

November 8, 2006

Starwood at Fox Meadow
Attn: Ms. Gwen Rohrer
Hammersmith Management, Inc.
3534 John F. Kennedy Parkway, Suite B
Fort Collins, CO 80525

Regarding: Reserve Study Draft

Dear Gwen:

Please find enclosed a Draft version of the Reserve Study for Starwood at Fox Meadow for review. This draft version does not include the tabs identifying separate sections of the report. The tabs have been replaced by colored paper for the Draft version only. However, the final version of the report will have the tabs included within the report.

As you will see in the Financial Analysis section of the report, we find the association Reserve fund to be in a slight surplus financial position at this time (approximately 110% funded). Based on the information contained within this report, we find the current Reserve contribution (\$875 per month) would lead to an excessive surplus of funds in the Reserve fund. Therefore, we recommend decreasing the Reserve contribution to \$200 per month (representing and decrease of \$8.00 per unit), followed by nominal annual increases of 3.00% - 3.25% thereafter to help offset the effects of inflation.

Please take some time in reviewing the draft along with your Board members. If we haven't been contacted regarding any changes within 45 days, we will assume the report is accurate and no changes are required. We will contact you before we finalize the report to verify this assumption. In the meantime, if you have any questions, please feel free to give our office a call (303) 790 7572. We will be able to send out the completed report within a couple days of receiving any feedback.

Sincerely,

A handwritten signature in blue ink that reads "G. Michael Kelsen".

G. Michael Kelsen, R.S.
Owner

Starwood at Fox Meadow
Stardance Cr.
Longmont, CO 80501



Level 1 Reserve Analysis

Original Reserve Study with Property Inspection

Report Period – 01/01/07 – 12/31/07

Client Reference Number - 05138
Property Type – Master Community
Number of Units – 85 at buildout
Fiscal Year End – December 31

Date of Property Inspection – August 17, 2006
Report Prepared by – G. Michael Kelsen
Property Inspected by - Dan Flack
Main Contact Person - Ms. Gwen Rohrer
Community Manager

First
Draft

Report was prepared on - Wednesday, November 08, 2006

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Introduction to the Reserve Analysis –

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

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

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

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

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

General Information and Answers to Frequently Asked Questions –

Why is it important to perform a Reserve Study?

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

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

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

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

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

How often do we update or review “it”?

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

Is it the law to have a Reserve Study conducted?

The Government requires reserve analyses in approximately 20 states. Even if it is not currently governed by your state, the chances are very good that the documents of the association require the association to have a Reserve fund established. This doesn't mean a Reserve Analysis is required, but how are you going to know you have enough funds in the account if you don't have the proper information? Hypothetically, some associations look at the Reserve fund and think that \$50,000 is a lot of money and they are in good shape. What they don't know is that the roof is going to need to be replaced within 5 years, and the cost of the roof is going to exceed \$75,000. So while \$50,000 sounds like a lot of money, in reality it won't even cover the cost of a roof, let alone all the other amenities the association is responsible to maintain.

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

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

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

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

The Property Inspection –

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

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

The Reserve Fund Analysis –

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

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

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

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

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

Summary of Starwood at Fox Meadow -

Association ID # - 05138

Projected Starting Balance as of January 1, 2007 -	\$10,500
Ideal Reserve Balance as of January 1, 2007 -	\$9,543
Percent Funded as of January 1, 2007 -	110%
Recommended Reserve Allocation (per month) -	\$200
Minimum Reserve Allocation (per month) -	\$185
Recommended Special Assessment -	\$0

Information to complete this Reserve Analysis was gathered during a property inspection of the common area elements on August 17, 2006. In addition, we obtained information by contacting local vendors and contractors, as well as communicating with the property representative (Community Manager). To the best of our knowledge, the conclusions and suggestions of this report are considered reliable and accurate insofar as the information obtained from these sources.

This property will contain 85 single family detached estates as part of a master association. The community has been under construction for the past 3 years, with the common areas being installed approximately 3 years ago at the beginning of the development. Common areas the association is responsible for includes the entrance fencing, monuments, islands in the middle of the streets, and landscaped areas. There have not been any Reserve projects completed recently, which is typical for newer communities. The only Reserve project that will need to be addressed this next year is repainting the iron fencing.

