reserves at year end

Five-Year Outlook

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

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

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

Years 2025 to 2040

RESERVE EXPENDITURES

Sterling Woods, LLC

Port Jefferson Station, New York

Explanatory Notes:

1) **3.0% is the estimated Inflation Rate for estimating Future Replacement Costs.**
2) **FY2025 is Fiscal Year beginning January 1, 2025 and ending December 31, 2025.**

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years Useful	Remaining	Costs, $ Unit (2025)	Per Phase (2025)	Total (2025)	Percentage of Future Expenditures	RUL = 0 FY2025	1 2026	2 2027	3 2028	4 2029	5 2030	6 2031	7 2032	8 2033	9 2034	10 2035	11 2036	12 2037	13 2038	14 2039	15 2040
				Exterior Building Elements																							
1.180	20	20	Each	Doors, Fire Control Panel Rooms	2031	to 30	6	1,500.00	30,000	30,000	**0.5%**							35,822									
1.240	5,100	2,550	Linear Feet	Gutters and Downspouts, Aluminum, Remaining Original, Phased	2027	20 to 25	2 to 3	19.50	49,725	99,450	**4.9%**			52,753	54,336												
1.241	750	750	Linear Feet	Gutters and Downspouts, Aluminum, Replaced	2046	20 to 25	21	19.50	14,625	14,625	**0.4%**																
1.280	1,080	540	Squares	Roofs, Asphalt Shingles, Phased	2027	20 to 25	2 to 3	670.00	361,800	723,600	**35.3%**			383,834	395,349												
1.860	51,900	25,950	Square Feet	Walls, Siding, Vinyl, Phased	2036	to 35	11 to 12	10.50	272,475	544,950	**11.7%**												377,169	388,484			
				Building Services Elements																							
3.560	2	1	Allowance	Life Safety Systems, Control Panels and Emergency Devices, Phased	2027	to 25	2 to 3	43,000.00	43,000	86,000	**4.4%**			45,619	46,987												
				Property Site Elements																							
4.020	9,850	9,850	Square Yards	Asphalt Pavement, Crack Repair, Patch, and Striping	2026	3 to 5	1	0.80	7,880	7,880	**1.2%**		8,116				1,623				8,455				11,572		
4.040	1,750	1,750	Square Yards	Asphalt Pavement, Driveways, Total Replacement	2034	15 to 20	9	39.00	68,250	68,250	**3.8%**										89,051						
4.041	8,100	8,100	Square Yards	Asphalt Pavement, Street and Parking Areas, Mill and Overlay	2030	15 to 20	5	18.50	149,850	149,850	**2.6%**						173,717										
4.042	8,100	8,100	Square Yards	Asphalt Pavement, Street and Parking Areas, Total Replacement	2050	15 to 20	25	39.00	315,900	315,900	**10.1%**																
4.100	18	18	Each	Catch Basins, Inspections and Capital Repairs	2030	15 to 20	5	1,100.00	19,800	19,800	**0.3%**						22,954										
4.110	4,700	4,700	Linear Feet	Curbs, Granite	2030	to 65	5	1.50	7,050	7,050	**0.7%**						8,173								10,353		
4.260	610	610	Linear Feet	Fences, Vinyl, Privacy	2032	20 to 25	7	51.00	31,110	31,110	**0.6%**								38,261								
4.360	1	1	Each	Gazebo	2029	to 25	4	9,500.00	9,500	9,500	**0.5%**					10,692											
4.410	2	2	Each	Irrigation System, Pumps	2027	to 20	2	9,800.00	19,600	19,600	**0.9%**			20,794													
4.420	2	1	Allowance	Irrigation System, Replacement, Phased	2041	to 40+	16 to 17	220,000.00	220,000	440,000	**10.9%**																
4.530	1	1	Each	Lift Station, Generator, Emergency (incl. transfer switch)	2027	to 30	2	32,500.00	32,500	32,500	**0.5%**			34,479													
4.540	2	2	Each	Lift Station, Pumps	2041	to 10	16	11,000.00	22,000	22,000	**1.3%**																
4.550	1	1	Each	Lift Station, Rebuild	2031	to 30	6	38,000.00	38,000	38,000	**0.7%**							45,374									
4.560	15	15	Each	Light Poles and Fixtures	2030	to 25	5	3,500.00	52,500	52,500	**2.9%**						60,862										
4.600	4	4	Each	Mailbox Stations	2028	to 25	3	2,100.00	8,400	8,400	**0.4%**				9,179												
4.620	7,950	7,950	Square Feet	Pavers, Masonry, Resetting and Partial Replacements	2039	to 25	14	18.50	147,075	147,075	**3.4%**															222,464	
4.700	1	1	Each	Pond, Aerator	2027	10 to 15	2	7,900.00	7,900	7,900	**0.6%**			8,381													
4.730	920	920	Square Yards	Pond, Sediment Removal	2031	to 30	6	36.00	33,120	33,120	**0.6%**							39,547									
4.790	1	1	Each	Shade Structure	2035	to 25	10	19,500.00	19,500	19,500	**0.4%**											26,206					
4.800	2	2	Each	Signage, Community Identification, Renovation	2029	15 to 20	4	3,900.00	7,800	7,800	**0.4%**					8,779											
				Anticipated Expenditures, By Year ($6,561,207 over 30 years)								0	8,116	545,860	505,851	19,471	267,329	120,743	38,261	0	97,506	26,206	377,169	388,484	21,925	222,464	0

