Montage Construction Defect/Special Assessment Information Package Attached to the SRPD

1. Dickson Realty disclosure: **signature required**
2. July 14th, 2022 Construction defect repairs capital budget
3. July 19th, 2022 Construction defect repairs FAQ's
4. August 17th, 2022 Construction defect repairs FAQ's - Seismic
5. April 14th, 2023 Notice of Special Assessment vote and financing amount per unit
6. May 21st, 2025 Construction defect update
7. May 30th, 2025 Construction defect update
8. Community Updates

_____ _____

Buyer signature and acknowledgement Date

Of all pages: 1-45

DICKSON

REALTY

Supplemental Disclosure Regarding Construction Defect Lawsuit

This disclosure and any included documents are intended to supplement other disclosures made by Seller regarding the construction defect lawsuit, which was filed regarding The Montage, including but not limited to the Sellers' Real Property Disclosure Form. The referenced and attached documents were drafted by the board of directors and/or their advisor for The Montage. The information in the report(s) is information which was obtained and/or disseminated by The Montage on the dates stated on the documents. As such, the attached documents may not set forth the most current information regarding the status of the construction defect repairs. The attached documents should not be used as a substitute for your own investigation regarding this matter. Although you should review the attached documents, you must also make your own determination regarding what due diligence is necessary and appropriate and/or what additional information you may want to obtain regarding the construction defect repairs at the Montage and/or their potential costs, which could be passed on to Owners at The Montage via special assessments and/or increased association dues.

Seller: _____ Dated: _____

Seller: _____ Dated: _____

Buyer: _____ Dated: _____

Buyer: _____ Dated: _____

Construction Defect Repairs Capital Budget

Status Report

July 14, 2022

Notice of Need for Special Assessment

- Board and advisors have reviewed funding needs to complete construction defect repairs based on current market rates and terms
- Shortfall in costs versus funds on hand for total construction defect project necessitates Special Assessment ("SPA")
- Time is of the essence:
  - Continuing structural damage from defects and potential for injury and loss of life
  - Cost escalations and labor shortages expected to continue
  - Continued impairment to purchase and sale mortgage markets in property
  - Continued impairment to enjoyment and use of property with ongoing construction work
- **Board recommends financing SPA to minimize near-term financial burden and take advantage of attractive terms on which Association can borrow**
  - Continue to refine projections and manage current projects within scope
  - Only pay for what we use by using credit line over 18-24 month draw period

President's Letter July 12, 2022

- Board is **not** approving SPA at today's meeting
- Board is notifying Association members of anticipated significant shortfall in CD Funds to occur in 2023
- Association is **not** in financial crisis
- As Board considers individual CD repair contractors, need to provide assurance that Association can fund contracts being approved based on funds required for entire CD Repair project, not based solely on funds on hand
- SPA will not be determined until amount finalized required to bridge funding gap based on actual market conditions and continued refinement of projections and estimates

President's Letter July 12, 2022

- Total CD Repair project estimate: $18.4 to 20.4 million
  - High / Low estimates for Seismic repairs account for much of $2.0 million range
- CD settlement proceeds plus earned interest: $12.2 million
- Based on current estimates:
  - Funding gap: $6.6 million to $8.6 million
  - CD settlement funds recovered account for 60% to 67% of total project funds required
  - Board is recommending bank loan to finance SPA all or in part
  - We expect to size SPA by end of year as final bids received
  - Board has retained FFI to market our bank loan this Fall

President's Letter July 12, 2022

- Once Board became more conclusively aware of the projected deficit, we had duty to notify and duty to act on this information
- We understand need for SPA can be difficult fact to digest
- We want Association members to have as much notice as possible, in order make appropriate financial plans
- **We are working hard to negotiate best contract terms available, with qualified and available contractors, in order to complete necessary repairs for safety, welfare and long-term financial stability of Association**