In comparing the projected balance of \$10,500 versus the ideal Reserve Balance of \$9,543, we find the association Reserve fund to be in a slight surplus financial position at this time (approximately 110% funded). Based on the information contained within this report, we find the current Reserve contribution (\$875 per month) would lead to an excessive surplus of funds in the Reserve fund. Therefore, we recommend decreasing the Reserve contribution to \$200 per month (representing and decrease of \$8.00 per unit), followed by nominal annual increases of 3.00% - 3.25% thereafter to help offset the effects of inflation. By following the recommendation, the plan will maintain the Reserve account in a positive manner, while gradually increasing to a fully funded position within the thirty-year period.

In the percent Funded graph, you will see that we have also suggested a minimum Reserve contribution of \$185 per month. If the Reserve contribution falls below this rate, then the Reserve fund will fall into a situation where Special Assessments, deferred maintenance, and lower property values are possible at some point in the future.

The minimum Reserve allocation follows the "threshold" theory of Reserve funding where the "percent funded" status is not allowed to dip below 30% funded at any point during the thirty-year period. This was provided for one purpose only, to show the association how small the difference is between the two scenarios and how it would not make financial sense to contribute less money (only \$0.17 per unit per month in this case) to the Reserve fund to only stay above a certain threshold. As you can see, the difference between the two scenarios is considered to be extremely minimal, and based on the risk involved, we strongly suggest the recommended Reserve Allocation is followed.

Comp #: 207 Iron Fencing - Repaint



Observations:

Overall conditions include fading paint, rusting, and general deterioration of painted material. In this climate, metal and iron surfaces should be painted every 3 - 4 years to maintain the appearance and protect the metal materials from rusting and corrosion.

Location: Community entrances

Quantity: Approx. 545 LF

Life Expectancy: 4 *Remaining Life:* 0

Best Cost: \$2,450
\$4.50/LF; Estimate to repaint fence

Worst Cost: \$3,000
\$5.50/LF; Higher estimate for more prep work

Source of Information: Cost Database

General Notes:

Iron Fencing - 6' 10" Tall
Between Stardance Entrances - 315 LF
1501 Stardance Circle - 105 LF
1737 Stardance Circle - 125 LF

Comp #: 809 Community Signs - Replace



Observations:

Signs are legible and in good condition with no signs of deterioration or aging. These signs will eventually tarnish and will need some general maintenance, which should be handled as an operating expense. We suggest the association plans on replacing these signs every 15 - 20 years to maintain the appearance of the entrance to the community. The remaining life is based on the age of the signs.

Location: Community Entrances

Quantity: (4) Community Signs

Life Expectancy: 20 *Remaining Life:* 16

Best Cost: \$2,000

\$500/sign; Estimate to replace with similar

Worst Cost: \$2,600

\$650/sign; Higher est. for more elaborate design

Source of Information: Cost Database

General Notes:

(4) Community Signs
- Signs are 2'x3'

Comp #: 1002 Ironwork Fencing - Replace



Observations:

Fencing is in good condition with no significant rusting or structural problems noted at the time of inspection. With regular painting and maintenance, expect a useful life of 25 to 30 years in this environment. Remaining life based on current age and observed conditions.

Location: Community entrances

Quantity: Approx. 545 LF

Life Expectancy: 28 *Remaining Life:* 24

Best Cost: \$13,625
\$25/LF; Estimate to replace

Worst Cost: \$16,350
\$30/LF: Higher estimate

Source of Information: Cost Database

General Notes:

Iron Fencing - 6' 10" Tall
Between Stardance Entrances - 315 LF
1501 Stardance Circle - 105 LF
1737 Stardance Circle - - 125 LF

Comp #: 1005 Stone Columns - Replace



Observations:

All columns were in very good condition with no signs of loose stones at time of inspection. While it is unlikely that the entire column will need to be replaced, it is likely that major repairs will be necessary to replace loose or missing stones. Depending on the effects from weather and potential vandalism, we suggest establishing a Reserve fund for periodic repairs to the pillars every 10 years.