RESERVE EXPENDITURES

Sterling Woods, LLC

Port Jefferson Station, New York

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years Useful	Remaining	Costs, $ Unit (2025)	Per Phase (2025)	Total (2025)	Percentage of Future Expenditures	16 2041	17 2042	18 2043	19 2044	20 2045	21 2046	22 2047	23 2048	24 2049	25 2050	26 2051	27 2052	28 2053	29 2054	30 2055
				Exterior Building Elements																						
1.180	20	20	Each	Doors, Fire Control Panel Rooms	2031	to 30	6	1,500.00	30,000	30,000	**0.5%**															
1.240	5,100	2,550	Linear Feet	Gutters and Downspouts, Aluminum, Remaining Original, Phased	2027	20 to 25	2 to 3	19.50	49,725	99,450	**4.9%**										104,113	107,237				
1.241	750	750	Linear Feet	Gutters and Downspouts, Aluminum, Replaced	2046	20 to 25	21	19.50	14,625	14,625	**0.4%**						27,207									
1.280	1,080	540	Squares	Roofs, Asphalt Shingles, Phased	2027	20 to 25	2 to 3	670.00	361,800	723,600	**35.3%**										757,529	780,255				
1.860	51,900	25,950	Square Feet	Walls, Siding, Vinyl, Phased	2036	to 35	11 to 12	10.50	272,475	544,950	**11.7%**															
				Building Services Elements																						
3.560	2	1	Allowance	Life Safety Systems, Control Panels and Emergency Devices, Phased	2027	to 25	2 to 3	43,000.00	43,000	86,000	**4.4%**												95,515	98,381		
				Property Site Elements																						
4.020	9,850	9,850	Square Yards	Asphalt Pavement, Crack Repair, Patch, and Striping	2026	3 to 5	1	0.80	7,880	7,880	**1.2%**		13,024				14,659				2,931					15,271
4.040	1,750	1,750	Square Yards	Asphalt Pavement, Driveways, Total Replacement	2034	15 to 20	9	39.00	68,250	68,250	**3.8%**															160,836
4.041	8,100	8,100	Square Yards	Asphalt Pavement, Street and Parking Areas, Mill and Overlay	2030	15 to 20	5	18.50	149,850	149,850	**2.6%**															
4.042	8,100	8,100	Square Yards	Asphalt Pavement, Street and Parking Areas, Total Replacement	2050	15 to 20	25	39.00	315,900	315,900	**10.1%**										661,424					
4.100	18	18	Each	Catch Basins, Inspections and Capital Repairs	2030	15 to 20	5	1,100.00	19,800	19,800	**0.3%**															
4.110	4,700	4,700	Linear Feet	Curbs, Granite	2030	to 65	5	1.50	7,050	7,050	**0.7%**						13,115									16,614
4.260	610	610	Linear Feet	Fences, Vinyl, Privacy	2032	20 to 25	7	51.00	31,110	31,110	**0.6%**															
4.360	1	1	Each	Gazebo	2029	to 25	4	9,500.00	9,500	9,500	**0.5%**															22,387
4.410	2	2	Each	Irrigation System, Pumps	2027	to 20	2	9,800.00	19,600	19,600	**0.9%**							37,556								
4.420	2	1	Allowance	Irrigation System, Replacement, Phased	2041	to 40+	16 to 17	220,000.00	220,000	440,000	**10.9%**	353,035	363,626													
4.530	1	1	Each	Lift Station, Generator, Emergency (incl. transfer switch)	2027	to 30	2	32,500.00	32,500	32,500	**0.5%**															
4.540	2	2	Each	Lift Station, Pumps	2041	to 10	16	11,000.00	22,000	22,000	**1.3%**	35,304										47,445				
4.550	1	1	Each	Lift Station, Rebuild	2031	to 30	6	38,000.00	38,000	38,000	**0.7%**															
4.560	15	15	Each	Light Poles and Fixtures	2030	to 25	5	3,500.00	52,500	52,500	**2.9%**															127,431
4.600	4	4	Each	Mailbox Stations	2028	to 25	3	2,100.00	8,400	8,400	**0.4%**													19,219		
4.620	7,950	7,950	Square Feet	Pavers, Masonry, Resetting and Partial Replacements	2039	to 25	14	18.50	147,075	147,075	**3.4%**															
4.700	1	1	Each	Pond, Aerator	2027	10 to 15	2	7,900.00	7,900	7,900	**0.6%**	12,677														19,175
4.730	920	920	Square Yards	Pond, Sediment Removal	2031	to 30	6	36.00	33,120	33,120	**0.6%**															
4.790	1	1	Each	Shade Structure	2035	to 25	10	19,500.00	19,500	19,500	**0.4%**															
4.800	2	2	Each	Signage, Community Identification, Renovation	2029	15 to 20	4	3,900.00	7,800	7,800	**0.4%**									15,856						
				Anticipated Expenditures, By Year ($6,561,207 over 30 years)								401,016	376,651	0	0	0	54,981	37,556	0	15,856	1,525,998	934,936	95,515	117,599	215,107	146,607

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS
Sterling Woods, LLC

Individual Reserve Budgets & Cash Flows for the Next 30 Years

Port Jefferson Station, New York		FY2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Reserves at Beginning of Year	*(Note 1)*	275,731	492,515	729,415	427,452	155,630	280,662	162,048	192,706	312,840	480,688	559,879	719,273	532,127	332,107	503,350	482,034
Total Recommended Reserve Contributions	*(Note 2)*	**204,655**	**224,000**	**224,000**	**224,000**	**137,000**	**141,100**	**145,300**	**149,700**	**154,200**	**158,800**	**163,600**	**168,500**	**173,600**	**178,800**	**184,200**	**189,700**
Estimated Interest Earned, During Year	*(Note 3)*	12,129	21,016	19,897	10,028	7,504	7,614	6,101	8,695	13,648	17,897	22,000	21,523	14,864	14,369	16,948	20,191
Anticipated Expenditures, By Year		0	(8,116)	(545,860)	(505,851)	(19,471)	(267,329)	(120,743)	(38,261)	0	(97,506)	(26,206)	(377,169)	(388,484)	(21,925)	(222,464)	0
Anticipated Reserves at Year End		$492,515	$729,415	$427,452	$155,630 *(NOTE 5)*	$280,662	$162,048	$192,706	$312,840	$480,688	$559,879	$719,273	$532,127	$332,107	$503,350	$482,034	$691,925

(continued)

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

	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055
Reserves at Beginning of Year	691,925	506,928	346,251	569,298	806,460	1,058,434	1,270,000	1,513,620	1,811,102	2,110,189	890,703	237,674	423,937	602,492	696,629
Total Recommended Reserve Contributions	**195,400**	**201,300**	**207,300**	**213,500**	**219,900**	**226,500**	**233,300**	**240,300**	**247,500**	**254,900**	**262,500**	**270,400**	**278,500**	**286,900**	**295,500**
Estimated Interest Earned, During Year	20,619	14,674	15,747	23,662	32,074	40,047	47,876	57,182	67,442	51,612	19,407	11,379	17,654	22,344	26,988
Anticipated Expenditures, By Year	(401,016)	(376,651)	0	0	0	(54,981)	(37,556)	0	(15,856)	(1,525,998)	(934,936)	(95,515)	(117,599)	(215,107)	(146,607)
Anticipated Reserves at Year End	$506,928	$346,251	$569,298	$806,460	$1,058,434	$1,270,000	$1,513,620	$1,811,102	$2,110,189	$890,703	$237,674 *(NOTE 5)*	$423,937	$602,492	$696,629	$872,510 *(NOTE 4)*

Explanatory Notes:

1) Year 2025 starting reserves are as of February 15, 2025; FY2025 starts January 1, 2025 and ends December 31, 2025.
2) Reserve Contributions for 2025 are the remaining budgeted 11 months; 2026 is the first year of recommended contributions.
3) **3.5%** is the estimated annual rate of return on invested reserves; 2025 is a partial year of interest earned.
4) Accumulated year 2055 ending reserves consider the age, size, overall condition and complexity of the property.
5) Threshold Funding Years (reserve balance at critical point).

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

FIVE-YEAR OUTLOOK

Sterling Woods, LLC

Port Jefferson Station, New York

Line Item	Reserve Component Inventory	RUL = 0 FY2025	1 2026	2 2027	3 2028	4 2029	5 2030
	Exterior Building Elements						
1.240	Gutters and Downspouts, Aluminum, Remaining Original, Phased			52,753	54,336		
1.280	Roofs, Asphalt Shingles, Phased			383,834	395,349		
	Building Services Elements						
3.560	Life Safety Systems, Control Panels and Emergency Devices, Phased			45,619	46,987		
	Property Site Elements						
4.020	Asphalt Pavement, Crack Repair, Patch, and Striping		8,116				1,623
4.041	Asphalt Pavement, Street and Parking Areas, Mill and Overlay						173,717
4.100	Catch Basins, Inspections and Capital Repairs						22,954
4.110	Curbs, Granite						8,173
4.360	Gazebo					10,692	
4.410	Irrigation System, Pumps			20,794			
4.530	Lift Station, Generator, Emergency (incl. transfer switch)			34,479			
4.560	Light Poles and Fixtures						60,862
4.600	Mailbox Stations				9,179		
4.700	Pond, Aerator			8,381			
4.800	Signage, Community Identification, Renovation					8,779	
	Anticipated Expenditures, By Year ($1,346,627 over 5 years)	0	8,116	545,860	505,851	19,471	267,329

4. RESERVE COMPONENT DETAIL

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

Exterior Building Elements

Typical front elevation overview

Typical rear elevation overview

Typical side elevation overview

Doors, Fire Control Panel Rooms

Line Item: 1.180

Quantity: 20 metal doors at the common fire control panel rooms

History: Original

Condition: Good to fair overall

Typical fire control room door overview

Useful Life: Up to 30 years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair any damage, base corrosion or alignment issues
    - Replace deteriorated hardware and loose weather stripping
    - Periodic touch-up paint finish applications as needed

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

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

Gutters and Downspouts, Aluminum

Line Items: 1.240 and 1.241

Quantity: Approximately 5,850 linear feet of aluminum five-inch seamless gutters and two-inch by three-inch downspouts total

History: Primarily original; the gutters and downspouts at two buildings, or 8 units (approximately 750 linear feet) were replaced with six-inch gutters and three-inch by four-inch downspouts in 2023.