The Vote and Timing

- We anticipate two separate votes:
  - SPA Funding: Unit Owners to vote on Special Assessment
  - Bank Loan Financing: Unit Owners to vote on a bank loan to finance SPA
- Votes will occur in August and September
- The SPA, if approved and ratified, would not be assessed until some time in 2023

Asking Questions & Getting Answers

- We want unit owners to be as fully informed and engaged as possible in deciding about their vote
- We will be communicating frequently with Association regarding updates, particularly at scheduled monthly board meetings, but also on interim basis
- Office is here to help answer questions
- We will publish a comprehensive newsletter addressing questions
- Digital Library has been created to share most relevant files to help everyone understand settlement and current status of CD Repair project
- **Everyone will have opportunity to learn more and ask additional questions over coming weeks and months**

Settlement & Current Status

- Prior boards successfully sued for Construction Defects: $35 million sought; $20 million settlement
- Settlement in November 2017: $11.8 million in net cash proceeds to Association
  - Plus $0.4 million from earned investments
- Waller + Opsal Report: total need = $36.0 million
- Fenton Grant sufficiency letter: total need = $12.6 million
- Projected total Construction Defect repair cost: $18.4 - $20.4 million
- Construction Defect Fund projected deficiency: $6.4 – 8.4 million
- Proposed 10-to-15-year bank loan financing to fund SPA
  - $14.68 – $19.55 per square foot total cost
  - 10-year term: $0.12 - $0.16/psf SPA total increase to monthly assessment SPA
  - Average Montage home of 1,050 sf would have SPA of $15,414 - $20,525 over 10 years

Summary Scope of Repairs

- Projects Completed to Date
  - Garden Deck and Landscaping
  - Fire Protective Construction
  - HVAC Mechanical closet Fire protective repairs
  - Miscellaneous Mechanical, Electrical, Leak, Seismic and Plumbing projects
- Projects in Progress
  - Exterior Repairs / Painting
- Projects to Begin Soon
  - Pool/Spa/Deck Replacement
  - Seismic Repairs
  - Garage Leaks
  - High Tower Rook Leak Repair
  - Interior Unit Leak Repairs

The Montage Reimagined

- Prudent and strategic management of our Reserve and Operating funds that finance scheduled maintenance and on-going maintenance and investments
  - Maintain the Montage as a great place to live and work
  - Keep up with market and competitive buildings built over next several years
- Association is funded primarily by its assessments, annual allocations of which are made to fund Reserves and Operations
  - Association continues to operate on sound financial footing

The Montage Reimagined

- We must continue to invest in our future as premier high-rise condominium property in Reno
  - Protect where we live and our significant financial investment asset
- 5-year capital budgeting process currently underway will give us more visibility into actual operating needs and investment priorities
- We need to:
  - Complete Construction Defect Repairs
  - Continue prudent, strategic spend and investment of Reserve and Operating funds

The Montage is our House*



*And Houses Need TLC

CONSTRUCTION DEFECT AND SPECIAL ASSESSMENT F.A.Q.'S: July 19, 2022

1. *Why does the Association have to pay for construction defect repairs? Wasn't the point of the lawsuit to get funds to fix these issues?*

   The total estimated cost for the repairs of $18.4 to $20.4 million is not sufficient compared with the $11.8 million we received in total proceeds from the lawsuit in 2018, and the $0.4 million we have earned on our investment of the proceeds. Based on our best current estimates, proceeds still account for approximately 60% to 67% of the total costs of the repairs, but, unfortunately, the Association needs to fund the shortfall. That is why there is a need for a Special Assessment ("SPA"). The Board prefers to take out a bank loan to fund the SPA, which will lessen the burden on unit owners and allow us to pay for these immediate repairs over a much longer period.

2. *Why didn't we get enough money in the settlement? Can't we just go after the developers again?*

   The size of the settlement was determined to be sufficient at the time we received the proceeds. In settling the lawsuit, we waived the right to make any future claims, so we cannot reopen the complaint and go after additional proceeds.