Location: Community entrances

Quantity: Approx. 720 GSF

Life Expectancy: 10 *Remaining Life:* 6

Best Cost: \$7,500

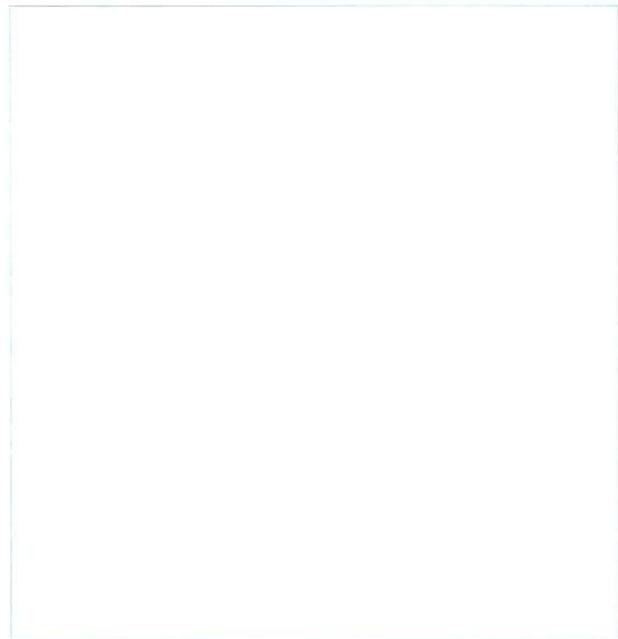
Allowance for general repairs

Worst Cost: \$9,000

Higher estimate for mreo repairs

Source of Information: Cost database

General Notes:



Comp #: 1703 Irrigation Timeclocks/Backflow - Replace

Picture Unavailable

Picture Unavailable

Observations:

This clock was designed by combining sets of "modules" to create a system that can handle up to 48 stations and handle the different irrigation needs for turf, shrubs and flower beds, as well as any special watering restrictions. This allows the clock to handle any amount of stations the area needs, making replacement more affordable. According to several local distributors, these clocks should last 10 -12 years. However, these type of clock system (module) was introduced to the industry in 1998. Therefore, a longer life expectancy is possible by replacing only the modules. Until there is further evidence of these clocks lasting longer, we suggest planning on replacement every 10 - 12 years. Backflow devices should be replaced as needed with operating funds.

Location: Adjacent community

General Notes:

Quantity: (1) Clock, (1) Backflow

(1) Hunter Clock, (1) 2 1/2" Backflow
5 Zones, Servicing Starwood, Common Area & Patio Homes

Life Expectancy: 12 *Remaining Life:* 8

Best Cost: \$2,500

Estimate to replace clock

Worst Cost: \$3,000

Higher estimate for larger clock

Source of Information: Cost Database

Comp #: 1801 Landscaped Islands - Replenish



Observations:

No unusual conditions were observed during inspection. Groundcover and plant material is typically replaced on an annual basis with general operating funds. After reviewing the associations budget, it was noticed that \$500 per year is budgeted for plants/trees/shrub replacement. Unless requested by the association, Reserve funding will not be included for this component.

Location: Stardance Way & Orion Court

Quantity: (2) Landscaped Islands

Life Expectancy: N/A *Remaining Life:*

Best Cost: \$0

Worst Cost: \$0

Source of Information:

General Notes:

Each Island Contains:

Approx. 14 Trees

Numerous Shrubs, Flowers and Various Plants.

Approx. 5,100 GSF River Rock & 260 GSF Mulch

Funding Summary For Starwood at Fox Meadow

Beginning Assumptions

Financial Information Source	Research With Client
# of units	85
Fiscal Year End	December 31, 2007
Budgeted Monthly Dues	\$2,742.00
Budgeted Monthly Reserve Allocation	\$875.00
Projected Starting Reserve Balance	\$10,500
Ideal Starting Reserve Balance	\$9,543