Condition: Good to fair overall with stains and general deterioration evident; Management and the Board report issues with the drainage capacity at the undersized gutters and downspouts.

Typical gutter and downspout overview

Stains due to undersized gutters

Stains due to undersized gutters

Example of downspout discharging water directly onto lower roof

Useful Life: 20- to 25-years

Component Detail Notes: The size of the gutter is determined by the roof's watershed area, a roof pitch factor and the rainfall intensity number of the Association's region. We recommend sloping gutters 1/16 inch per linear foot and providing fasteners a maximum of every three feet.

Downspouts can drain 100 square feet of roof area per one square inch of downspout cross sectional area. We recommend the use of downspout extensions and splash blocks at the downspout discharge to direct storm water away from the foundations. Downspouts that discharge directly onto roofs cause premature deterioration of the roofs

due to the high concentration of storm water. We recommend either routing these downspouts directly to the ground, connecting the downspouts to the gutters of the lower roof or distributing the storm water discharge over a large area. The useful life of gutters and downspouts coincides with that of the sloped roofs. Coordinated replacement will result in the most economical unit price and minimize the possibility of damage to other roof components as compared to separate replacements.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
  - Clean out debris and leaves that collect in the gutters
  - Repair and refasten any loose gutter fasteners
  - Repair and seal any leaking seams or end caps
  - Verify downspouts discharge away from foundations

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our estimate of cost is based on replacement with six-inch gutters and three-inch by four-inch downspouts

Roofs, Asphalt Shingles

Line Item: 1.280

Quantity: Approximately 1,080 *squares*[1] of asphalt shingles at the residential buildings, lift station shed and storage shed

History: Original with repairs conducted on an as needed basis through the operating budget

Condition: Fair overall with general asphalt shingle deterioration, stains and previous repairs evident. Management and the Board report a history of leaks over the past two years.

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

Asphalt shingle roof overview

General asphalt shingle deterioration

Example of enclosed half weaved valley

Previous repairs

Asphalt shingle stains

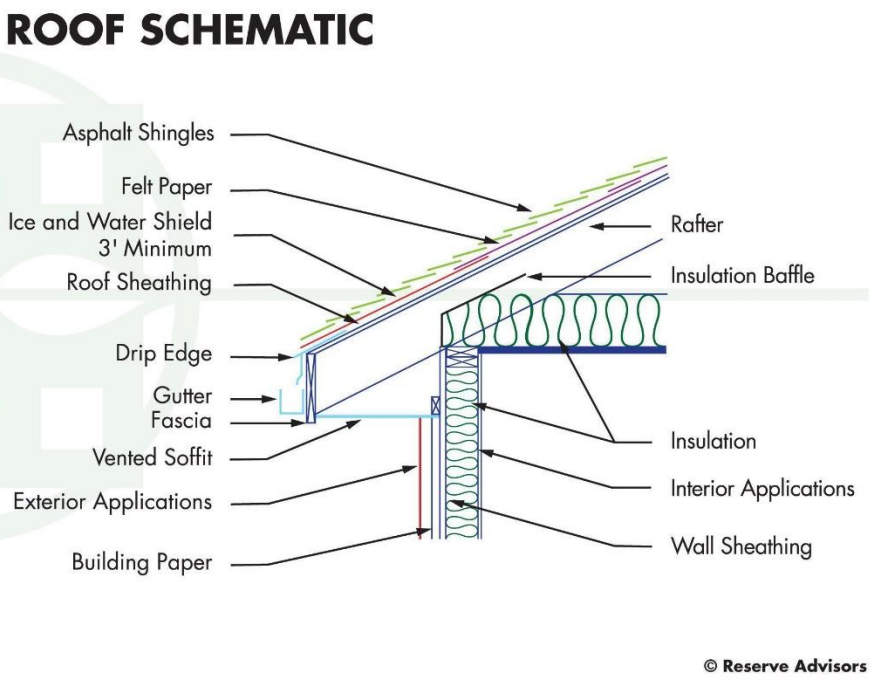
Useful Life: 20- to 25-years

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

- Laminate architectural shingles
- Boston style ridge caps

- Rubber seal with plastic base boot flashing at waste pipes
- Soffit, gable, square hood box and ridge vents
- Metal drip edge
- Enclosed half weaved valleys

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



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

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

Preventative Maintenance Notes: We recommend the Association maintain a service and inspection contract with a qualified professional and record all documentation of repairs conducted. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Record any areas of water infiltration, flashing deterioration, damage or loose shingles
    - Implement repairs as needed if issues are reoccurring
    - Trim tree branches that are near or in contact with roof
- As-needed:
    - Ensure proper ventilation and verify vents are clear of debris and not blocked from attic insulation

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

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

Walls, Siding, Vinyl

Line Item: 1.860

Quantity: Approximately 51,900 square feet of clapboard double four-inch profile vinyl siding comprises the exterior walls of the residential buildings as well as the lift station and storage sheds (note this quantity includes the soffit, fascia and trim)

History: Original

Condition: Good to fair overall with isolated areas of warp, primarily at the fire control panel rooms

Vinyl siding overview

Vinyl siding overview

Vinyl siding warp at fire control panel room

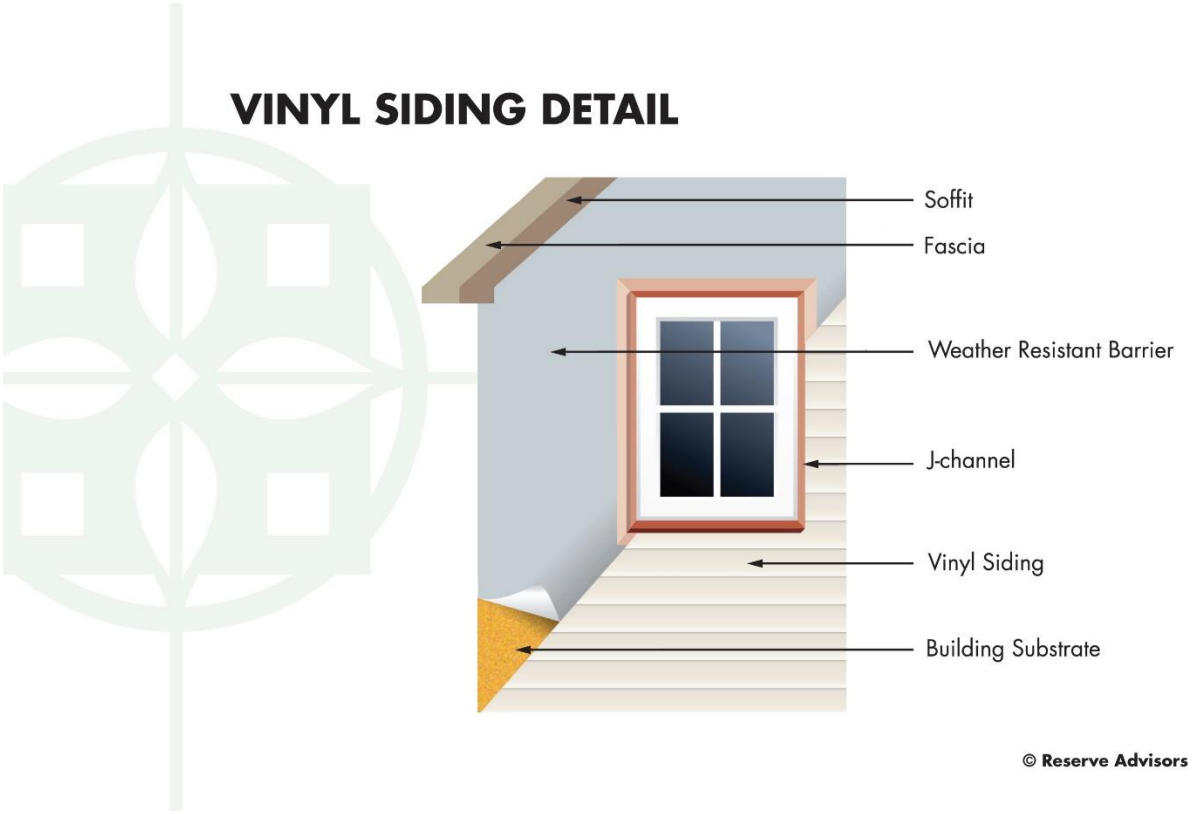
Vinyl siding warp at fire control panel room