3. *Did our law firm Fenton Grant not fully perform their duties? The CD matter has been going on since 2014 – how did this get missed?*

   While we do have a shortfall, the Association does appear to still have a recovery of approximately 60% to 67% of total projected costs. We are in a much better situation than we would have been had we not pursued the lawsuit in the first place. That said, if the Board has reason to pursue any claims that it believes are valid and in the best interest of the Association, it will consider all options and take any appropriate actions which may be advised under consideration with Association general counsel.

4. *Why is a shortfall in CD funds only being discussed now? Isn't this happening abruptly?*

   The Unit Owner Boards have been working continuously on this project since assuming control of the Association. The estimates upon which each of the successive boards have been working under have been determined by our advisors at the time to be realistic. Until we took our projects out to bid in the competitive request for proposal (RFP) process required of us as fiduciaries, we were unable to verify any deficiency in proceeds. The RFP process for the Pool, Spas & Pool Deck, and our recently completed analysis of the scope of the necessary seismic repair, has now made us aware of this deficiency. We are notifying the Association on a timely basis as we learn more of the facts. The current deficiency remains an estimate until we can complete all the RFPs outstanding.

The necessary Seismic Repair remains the biggest outstanding item that could significantly impact the size of any necessary SPA.

5. *Why has it taken this long for the Association to begin making repairs? If we had started sooner, we may not have been in this situation.*

   Construction repairs as extensive as the ones required by our building are very complicated and take many years to complete. They also require the services of specialists and experts to advise the Association in planning the work and the implementation of these projects. We initially hired our construction manager Group West in 2019 and have been working with them since then. The Covid pandemic contributed to significant delays in our being able to move forward more swiftly with the repairs.

6. *I was informed years ago that a special assessment was not going to be needed – why has this changed?*

   Control of the Association from the developer occurred in 2014, and the Unit Owner controlled Association immediately began its pursuit of these CD claims. The defects themselves go back to the original conversion in 2006, but we were not able to begin pursuing these claims until 2014. Settlement was a complex litigation and took several years. Final settlement was negotiated in 2017 and we received all proceeds from the settlement in February 2018. The costs of repair today, versus what was originally projected by the Association's advisors to be a sufficient settlement in 2017, have turned out to be different and more costly than was projected at that time. Please see the Settlement Sufficiency Analysis Document in the Library.

7. *Why don't we simply not do the repairs and forego the need for an SPECIAL ASSESSMENT (SPA)?*

   Significant time and money with experts and consultants was expended to confirm that these construction defects are real, considerable, and must be addressed both for the structural integrity of the building and the safety of the community. The lawsuit expended $1,822,597 in direct litigation fees and expert costs to prove our claims. Please reference the "FG Case Closed" and "Final Settlement Ck Distribution" letters from our CD attorneys Fenton Grant in the Library.

8. *Is there anything we can cut out of the CD project to make it more affordable? What if we only do the bare-minimum repairs?*

   These projects are scoped to be performed according to the recommendations of the experts retained by the Association to advise us on necessary project requirements. This is not an expanded scope beyond the claims initially made by the Association in pursuing this settlement. Each of the projects is deemed

critical to repair either the structural integrity of the building or directly resulting from or otherwise related to the construction defect repairs.

9. *Can we delay making the repairs for a few years until prices come back down and we can better afford it?*

   As set forth in the Settlement Sufficiency Analysis, the repairs are critical and need to be performed now to maintain the structural integrity of the building. Additionally, there can be no assurances that inflationary pressures will not persist for some time, or that the costs of supplies will be significantly reduced soon, or that material and supplies will be available in the timeframe during which these repairs must be performed. Supply costs and availability are only part of the equation. The cost of labor, the availability of contractors qualified and able to perform the work; as well as our ability to insure the work at favorable commercial terms mean that we cannot afford any more delay.

10. *How will bank financing affect my ability to buy/sell? How will a special assessment affect my ability to buy/sell?*

    The special assessment (SPA), or the financing of the SPA, will provide clarity to buyers, sellers, and lenders that the construction defect repairs are fully funded and on schedule to be completed in 2024. This certainly will help support an active purchase and sales market for homes in the Montage. Further, when coupled with the Capital Budgeting efforts, will provide purchasers with assurance that the Montage will continue to be the most premium, attractive, up to date and well maintained condominium community in Reno.