Economic Factors

Current Inflation Rate	3.00%
Reported After-Tax Interest Rate	2.50%

Current Reserve Status

Current Balance as a % of Ideal Balance	110%
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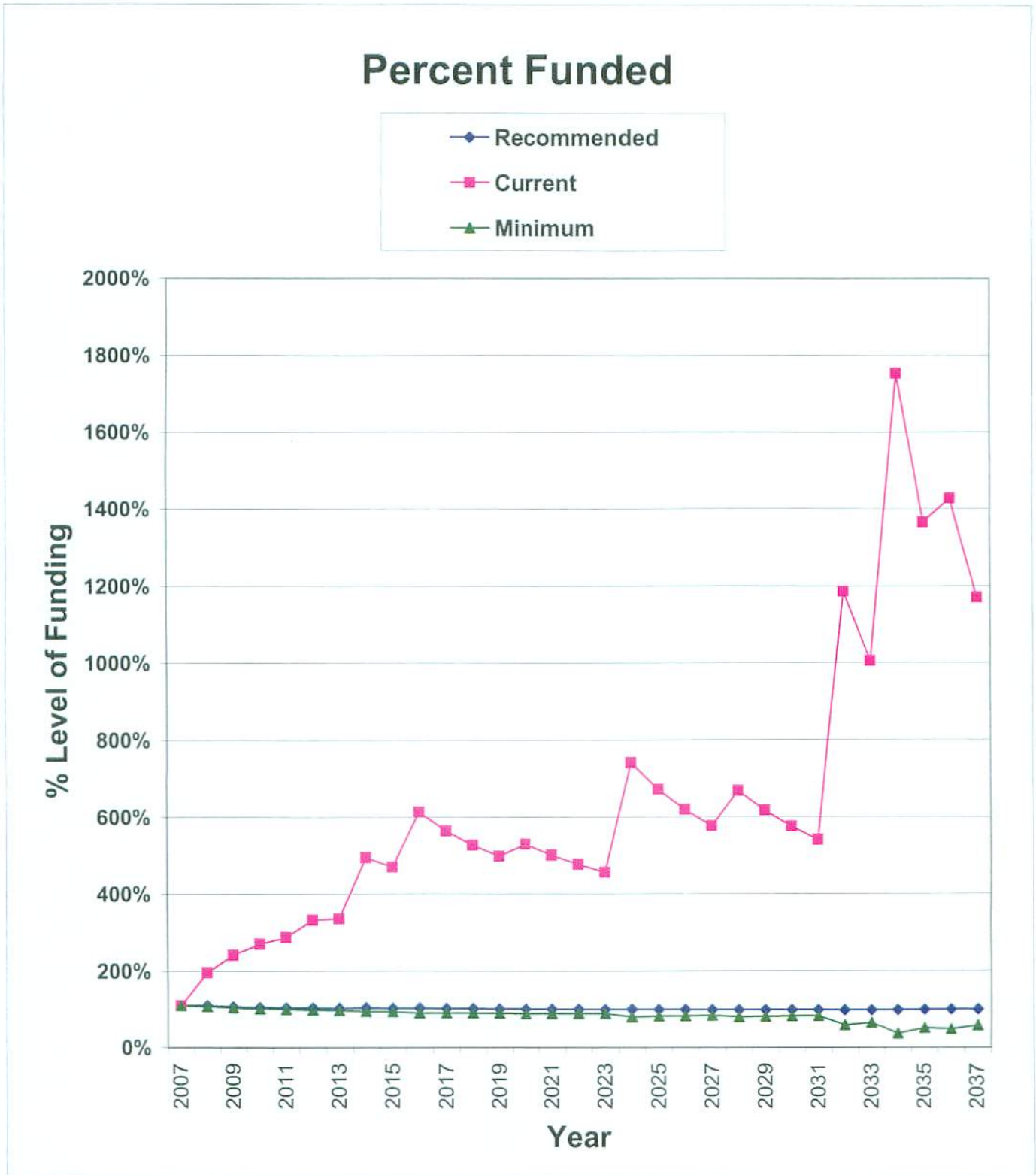
Recommendations

Monthly Reserve Allocation	\$200
Per Unit	\$2.35
Minimum Monthly Reserve Allocation	\$185
Per Unit	\$2.18
Primary Annual Increases	3.00%
# of Years	12
Secondary Annual Increases	3.25%
# of Years	18
Special Assessment	\$0
Per Unit	\$0

Changes From Prior Year

Increase/Decrease to Reserve Allocation	-\$675
as Percentage	-77%
Per Unit	-\$7.94

Percent Funded Graph For Starwood at Fox Meadow



Component Inventory for Starwood at Fox Meadow

Category	Asset #	Asset Name	UL	RUL	Best Cost	Worst Cost
Painted Surfaces	207	Iron Fencing - Repaint	4	0	\$2,450	\$3,000
Prop. Identification	809	Community Signs - Replace	20	16	\$2,000	\$2,600
Fencing	1002	Ironwork Fencing - Replace	28	24	\$13,625	\$16,350
	1005	Stone Columns - Replace	10	6	\$7,500	\$9,000
Irrig. System	1703	Irrigation Timeclocks/Backflow - Replac	12	8	\$2,500	\$3,000
Landscaping	1801	Landscaped Islands - Replenish	N/A		\$0	\$0

Significant Components For Starwood at Fox Meadow

ID	Asset Name	UL	RUL	Ave Curr Cost	Significance: (Curr Cost/UL)	
					As \$	As %
207	Iron Fencing - Repaint	4	0	\$2,725	\$681	28.5557%
809	Community Signs - Replace	20	16	\$2,300	\$115	4.8204%
1002	Ironwork Fencing - Replace	28	24	\$14,988	\$535	22.4367%
1005	Stone Columns - Replace	10	6	\$8,250	\$825	34.5813%
1703	Irrigation Timeclocks/Backflow - Replace	12	8	\$2,750	\$229	9.6059%