Useful Life: Up to 35 years

Component Detail Notes: The siding at Sterling Woods consists of the following:

- Clapboard double four-inch profile
- J-channel trim at window and door perimeters, and other penetrations
- Water-vapor permeable building paper protects the buildings

The following diagram details the use of building wrap in a vinyl siding system:



The Association should install new vinyl siding as recommended by the *Vinyl Institute, Inc*. The vinyl siding should be installed over a continuous weather resistant barrier and

properly integrated flashing around all penetrations. Fasteners used should include aluminum, galvanized steel or other corrosion-resistant fasteners. Siding panels should overlap by approximately one inch. Joints should be staggered so that no two courses are aligned vertically, unless separated by at least three courses. The siding should not be caulked where the siding meets trim accessories, such as J-channel, or at overlap joints. J-channel should be installed a minimum of ½ inch off of roof lines.

Windows with low emissivity ratings (low- *e*) tend to reflect an increased portion of the light and heat from the sunlight compared to standard windows. This abnormality of extreme heat caused by the solar reflection causes the siding to warp. The issue is exhibited throughout the property and is most prevalent at units where windows are adjacent to the siding at a right (90°) angle. This situation will continue to occur unless the root of the issue is rectified. The following is a list of possible preventative measures:

- Screens - Adding screens to the outside of the windows will decrease the intensity of the reflection, thereby transmitting less heat
- Awnings - Adding awnings to the windows will help eliminate the direct contact from the sun
- Landscaping - Planting shade trees and shrubbery will help block the sun from reaching the windows
- Heat resistant vinyl siding - The Association may consider vinyl siding with an increased heat resistance at these isolated areas

This situation generally occurs during midday when the sun is near its apex, and the sun reaches the window at an extreme angle. Each location may require any combination of these preventative measures. The Association should consider each of these measures and associated additional costs.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair loose siding, warping or damage from wind driven objects or lawn care equipment
    - Periodically clean siding as necessary at areas of organic growth. A non-abrasive household cleaner or manufacturer specified vinyl siding cleaner will remove more intense stains. We do not recommend pressure cleaning at vinyl siding due to the siding's brittle nature.

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

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

Building Services Elements

Life Safety System

Line Item: 3.560

Quantity: The Association is responsible for 20 control panels located in the common fire control panel rooms at each building and the emergency devices located within each unit

History: Original

Conditions: Reported satisfactory without operational deficiencies.

Typical control panel overview

Useful Life: Up to 25 years

Preventative Maintenance Notes: We recommend the Association obtain and adhere to the manufacturer's recommended maintenance plan. In accordance with *NFPA 72* (National Fire Alarm and Signaling Code) we also recommend the Association maintain a maintenance contract with a qualified professional. The display panel read 'System Normal' at the time of our inspection. The required preventative maintenance may vary in frequency and scope based on the age of the components, operational condition, or changes in technology. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
  - Inspect and test all components and devices, including, but not limited to, control panels, annunciators, detectors, audio/visual fixtures, signal transmitters and magnetic door holders
  - Test backup batteries
- As-needed:
  - Ensure detectors are properly positioned and clean of debris

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Changes in technology or building codes may make a replacement desirable prior to the end of the functional life. Our estimate of future cost considers only that amount necessary to duplicate the same functionality. Local codes or ordinances at the actual time of replacement may require a betterment as compared to the existing system. A betterment could result in a higher, but at this time unknown, cost of replacement.

Property Site Elements

Asphalt Pavement, Crack Repair, Patch, and Striping

Line Item: 4.020

Quantities: Approximately 9,850 square yards of asphalt pavement total comprised of approximately 1,750 square yards at 31 driveways and approximately 8,100 square yards at the street (Gettysburg Drive) and parking areas

Histories: The driveways were replaced in 2015 and the street and parking areas are original.

Conditions: The driveways are in good overall condition and the street and parking areas are in good to fair overall condition with general asphalt deterioration, cracks, stains and previous repairs evident.

Useful Life: Three- to five-years

Component Detail Notes: Proposals should include mechanically routing and filling all cracks with hot emulsion. Crack repair minimizes the chance of the cracks transmitting through the pavement. Patch repairs are conducted at areas exhibiting settlement, potholes, or excessive cracking. These conditions typically occur near high traffic areas, catch basins, and pavement edges.

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our cost includes an allowance for crack repairs and patching of up to two percent (2%) of the pavement.

Asphalt Pavement, Repaving

Line Items: 4.040, 4.041 and 4.042

Quantities: Approximately 9,850 square yards of asphalt pavement total comprised of approximately 1,750 square yards at 31 driveways and approximately 8,100 square yards at the street (Gettysburg Drive) and parking areas

Histories: The driveways were replaced in 2015 and the street and parking areas are original.

Conditions: The driveways are in good overall condition and the street and parking areas are in good to fair overall condition with general asphalt deterioration, cracks, stains and previous repairs evident.

Typical driveway overview

Typical driveway overview

Asphalt pavement street overview

Asphalt pavement street overview

Cracks at property entrance

Cracks at property entrance

Cracks and previous repairs at street

Cracks, stains and general deterioration at parking area

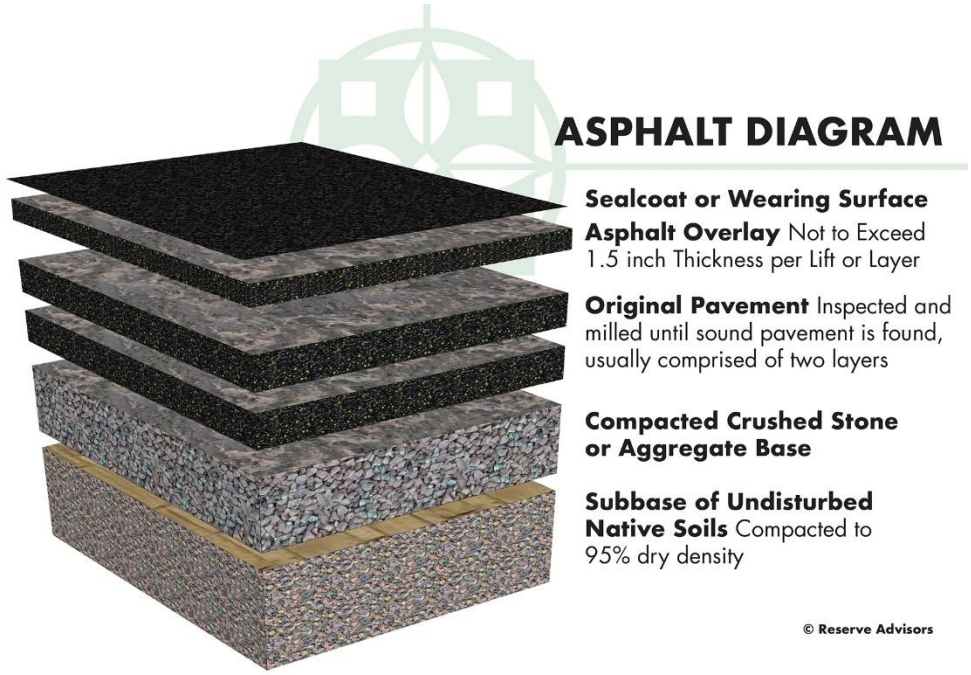
Crack between street and parking area

Cracks and previous repairs at parking area

Useful Life: 15- to 20-years with the benefit of timely crack repairs and patching

Component Detail Notes: The initial installation of asphalt uses at least two lifts, or two separate applications of asphalt, over the base course. The first lift is the binder course. The second lift is the wearing course. The wearing course comprises a finer aggregate

for a smoother, more watertight finish. The following diagram depicts the typical components although it may not reflect the actual configuration at Sterling Woods:



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

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect for settlement, large cracks and trip hazards, and ensure proper drainage
    - Repair areas which could cause vehicular damage such as potholes
- As needed:
    - Perform crack repairs and patching

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our cost for milling and overlayment includes area patching of up to ten percent (10%).

