



RESERVE STUDY AGREEMENT

I. GENERAL INFORMATION

IV TYPE OF RESERVE STUDY (check one box only)

Reserve Study be performed on an annual basis.

SITE ADDRESS: _____

We, CLIENT (i.e. association name) _____

hereby request a Reserve Study on the property indicated above, to be performed by Reserve Studies Inc., (hereinafter referred to as RSI), for our sole use and benefit. We warrant that we will carefully read the following agreement, Reserve Study report, and any other information as may be presented by RSI. By initialing below, we acknowledge that we are bound by all the terms and conditions of this agreement.

INITIAL HERE: _____

II FEES

It is agreed that the cost of the Reserve Study shall be:

\$ _____ payable to RSI as follows:

- * fifty percent (50%) prior to commencement of work
- * fifty percent (50%) upon delivery of report

The above fees have been based upon information provided on the "Request For Proposal". Client shall review the Request For Proposal for accuracy and communicate any discrepancies to RSI upon receipt. RSI reserves the right to revise the quoted fees to adjust for any discrepancies.

All billings are considered payable in full upon delivery of report. Unpaid accounts will be considered delinquent after 30 days and will be subject to a late fee of \$20.00 plus a monthly finance charge (12% APR).

III SCOPE AND LIMITATIONS OF RESERVE STUDY

The complete RSI Reserve Study shall consist of two main divisions:

1. Condition of Property Survey

The purpose of the survey is to provide an educated estimate as to the anticipated remaining life expectancy, estimate current replacement cost, and quantification of those components that may require major repair or replacement within a 30 year projection period. RSI can survey only those areas that are visible and readily accessible at the time of said survey. Client shall grant RSI and all necessary personnel proper access to the site for the performance of the survey. Client shall be responsible for providing RSI information concerning those concealed areas and components to which access is restricted. It shall be assumed that all components have been designed and constructed properly and that life cycles will approximate normal industry performance standards. RSI shall not be liable for accurate determination of remaining life expectancies of components that may have been improperly designed and constructed. Client understands that the survey is not for the purposes of ascertaining compliance with any standards, codes, ordinances or other regulations. On major components for which industry performance standards are not available and for which the client could have a potential liability, RSI may make arbitrary estimates based upon past performance, RSI's prior experience, or instructions from client. RSI, in conjunction with client, review of the "Request For Proposal", current budget, declaration, other pertinent documents, and a site survey, will prepare an inventory of components to be included in the study. Client shall be responsible for review of said inventory for errors and/or omissions therein as this can affect the outcome of the study. Client understands that they are responsible for all regular repairs and maintenance of the components as this can significantly affect life expectancy. Due to the nature and complexity of many properties, accurate measurement is not always practical. Client accepts the fact that some measurements may not be exact and that some approximation by RSI is inevitable. Client understands that the survey will be performed by personnel with an extensive background in general construction principles, however, such personnel are not specialists in every craft or profession. Therefore, if RSI recommends consultation with other specialized experts, client understands this must be performed at client's expense. Client accepts that the study will be based upon conditions only as they exist on the day(s) of the survey and understands that anticipated events may not materialize and unpredictable circumstances could well occur. Rates of deterioration and repair/replacement costs frequently vary and such variations could significantly affect the study. It is therefore recommended that a condition of property survey be performed at least every two years.

2. Reserve Funding Study

The Reserve Funding Study will be based upon the results of the Condition Of Property Survey, including remaining life expectancy, current replacement cost and component life cycles. RSI may incorporate assumptions into the study relating to investment yields, inflation applicable at the time of the study, previously scheduled special assessments and future regular assessment changes. Client shall be responsible for supplying and verifying accuracy of all information on the "Financial Information Sheet". Client will be responsible for any study revision costs pertaining to errors or omissions thereon. Based upon information available, RSI agrees to provide sufficiently complete criteria to assist in compliance with the Reserve Study aspects of most Common Interest Development codes, standards and similar regulations, and AICPA guidelines. The funding study will include a computation of major component liability by year, a component replacement schedule, funding plans, funding plan graphs and a calculation of the development's present "percent funded". Due to constantly changing costs of inflation, investment yields and other factors, it is recommended that a review of the

- COMPLETE RSI RESERVE STUDY
- UPDATE RSI RESERVE STUDY WITH SITE VISIT
- UPDATE RSI RESERVE STUDY WITHOUT SITE VISIT
- UPDATE NON-RSI RESERVE STUDY WITH SITE VISIT
- UPDATE NON-RSI RESERVE STUDY WITHOUT SITE VISIT

Refer to attached "Addendum" or "Request For Proposal" for explanation and limitations of each type of Reserve Study.

V STANDARD OF CARE

The RSI Reserve Study report will be prepared in a manner consistent with those levels of care and skill typical to those exercised by other members of the Reserve Study profession. RSI issues no warranties, express or implied on continued performance of both those examined components as well as those that were not examined.

VI DISPUTE RESOLUTION

1. ARBITRATION Any dispute concerning the interpretation of this agreement or arising from the reserve study, except one for payment of fees, shall be resolved informally between the parties or by arbitration conducted in accordance with the rules of the American Arbitration Association, except that the parties shall select an arbitrator who is familiar with the reserve study profession. If the parties are unable to mutually select an arbitrator, the parties shall request and require the American Arbitration Association to select an arbitrator. Such selection shall be binding on the parties. The arbitrator shall conduct summary judgment motions and enforce full discovery rights as a court would and shall follow the substantive rules of law.

2. ATTORNEY'S FEES The prevailing party in any dispute arising out of this agreement, the reserve study or the report thereon, shall be awarded all attorney's fees, arbitrator and other costs.

VII LIMIT OF LIABILITY

RSI, its principals, agents, and employees shall have a limitation on liability as set forth below. It applies to anyone who is damaged or has to pay expenses of any kind because of omissions or mistakes in the Reserve Study. It is binding on client, members of clients association or other similar group, all spouses, heirs, principals, agents, designees, assigns thereof, and any other person or entity who may claim through client. Client acknowledges and agrees that at RSI's option, it will either accept a refund of the fees as full settlement of any and all claims which may arise from this reserve study or RSI's correction thereof. Client assumes the risk of all losses greater than the fee paid for the reserve study. Client understands that a Reserve Study without a limit on liability to the fees paid is available for an additional fee. Please initial and remit the appropriate fees if unlimited liability is desired:

We _____ do not agree to the aforementioned limits of liability and request a Reserve Study without such limitations for an ADDITIONAL fee of 100% of the fees stated in Section II above - with a \$2,000 minimum.

VIII VALIDATION

Should any provision of this agreement be deemed in violation of any law or ordinance, any such provision shall be deemed stricken from this agreement. The remainder of the provisions shall be deemed valid as though the stricken provisions were not a part thereof.

The undersigned have read and agree to all of the above terms and conditions. This agreement is construed to be in accordance with the laws of the state of California.

I _____ / _____ We,

Title _____ (print):

am/are authorized to obligate the aforementioned client for the preparation of a Reserve Study by Reserve Studies Inc.

Executed (date): _____ / _____ /2000 At (city, state): _____

For Reserve Studies Inc. _____