Significant Components Graph For Starwood at Fox Meadow



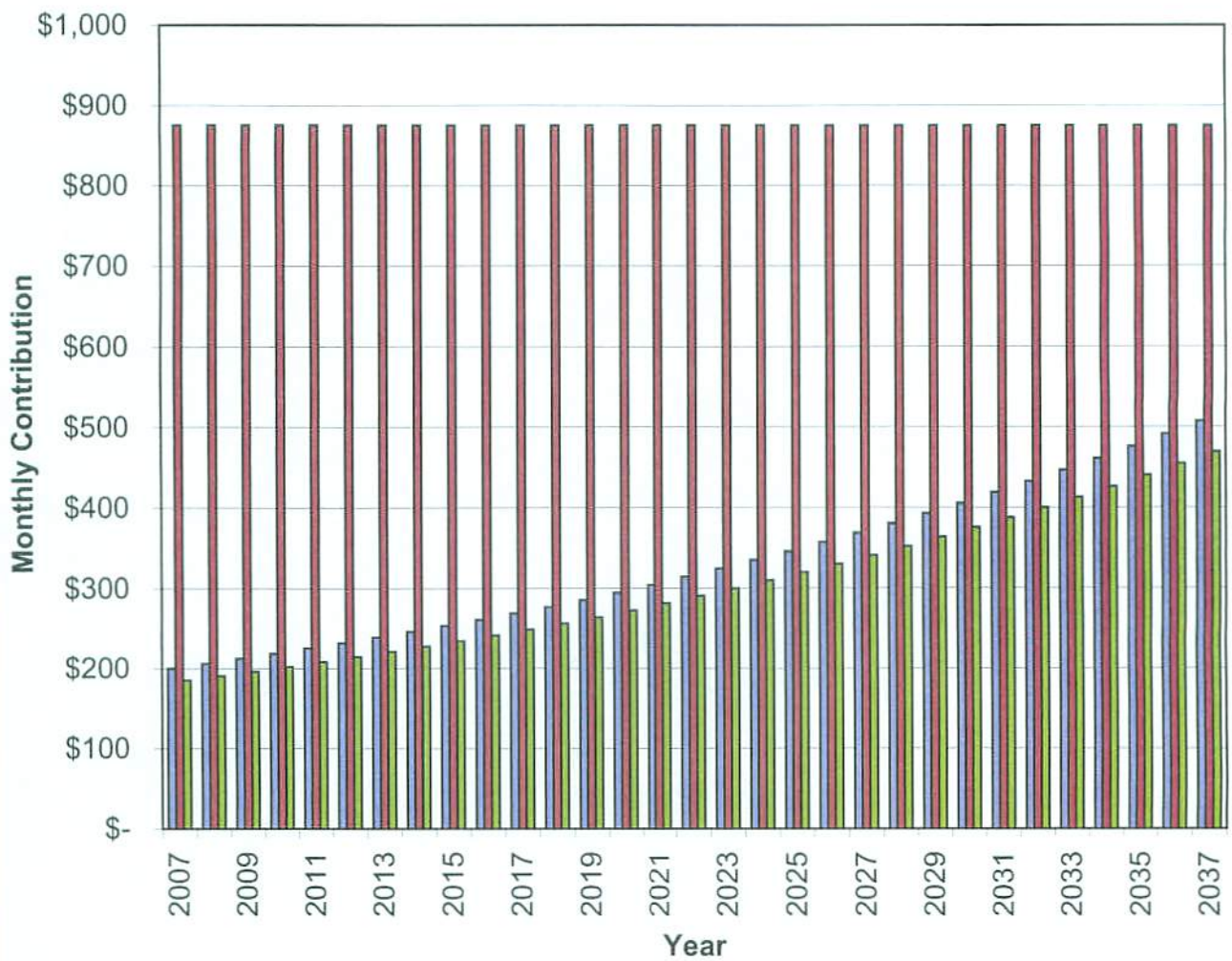
Asset ID	Asset Name	UL	RUL	Average Curr. Cost	Significance: (Curr Cost/UL)	
					As \$	As %
1005	Stone Columns - Replace	10	6	\$8,250	\$825	35%
207	Iron Fencing - Repaint	4	0	\$2,725	\$681	29%
1002	Ironwork Fencing - Replace	28	24	\$14,988	\$535	22%
1703	Irrigation Timeclocks/Backflow - Replace	12	8	\$2,750	\$229	10%
All Other	See Expanded Table For Breakdown				\$115	5%