Catch Basins

Line Item: 4.100

Quantity: 18 catch basins[2]

History: Original

Condition: Good to fair overall with previous repairs and isolated damage evident at the catch basin grate by unit 28

Previous repairs around catch basin

Damage by unit 28

Useful Life: The useful life of catch basins is up to 65 years. However, achieving this useful life usually requires interim capital repairs or partial replacements every 15- to 20-years.

Component Detail Notes: Erosion causes settlement around the collar of catch basins. Left unrepaired, the entire catch basin will shift and need replacement.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair any settlement and collar cracks
    - Ensure proper drainage and inlets are free of debris

[2] We utilize the terminology catch basin to refer to all storm water collection structures including curb inlets.

- If property drainage is not adequate in heavy rainfall events, typically bi-annual cleaning of the catch basins is recommended

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We recommend the Association plan for inspections and capital repairs to the catch basins in conjunction with repaving.

Curbs, Granite

Line Item: 4.110

Quantity: Approximately 4,700 linear feet along the street and parking areas

Condition: Good overall

Granite curbs overview

Useful Life: Up to 65 years although interim deterioration of areas is common

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair major cracks, spalls and trip hazards
    - Mark with orange safety paint prior to replacement or repair
    - Repair or perform concrete leveling in areas in immediate need of repair or possible safety hazard

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We recommend the Association budget for resetting and partial replacement of up to five percent (5%) of the granite curbs per event.

Fences, Vinyl, Privacy

Line Item: 4.260

Quantity: Approximately 610 linear feet at 61 privacy fences

History: Installed in 2008

Condition: Good overall

Vinyl privacy fences overview

Useful Life: 20- to 25-years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect and repair loose panels, and damage
  - Repair leaning sections and clear vegetation from fence areas which could cause damage
  - Periodically clean vinyl fence as needed

Priority/Criticality: Per Board discretion

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

Gazebo

Line Item: 4.360

Quantity: One each

History: Original

Condition: Good to fair overall

Gazebo overview

Roof underside overview

Railings, benches and deck boards overview

Useful Life: Up to 25 years with periodic maintenance

Priority/Criticality: Per Board discretion

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

Irrigation System, Pumps

Line Item: 4.410

Quantity: Two each

History: Original

Condition: Reported satisfactory without operational deficiencies

Useful Life: Up to 20 years

Preventative Maintenance Notes: The required preventative maintenance may vary in frequency and scope based on the unit's age, operational condition, or changes in technology.

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

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

Irrigation System, Replacement

Line Item: 4.420

History: Primarily original with partial replacements of sprinkler heads funded as needed through the operating budget

Condition: Reported satisfactory without operational deficiencies

Useful Life: Up to and sometimes beyond 40 years

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

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

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

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
    - Conduct seasonal repairs which includes valve repairs, controller repairs, partial head replacements and pipe repairs
    - Blow out irrigation water lines and drain building exterior faucets each fall if applicable

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

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

Lift Station, Generator, Emergency

Line Item: 4.530

Quantity: One *Cummins* 20-kW (kilowatt) diesel generator

History: Original

Condition: Reported satisfactory without operational deficiencies; we note significant rust at the generator housing.

Generator overview
(note: significant rust)

Useful Life: Up to 30 years

Preventative Maintenance Notes: We recommend the Association obtain and adhere to the manufacturer's recommended maintenance plan. We also recommend the Association maintain a maintenance contract with a qualified professional. As a reference, the Association may consult the following document: *NFPA 110, Standard for Emergency and Standby Power Systems*. The required preventative maintenance may vary in frequency and scope based on the unit's age, operational condition, or changes in technology. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Weekly:
  - Check fuel and oil levels
  - Inspect cooling and exhaust systems
  - Check battery, electrical components and transfer switches
  - Run generator without load and look for unusual conditions such as leaks
- Monthly:
  - Exercise generator under load test for minimum of 30 minutes
  - Check oil levels before running and after 10 minutes of run time
- Annually:
  - Complete full inspection and necessary repairs
  - Change fuel and air filters

- Change oil and replace oil filter
- Change spark or glow plugs
- Flush cooling system

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our estimate of cost includes replacement of the transfer switch. We recognize that the transfer switch may require replacement prior to the replacement of the generator. For purposes of this Reserve Study, we assume coordination of replacement with the generator.

Lift Station, Pumps

Line Item: 4.540

Quantity: Two each

History: One pump was replaced in 2022, and the other pump is unknown

Condition: Reported satisfactory without operational deficiencies

Lift station pumps located under manhole cover

Useful Life: Up to 10 years

Preventative Maintenance Notes: We recommend the Association obtain and adhere to the manufacturer's recommended maintenance plan. The required preventative maintenance may vary in frequency and scope based on the unit's age, operational condition, or changes in technology. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
  - Inspect and repair bearings, lubricant and shaft seals, and grease motor bearings as needed

- Test and adjust pump if excessive vibration is evident. Inspect impeller for wear, corrosion or damage.
- Check amperage draw on motors for functionality
- Check all float switches for functionality

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

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

Lift Station, Rebuild

Line Item: 4.550

Quantity: One each

History: Original

Condition: Reported satisfactory without operational deficiencies

Lift station controls overview

Useful Life: Up to 30 years

Preventative Maintenance Notes: The required preventative maintenance may vary in frequency and scope based on the unit's age, operational condition, or changes in technology. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
  - Inspect lifting chain/cable and guide rails
  - Inspect check valves for wear and damage
  - Check all controls and electrical components
  - Clean and remove grease and other debris as needed

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Rebuilding of the station includes replacement of pumps, motors, guide rails and electrical components including controls. The Association should fund interim repairs and replacements through the operating budget.

Light Poles and Fixtures

Line Item: 4.560

Quantity: 15 poles with LED light fixtures

History: Original

Condition: Good to fair overall

Typical light pole and fixture overview

Typical light fixture overview

Useful Life: Up to 25 years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- As-needed:
  - Inspect and repair broken or dislodged fixtures, and leaning or damaged poles
  - Replaced burned out bulbs as needed

Priority/Criticality: Per Board discretion

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

Mailbox Stations

Line Item: 4.600

Quantity: Four stations at one shelter

History: The mailbox stations are original and the shelter was constructed approximately 10- to 15-years ago.

Condition: Good to fair overall with rust evident

Mailbox station kiosk overview

Mailbox stations overview

Rust

Useful Life: Up to 25 years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- As-needed:
  - Inspect and repair damage, vandalism, and finish deterioration
  - Verify posts are anchored properly

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. We recommend funding renovations and repairs to the shelter through the operating budget as necessary.

Pavers, Masonry

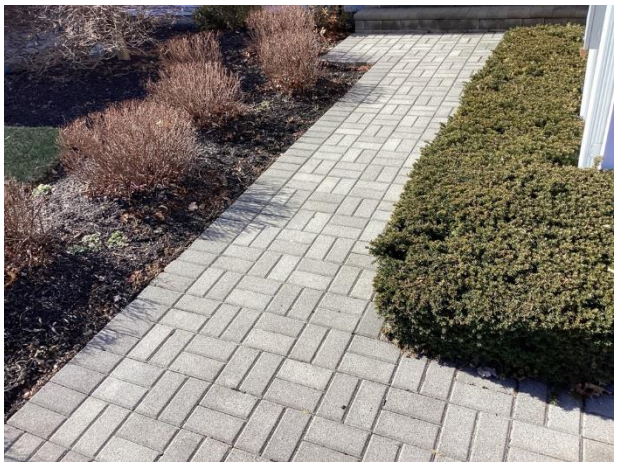
Line Item: 4.620

Quantity: Approximately 7,950 square feet of masonry pavers at the unit entrance walks, stoops and gazebo area.

History: Installed in 2015

Condition: Good overall

Paver entrance walk overview



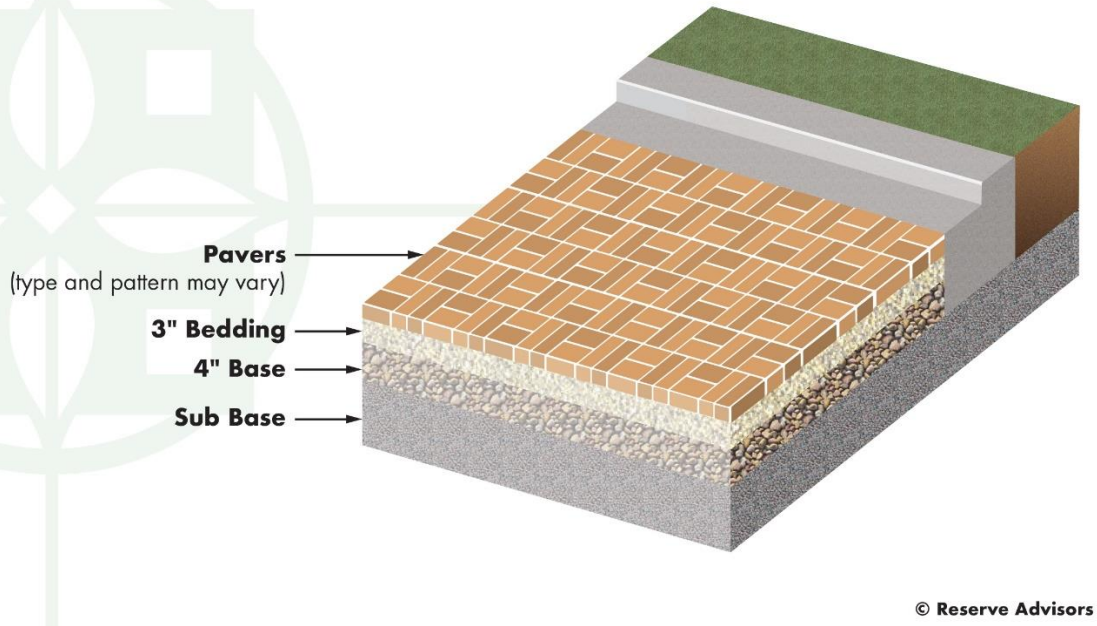
Paver entrance walk overview

Paver stoop overview

Useful Life: Up to 25 years

Component Detail Notes: The following diagram depicts the typical components of a masonry paver system although it may not reflect the actual configuration at Sterling Woods:

MASONRY PAVER DIAGRAM



Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect and repair settlement, trip hazards and paver spalls at heavy traffic areas
  - Re-set and/or reseal damaged pavers as necessary
  - Periodically clean and remove overgrown vegetation as needed

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our cost includes complete resetting of the pavers with replacement of up to twenty percent (20%). We suggest the Association conduct interim resetting and replacement of minor areas of pavers as normal maintenance, funded from the operating budget.

Pond, Aerator

Line Item: 4.700

Quantity: One aerator

History: Unknown exact age

Condition: Reported satisfactory without operational deficiencies

Useful Life: 10- to 15-years

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

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

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

Pond, Sediment Removal

Line Item: 4.730

Quantity: Approximately 920 square yards of water surface area

History: Original

Condition: Good to fair overall

Pond overview

Shoreline overview

Useful Life: Based on the visual condition and construction, we recommend the Association anticipate the need to remove pond sediment up to every 30 years.

Component Detail Notes: The gradual build-up of natural debris, including tree leaves, branches and silt, may eventually change the topography of areas of the pond. Silt typically accumulates at inlets, outlets and areas of shoreline erosion. Sediment removal of ponds becomes necessary if this accumulation alters the quality of pond water or the functionality of the ponds as storm water management structures. Sediment removal is the optimal but also the most capital intensive method of pond management. Excavation equipment used for sediment removal includes clamshells, draglines and suction pipe lines. Sediment removal can also include shoreline regrading. Regrading includes removal of collapsed and eroded soil, and redefining the shoreline.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and remediate shoreline erosion and areas of sediment accumulation
    - Clear and remove debris and vegetation overgrowth at pond edges, and inlet and outlet structures
    - Inspect for algae blooms and remedy as needed through a chemical treatment program or aeration

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. For reserve budgeting purposes, we estimate the need to remove an average depth of one yard from approximately one hundred percent (100%) of the surface area. However, the actual volume of material to remove may vary dependent upon an invasive analysis at the time of removal. A visual inspection of a body of water cannot reveal the amount of accumulated silt. This is especially true on larger bodies of water. It is therefore inaccurate to assume an entire body of water will require sediment removal. It is more cost effective to spot remove in areas of intense silt accumulation as noted through bathymetric surveys. The amount or depth of silt is determined through prodding into the silt until a relatively solid base is found or through bathymetric surveys. A bathymetric survey establishes a base of data about the depth of the body of water over many locations against which the data of future surveys is compared. These invasive procedures are beyond the scope of a Reserve Study and require multiple visits to the site. We recommend Sterling Woods contract with a local engineer for periodic bathymetric surveys. Future updates of the Reserve Study can incorporate future anticipated expenditures based on the results of the bathymetric surveys.

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

Shade Structure

Line Item: 4.790

Quantity: One each

History: Installed approximately 10- to 15-years ago

Condition: Good overall

Shade structure overview

Roof underside overview

Useful Life: Up to 25 years with periodic maintenance

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect for wood deterioration, and loose or missing fasteners
- Every three years:
  - Power wash with algaecide and application of sealer/stain

Priority/Criticality: Per Board discretion

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

Signage, Community Identification

Line Item: 4.800

Quantity: The two community identification monuments include the following elements:

- Light Fixtures
- Signage
- Landscape
- Brick Masonry Walls

History: Unknown exact age; Management and the Board inform us the signs have been replaced in the past

Condition: Good to fair overall with stains and brick masonry deterioration evident

Community identification signage overview

Community identification signage overview

Useful Life: 15- to 20-years

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

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair damage, vandalism and loose components
    - Verify lighting is working properly
    - Touch-up paint finish applications if applicable

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our cost for renovation includes repairs to the brick masonry walls and replacement of the remaining components listed above.

Reserve Study Update

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. Many variables change after the study is conducted that may result in significant overfunding or underfunding the reserve account. Variables that may affect the Reserve Funding Plan include, but are not limited to:

- Deferred or accelerated capital projects based on Board discretion
- Changes in the interest rates on reserve investments
- Changes in the *local* construction inflation rate
- Additions and deletions to the Reserve Component Inventory
- The presence or absence of maintenance programs
- Unusually mild or extreme weather conditions
- Technological advancements

Periodic updates incorporate these variable changes since the last Reserve Study or Update. We recommend the Board budget for an Update to this Reserve Study every three years. Budgeting for an Update demonstrates the Board's objective to continue fulfilling its fiduciary responsibility to maintain the commonly owned property and to fund reserves appropriately.

5. METHODOLOGY

Reserves for replacement are the amounts of money required for future expenditures to repair or replace Reserve Components that wear out before the entire facility or project wears out. Reserving funds for future repair or replacement of the Reserve Components is also one of the most reliable ways of protecting the value of the property's infrastructure and marketability.