Yearly Summary For Starwood at Fox Meadow

Year	Fully Funded Balance	Starting Reserve Balance	Percent Funded	Annual Reserve Contribs	Interest Income	Reserve Expenses
2007	\$9,543	\$10,500	110%	\$2,400	\$261	\$2,725
2008	\$9,480	\$10,436	110%	\$2,472	\$295	\$0
2009	\$12,295	\$13,204	107%	\$2,546	\$366	\$0
2010	\$15,271	\$16,116	106%	\$2,623	\$441	\$0
2011	\$18,414	\$19,179	104%	\$2,701	\$480	\$3,067
2012	\$18,573	\$19,294	104%	\$2,782	\$523	\$0
2013	\$21,979	\$22,599	103%	\$2,866	\$483	\$9,851
2014	\$15,426	\$16,097	104%	\$2,952	\$444	\$0
2015	\$18,911	\$19,493	103%	\$3,040	\$444	\$6,936
2016	\$15,447	\$16,041	104%	\$3,131	\$445	\$0
2017	\$19,117	\$19,618	103%	\$3,225	\$537	\$0
2018	\$22,992	\$23,380	102%	\$3,322	\$633	\$0
2019	\$27,084	\$27,336	101%	\$3,422	\$685	\$3,885
2020	\$27,398	\$27,558	101%	\$3,533	\$742	\$0
2021	\$31,828	\$31,833	100%	\$3,648	\$851	\$0
2022	\$36,500	\$36,332	100%	\$3,766	\$966	\$0
2023	\$41,423	\$41,064	99%	\$3,889	\$818	\$21,302
2024	\$24,668	\$24,469	99%	\$4,015	\$670	\$0
2025	\$29,469	\$29,154	99%	\$4,146	\$790	\$0
2026	\$34,537	\$34,089	99%	\$4,280	\$916	\$0
2027	\$39,882	\$39,286	99%	\$4,420	\$924	\$9,888
2028	\$35,331	\$34,741	98%	\$4,563	\$936	\$0
2029	\$40,962	\$40,241	98%	\$4,711	\$1,077	\$0
2030	\$46,899	\$46,029	98%	\$4,865	\$1,226	\$0
2031	\$53,156	\$52,119	98%	\$5,023	\$926	\$36,006
2032	\$22,660	\$22,063	97%	\$5,186	\$623	\$0
2033	\$28,484	\$27,872	98%	\$5,354	\$548	\$17,792
2034	\$16,313	\$15,982	98%	\$5,529	\$474	\$0
2035	\$22,260	\$21,985	99%	\$5,708	\$549	\$6,235
2036	\$22,128	\$22,008	99%	\$5,894	\$631	\$0

Reserve Contributions For Starwood at Fox Meadow

Reserve Contributions



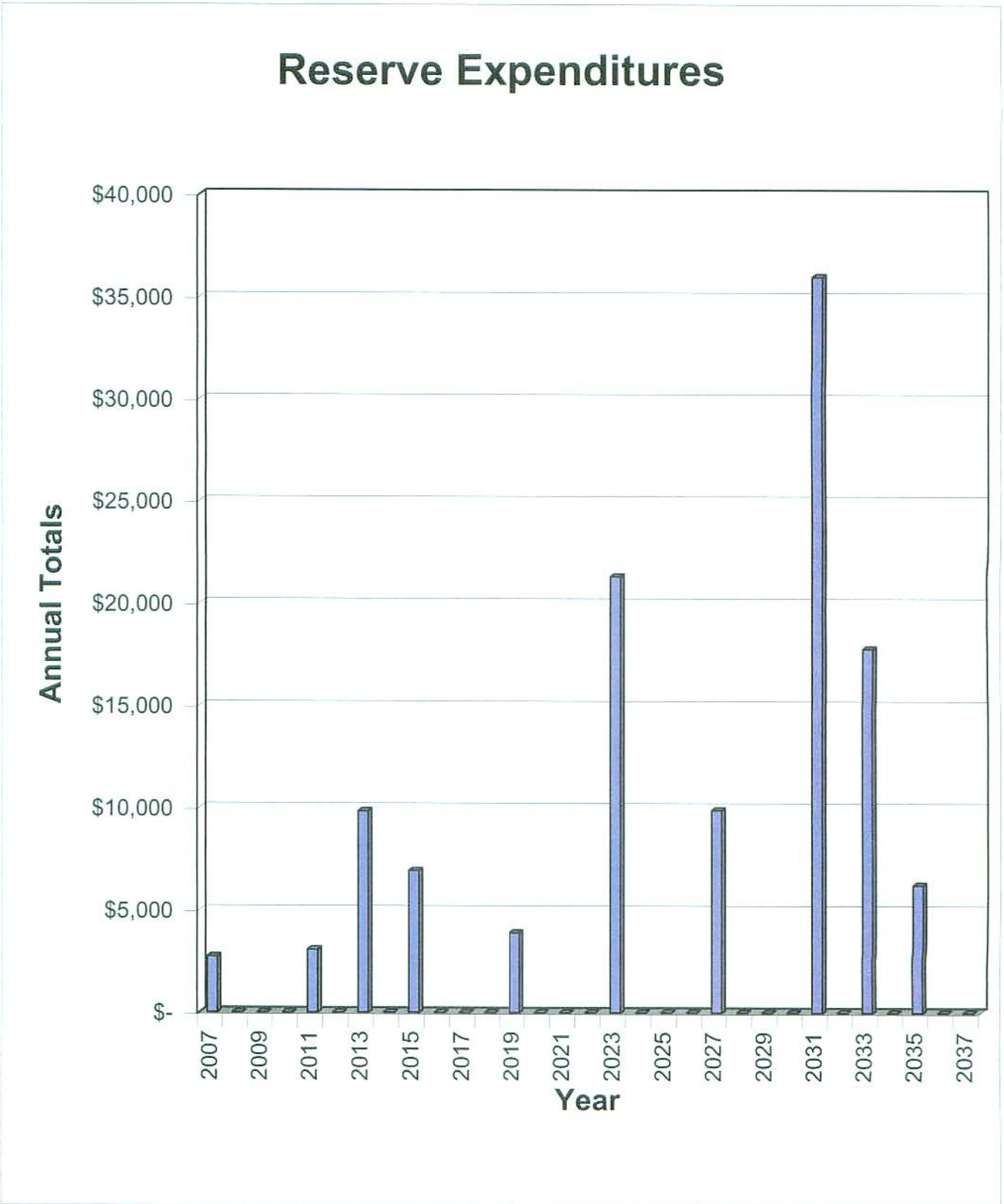
Component Funding Information For Starwood at Fox Meadow

ID	Component Name	Ave Current Cost	Future Cost	Ideal Balance	Current Fund Balance	Monthly
207	Iron Fencing - Repaint	\$2,725	\$3,067	\$2,725	\$2,998	\$57.11
809	Community Signs - Replace	\$2,300	\$3,691	\$460	\$506	\$9.64
1002	Ironwork Fencing - Replace	\$14,988	\$30,467	\$2,141	\$2,356	\$44.87
1005	Stone Columns - Replace	\$8,250	\$9,851	\$3,300	\$3,631	\$69.16
1703	Irrigation Timeclocks/Backflow - Replace	\$2,750	\$3,484	\$917	\$1,009	\$19.21