Sterling Woods can fund capital repairs and replacements in any combination of the following:

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

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

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

- The Cash Flow Method to compute, project and illustrate the 30-year Reserve Funding Plan
- Local[2] costs of material, equipment and labor
- Current and future costs of replacement for the Reserve Components
- Costs of demolition as part of the cost of replacement
- Local economic conditions and a historical perspective to arrive at our estimate of long-term future inflation for construction costs in Port Jefferson Station, New York at an annual inflation rate[3]. Isolated or

[1] Identified in the APRA "Standards - Terms and Definitions" and the CAI "Terms and Definitions".
[2] See Credentials for additional information on our use of published sources of cost data.
[3] Derived from Marshall & Swift, historical costs and the Bureau of Labor Statistics.

regional markets of greater construction (development) activity may experience slightly greater rates of inflation for both construction materials and labor.

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

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

6. CREDENTIALS

HISTORY AND DEPTH OF SERVICE

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

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

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

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

TOTAL STAFF INVOLVEMENT

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

OUR GOAL

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

VAST EXPERIENCE WITH A VARIETY OF BUILDINGS

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

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

OLD TO NEW

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

GENE J. KIM, RS
Responsible Advisor

CURRENT CLIENT SERVICES

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

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

Harbour House Condominium Located along the Ludlam Bay in Sea Isle City, New Jersey, this four-story midrise building, comprising 15 residential units, was built in 1991 and includes floating docks and bulkheads as well as an open garage.

Westwood Village Condominium Association This community in Danbury, Connecticut was built in the 1980's and contains five condominium style buildings comprising 100 residential units as well as 194 townhome style units in 29 buildings. The property includes two pools and pool houses.

Strawberry Fields Condominium Association A condominium style development in South Windsor, Connecticut, this community includes 38 units in 12 three story buildings built from 2001 to 2007. Residents have access to a barn style clubhouse which includes a kitchen, exercise room and large wood deck. The site contains asphalt pavement streets, driveways and parking areas as well as a lift station.

The Enclave at Arundel Preserve Located in Hanover, Maryland, this community was built in 2007 and consists of 448 townhomes. This large community contains multiple wet and dry ponds, municipal and private streets as well as a clubhouse, dog park, tennis court, pool and playgrounds.

Council of Unit Owners of Stonecreek Condominium at Russett, Inc. This condominium style development with five buildings and 126 units showcases various wall facades including vinyl, ashlar stone veneer and cedar shake siding. Located in Laurel, Maryland, the buildings contain common split systems, elevators and intercom panels as well as life safety elements.

Valley View Homeowners Association This townhome style development in West Chester, Pennsylvania was built between 1999 and 2003. The community comprises 131 units in 21 buildings and the property contains detention basins and numerous trees.

Ulmstead Gardens Community Association, Inc. Located in Arnold, Maryland, 237 townhome community was built in 1984 and contain timber, stone gabion and masonry retaining walls.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Mr. Kim attended Rensselaer Polytechnic Institute in Troy, New York where he attained his Bachelor of Science degree in Mechanical Engineering. His studies focused on mechanical systems engineering and design engineering. Mr. Kim also worked as an mechanical product design intern for Matter Concept LLC, where he took part in designing and developing survival, military and law enforcement products in Brooklyn, New York.

EDUCATION

Rensselaer Polytechnic Institute - B.S. Mechanical Engineering

PROFESSIONAL AFFILIATIONS

Reserve Specialist (RS) – Community Association Institute

STEPHEN E. BRESKI, P.E., RS
Director of Engineering Training and Development
Northeast Quality Assurance Engineer

CURRENT CLIENT SERVICES

Stephen E. Breski, a Senior Civil Engineer, is a Director for Reserve Advisors. Mr. Breski is responsible for the inspection and analysis of the condition of clients' properties, and recommending engineering solutions to prolong the lives of the components. He also forecasts capital expenditures for the repair and/or replacement of the property components and prepares technical reports on assignments. He is responsible for conducting Life Cycle Cost Analyses and Capital Replacement Forecast services and the preparation of Reserve Study Reports for condominiums, townhomes, planned unit developments and homeowner associations.

The following is a partial list of clients served by Stephen Breski demonstrating the breadth of experiential knowledge of community associations in construction and related systems.

30 Park Place - Located in downtown Manhattan in New York City, this 82-story luxury tower offers 157 private residences and 189 hotel guest suites. The building was designed by renowned architect Robert A.M. Stern and is operated by the Four Seasons staff. On the 37th floor the residences enjoy their private amenity area complete with a fitness center and film screening room. The hotel includes a spa and indoor swimming pool.

Merion Golf Club - Located in the suburbs of Philadelphia, PA, this club was founded in 1865 as the Merion Cricket Club. Later, the Merion Cricket Club founded the Merion Golf Club in 1896 and has been an iconic golf club since. Merion Golf Club's East Course is consistently ranked as one of the top golf courses and has hosted five U.S. Opens featuring champions Ben Hogan (1950), Lee Trevino and his playoff victory over Jack Nicklaus (1971) and, most recently, Justin Rose (2013).

Saint Sophia Greek Orthodox Cathedral - Located in Northwest Washington, D.C., the cornerstone of this cathedral was laid by President Dwight D. Eisenhower in 1956. A second building was constructed in addition to the cathedral in 2004. This building, known as the Education and Activities Center, includes classrooms and a library.

Big Bass Lake Community Association, Inc. - Located in Gouldsboro, Pennsylvania, this community features three dams which provide the 1,655 single family homes with over 850,000 square yards of surface area for boating and recreation. Residents enjoy a clubhouse, a recreational center, a ski hill, docks, recreational courts, beaches and playgrounds. The Association also maintains an administration building, maintenance shop, sales office and library.

Woodmont Country Club - This exclusive club was established more than 100 years ago. The elegant design of Woodmont's 125,000 square foot clubhouse, incorporates several dining venues, a grand ballroom and an expansive fitness and wellness center. The clubhouse overlooks Woodmont's two premiere golf courses, swimming complex and 22 tennis courts comprising *Har-Tru*, Italian Red-Clay and Asphalt surfaces.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Mr. Breski worked for a private construction management company in Pittsburgh, Pennsylvania, where he was working as a cost estimator. Prior to working as an estimator, Mr. Breski also worked for the nation's largest provider of wireless infrastructure, where he assisted in the structural analysis of cell phone towers. Mr. Breski attended the Swanson School of Engineering at the University of Pittsburgh where he attained his Bachelor of Science degree in Civil and Environmental Engineering. His studies focused on Structural Engineering.

EDUCATION

University of Pittsburgh - B.S. Civil and Environmental Engineering

PROFESSIONAL AFFILIATIONS

Professional Engineer (P.E.) – District of Columbia
Reserve Specialist (RS) – Community Association Institute

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

CURRENT CLIENT SERVICES

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

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

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

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

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

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

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

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

PRIOR RELEVANT EXPERIENCE

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

EDUCATION

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

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

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

RESOURCES

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

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

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

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

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

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

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

7. DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. PROFESSIONAL SERVICE CONDITIONS

Our Services - Reserve Advisors, LLC ("RA") performs its services as an independent contractor in accordance with our professional practice standards and its compensation is not contingent upon our conclusions. The purpose of our reserve study is to provide a budget planning tool that identifies the current status of the reserve fund, and an opinion recommending an annual funding plan, to create reserves for anticipated future replacement expenditures of the subject property. The purpose of our energy benchmarking services is to track, collect and summarize the subject property's energy consumption over time for your use in comparison with other buildings of similar size and establishing a performance baseline for your planning of long-term energy efficiency goals.

Our inspection and analysis of the subject property is limited to visual observations, is noninvasive and is not meant to nor does it include investigation into statutory, regulatory or code compliance. RA inspects sloped roofs from the ground and inspects flat roofs where safe access (stairs or ladder permanently attached to the structure) is available. Our energy benchmarking services with respect to the subject property is limited to collecting energy and utility data and summarizing such data in the form of an Energy Star Portfolio Manager Report or any other similar report, and hereby expressly excludes any recommendations with respect to the results of such energy benchmarking services or the accuracy of the energy information obtained from utility companies and other third-party sources with respect to the subject property. The reserve report and any energy benchmarking report (i.e., any Energy Star Portfolio Manager Report) (including any subsequent revisions thereto pursuant to the terms hereof, collectively, the "Report") are based upon a "snapshot in time" at the moment of inspection. RA may note visible physical defects in the Report. The inspection is made by employees generally familiar with real estate and building construction. Except to the extent readily apparent to RA, RA cannot and shall not opine on the structural integrity of or other physical defects in the property under any circumstances. Without limitation to the foregoing, RA cannot and shall not opine on, nor is RA responsible for, the property's conformity to specific governmental code requirements for fire, building, earthquake, occupancy or otherwise.

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

RA assumes, without independent verification, the accuracy of all data provided to it. Except to the extent resulting from RA's willful misconduct in connection with the performance of its obligations under this agreement, you agree to indemnify, defend, and hold RA and its affiliates, officers, managers, employees, agents, successors and assigns (each, an "RA Party") harmless from and against (and promptly reimburse each RA Party for) any and all losses, claims, actions, demands, judgments, orders, damages, expenses or liabilities, including, without limitation, reasonable attorneys' fees, asserted against or to which any RA Party may become subject in connection with this engagement, including, without limitation, as a result of any false, misleading or incomplete information which RA relied upon that was supplied by you or others under your direction, or which may result from any improper use or reliance on the Report by you or third parties under your control or direction or to whom you provided the Report. NOTWITHSTANDING ANY OTHER PROVISION HEREIN TO THE CONTRARY, THE AGGREGATE LIABILITY (IF ANY) OF RA WITH RESPECT TO THIS AGREEMENT AND RA'S OBLIGATIONS HEREUNDER IS LIMITED TO THE AMOUNT OF THE FEES ACTUALLY RECEIVED BY RA FROM YOU FOR THE SERVICES AND REPORT PERFORMED BY RA UNDER THIS AGREEMENT, WHETHER ARISING IN CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY OR OTHERWISE. YOUR REMEDIES SET FORTH HEREIN ARE EXCLUSIVE AND ARE YOUR SOLE REMEDIES FOR ANY FAILURE OF RA TO COMPLY WITH ITS OBLIGATIONS HEREUNDER OR OTHERWISE. RA SHALL NOT BE LIABLE FOR ANY SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES OF ANY KIND, INCLUDING, BUT NOT LIMITED TO, ANY LOST PROFITS AND LOST SAVINGS, LOSS OF USE OR INTERRUPTION OF BUSINESS, HOWEVER CAUSED, WHETHER ARISING IN CONTRACT, TORT (INCLUDING NEGLIGENCE), BREACH OF WARRANTY, STRICT LIABILITY OR OTHERWISE, EVEN IF RA HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT WILL RA BE LIABLE FOR THE COST OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES. RA DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED OR OF ANY NATURE, WITH REGARD TO THE SERVICES AND THE REPORT, INCLUDING, WITHOUT LIMITATION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Report - RA will complete the services in accordance with the Proposal. The Report represents a valid opinion of RA's findings and recommendations with respect to the reserve study and is deemed complete. RA will consider any additional information made available to RA within 6 months of issuing the Report and issue a revised Report based on such additional information if a timely request for a revised Report is made by you. RA retains the right to withhold a revised Report if payment for services was not tendered in a timely manner. All information received by RA and all files, work papers or documents developed by RA during the course of the engagement shall remain the property of

RA and may be used for whatever purpose it sees fit. RA reserves the right to, and you acknowledge and agree that RA may, use any data provided by you in connection with the services, or gathered as a result of providing such services, including in connection with creating and issuing any Report, in a de-identified and aggregated form for RA's business purposes.

Your Obligations - You agree to provide us access to the subject property for an inspection. You agree to provide RA all available, historical and budgetary information, the governing documents, and other information that we request and deem necessary to complete the Report. Additionally, you agree to provide historical replacement schedules, utility bills and historical energy usage files that RA requests and deems necessary to complete the energy benchmarking services, and you agree to provide any utility release(s) reasonably requested by RA permitting RA to obtain any such data and/or information from any utility representative or other third party. You agree to pay actual attorneys' fees and any other costs incurred to collect on any unpaid balance for RA's services.

Use of Our Report and Your Name - Use of the Report is limited to only the purpose stated herein. You acknowledge that RA is the exclusive owner of all intellectual property rights in and relating to the Report. You hereby acknowledge that any use or reliance by you on the Report for any unauthorized purpose is at your own risk and that you will be liable for the consequences of any unauthorized use or distribution of the Report. Use or possession of the Report by any unauthorized third party is prohibited. The Report in whole or in part ***is not and cannot be*** *used as a design specification for design engineering purposes or as an appraisal*. You may show the Report in its entirety to the following third parties: members of your organization (including your directors, officers, tenants and prospective purchasers), your accountants, attorneys, financial institutions and property managers who need to review the information contained herein, and any other third party who has a right to inspect the Report under applicable law including, but not limited, to any government entity or agency, or any utility companies. Without the written consent of RA, you shall not disclose the Report to any other third party. By engaging our services, you agree that the Report contains intellectual property developed (and owned solely) by RA and agree that you will not reproduce or distribute the Report ***to any party that conducts reserve studies without the written consent of RA***.

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

Payment Terms, Due Dates and Interest Charges - If reserve study and energy benchmarking services are performed by RA, then the retainer payment is due upon execution of this agreement and prior to the inspection by RA, and any balance is due net 30 days from the Report shipment date. If only energy benchmarking services are performed by RA, then the retainer payment is due upon execution of this agreement and any balance is due net 30 days from the Report shipment date. In any case, any balance remaining 30 days after delivery of the Report shall accrue an interest charge of 1.5% per month. Unless this agreement is earlier terminated by RA in the event you breach or otherwise fail to comply with your obligations under this agreement, RA's obligations under this agreement shall commence on the date you execute and deliver this agreement and terminate on the date that is 6 months from the date of delivery of the Report by RA. Notwithstanding anything herein to the contrary, each provision that by its context and nature should survive the expiration or early termination of this agreement shall so survive, including, without limitation, any provisions with respect to payment, intellectual property rights, limitations of liability and governing law. We reserve the right to limit or decline refunds in our sole discretion. Refunds vary based on the applicable facts and circumstances.

Miscellaneous – Neither party shall be liable for any failures or delays in performance due to fire, flood, strike or other labor difficulty, act of God, act of any governmental authority, riot, embargo, fuel or energy shortage, pandemic, wrecks or delays in transportation, or due to any other cause beyond such party's reasonable control; provided, however, that you shall not be relieved from your obligations to make any payment(s) to RA as and when due hereunder. In the event of a delay in performance due to any such cause, the time for completion or date of delivery will be extended by a period of time reasonably necessary to overcome the effect of such delay. You may not assign or otherwise transfer this agreement, in whole or in part, without the prior written consent of RA. RA may freely assign or otherwise transfer this agreement, in whole or in part, without your prior consent. This agreement shall be governed by the laws of the State of Wisconsin without regard to any principles of conflicts of law that would apply the laws of another jurisdiction. Any dispute with respect to this agreement shall be exclusively venued in Milwaukee County Circuit Court or in the United States District Court for the Eastern District of Wisconsin. Each party hereto agrees and hereby waives the right to a trial by jury in any action, proceeding or claim brought by or on behalf of the parties hereto with respect to any matter related to this agreement.