Yearly Cash Flow For Starwood at Fox Meadow

Year	2007	2008	2009	2010	2011
Starting Balance	\$10,500	\$10,436	\$13,204	\$16,116	\$19,179
Reserve Income	\$2,400	\$2,472	\$2,546	\$2,623	\$2,701
Interest Earnings	\$261	\$295	\$366	\$441	\$480
Special Assessments	\$0	\$0	\$0	\$0	\$0
Funds Available	\$13,161	\$13,204	\$16,116	\$19,179	\$22,361
Reserve Expenditures	\$2,725	\$0	\$0	\$0	\$3,067
Ending Balance	\$10,436	\$13,204	\$16,116	\$19,179	\$19,294
Year	2012	2013	2014	2015	2016
Starting Balance	\$19,294	\$22,599	\$16,097	\$19,493	\$16,041
Reserve Income	\$2,782	\$2,866	\$2,952	\$3,040	\$3,131
Interest Earnings	\$523	\$483	\$444	\$444	\$445
Special Assessments	\$0	\$0	\$0	\$0	\$0
Funds Available	\$22,599	\$25,948	\$19,493	\$22,977	\$19,618
Reserve Expenditures	\$0	\$9,851	\$0	\$6,936	\$0
Ending Balance	\$22,599	\$16,097	\$19,493	\$16,041	\$19,618
Year	2017	2018	2019	2020	2021
Starting Balance	\$19,618	\$23,380	\$27,336	\$27,558	\$31,833
Reserve Income	\$3,225	\$3,322	\$3,422	\$3,533	\$3,648
Interest Earnings	\$537	\$633	\$685	\$742	\$851
Special Assessments	\$0	\$0	\$0	\$0	\$0
Funds Available	\$23,380	\$27,336	\$31,443	\$31,833	\$36,332
Reserve Expenditures	\$0	\$0	\$3,885	\$0	\$0
Ending Balance	\$23,380	\$27,336	\$27,558	\$31,833	\$36,332
Year	2022	2023	2024	2025	2026
Starting Balance	\$36,332	\$41,064	\$24,469	\$29,154	\$34,089
Reserve Income	\$3,766	\$3,889	\$4,015	\$4,146	\$4,280
Interest Earnings	\$966	\$818	\$670	\$790	\$916
Special Assessments	\$0	\$0	\$0	\$0	\$0
Funds Available	\$41,064	\$45,771	\$29,154	\$34,089	\$39,286
Reserve Expenditures	\$0	\$21,302	\$0	\$0	\$0
Ending Balance	\$41,064	\$24,469	\$29,154	\$34,089	\$39,286
Year	2027	2028	2029	2030	2031
Starting Balance	\$39,286	\$34,741	\$40,241	\$46,029	\$52,119
Reserve Income	\$4,420	\$4,563	\$4,711	\$4,865	\$5,023
Interest Earnings	\$924	\$936	\$1,077	\$1,226	\$926
Special Assessments	\$0	\$0	\$0	\$0	\$0
Funds Available	\$44,630	\$40,241	\$46,029	\$52,119	\$58,068
Reserve Expenditures	\$9,888	\$0	\$0	\$0	\$36,006
Ending Balance	\$34,741	\$40,241	\$46,029	\$52,119	\$22,063
Year	2032	2033	2034	2035	2036
Starting Balance	\$22,063	\$27,872	\$15,982	\$21,985	\$22,008
Reserve Income	\$5,186	\$5,354	\$5,529	\$5,708	\$5,894
Interest Earnings	\$623	\$548	\$474	\$549	\$631
Special Assessments	\$0	\$0	\$0	\$0	\$0
Funds Available	\$27,872	\$33,774	\$21,985	\$28,242	\$28,532
Reserve Expenditures	\$0	\$17,792	\$0	\$6,235	\$0
Ending Balance	\$27,872	\$15,982	\$21,985	\$22,008	\$28,532

Yearly Expenditures Graph For Starwood at Fox Meadow



Projected Reserve Expenditures For Starwood at Fox Meadow

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2007	207	Iron Fencing - Repaint	\$2,725	\$2,725
2008		No Expenditures Projected		\$0
2009		No Expenditures Projected		\$0
2010		No Expenditures Projected		\$0
2011	207	Iron Fencing - Repaint	\$3,067	\$3,067
2012		No Expenditures Projected		\$0
2013	1005	Stone Columns - Replace	\$9,851	\$9,851
2014		No Expenditures Projected		\$0
2015	207	Iron Fencing - Repaint	\$3,452	
	1703	Irrigation Timeclocks/Backflow - Replace	\$3,484	\$6,936
2016		No Expenditures Projected		\$0
2017		No Expenditures Projected		\$0
2018		No Expenditures Projected		\$0
2019	207	Iron Fencing - Repaint	\$3,885	\$3,885
2020		No Expenditures Projected		\$0
2021		No Expenditures Projected		\$0
2022		No Expenditures Projected		\$0
2023	207	Iron Fencing - Repaint	\$4,373	
	809	Community Signs - Replace	\$3,691	
	1005	Stone Columns - Replace	\$13,239	\$21,302
2024		No Expenditures Projected		\$0
2025		No Expenditures Projected		\$0
2026		No Expenditures Projected		\$0
2027	207	Iron Fencing - Repaint	\$4,922	
	1703	Irrigation Timeclocks/Backflow - Replace	\$4,967	\$9,888
2028		No Expenditures Projected		\$0
2029		No Expenditures Projected		\$0
2030		No Expenditures Projected		\$0
2031	207	Iron Fencing - Repaint	\$5,539	
	1002	Ironwork Fencing - Replace	\$30,467	\$36,006
2032		No Expenditures Projected		\$0
2033	1005	Stone Columns - Replace	\$17,792	\$17,792
2034		No Expenditures Projected		\$0
2035	207	Iron Fencing - Repaint	\$6,235	\$6,235
2036		No Expenditures Projected		\$0
2037		No Expenditures Projected		\$0

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

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

Cash Flow Method – A method of developing a Reserve Funding Plan where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of Reserve expenses until the desired Funding Goal is achieved.

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

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

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

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

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

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

$$\text{AFB} = \text{Current Cost} \times \text{Effective Age} / \text{Useful Life}$$

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

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

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

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

Funding Principles –

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

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

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

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

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

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

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

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

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

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

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

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