    We want owners to continue to have liquidity in the investment in their homes, and for new buyers to be able to seek competitive mortgage financing when looking to buy into the Montage. Consultation with our advisors leads us to believe that this will be the case.

    Finally, as part of the SPA process we anticipate being able to offer the option for homeowners to either finance or pay off the SPA in a lump sum. Sellers could choose the latter option to reduce ongoing monthly fees if they and their real estate advisors thought it would make the property more attractive.

11. *Please provide more information on the vote.*

    The special assessment (SPA) and SPA Financing each require a vote. As a first step, the Board expects to recommend a SPA in August. The recommendation will be provided in a written summary. The process stipulates that the membership can deny the SPA if 51% of the unit owners cast a negative vote at a membership meeting held between 15-30 days from delivery of the written summary. The Board anticipates that this meeting of the membership will be held

before the end of the month of August, but not before the August 11th Board meeting.

As a second step, if the SPA is approved, the Board expects to recommend and request the membership approve a bank loan to finance the SPA. The SPA Financing will require 2/3 of unit owners approve the bank loan. The vote is conducted by ballot, the results of which would be ratified by our auditor Hilburn & Lein.

12. *What happens if the membership denies the special assessment (SPA) and/or the request to finance?*

    The Board feels strongly that approving the SPA is necessary as a life, health and safety issue and to maintain key functions and amenities in the building, and that a failure to approve the SPA would further impair future sales and diminish property value. If at the August membership meeting the SPA is denied, the Board will have two options. The Board would either be forced to reprioritize the construction defect repairs and defer critical "Priority 1" repairs to the building until such time as a funding plan to complete the plans can be put in place. Or the Board, in consultation with its advisors, as a matter of Life, Health & Safety, may have a duty and obligation to seek legal remedies in the courts to impose the SPA.

    One of the reasons the Board is exploring a bank loan is to offset the burden of a direct SPA. SPA financing will spread the SPA out over a 10-15 year period. If the membership does not approve the bank loan, after having approved the SPA, then the Association will have no other option and will need to impose a direct SPA, which will require a shorter payment period.

13. *If we don't secure financing and the board implements a special assessment (SPA), will the Board foreclose on my home if don't agree to pay the increase?*

    In discussions with our advisors, we are confident we will be able to secure a bank loan. Should that not happen, then yes, the Unit Owner will be required to pay out the SPA on a reasonable schedule determined by the Board, and if a Unit Owner fails to pay, the Association has lien rights against the unit pursuant to NRS 116.3116. We would very much like to avoid this scenario. Please note that depending what kind of a bank loan we can secure, Unit Owners may have the option to pay the SPA outright without incurring any of the interest costs of the bank loan, or to seek home equity loans or other financing individually instead of through the Association, if more advantageous. We are reviewing various options to provide as much flexibility in the financing as possible.

14. *If we do go out for financing, how do we know we are getting enough money this time and won't have to repeat this process again?*

Like you, we only want to do this once and consider this an extraordinary event. The Board is working diligently to complete all the RFPs for the entire scope of work for the CD repairs over the next few months. We will not be finalizing the size of the SPA until we have a firmer estimate on the size of the deficiency. The SPA itself will not be imposed until 2023 when we begin doing construction work on the Pool, Spas & Pool Deck. We want to give everyone as much time as possible to plan their own personal finances with as much transparency as we can provide.

15. *What if I can't afford the special assessment (SPA) increase? How will the Board address this concern?*

    We appreciate all our unit owners and believe that by providing this information now, we are allowing for enough planning time so we all may prepare for the impact, in consideration of our living and investing in the Montage. Seeking the bank loan is our best option to reduce the burden on Owners who may have financial constraints, so that the SPA can be paid out over a much longer period, with minimal impact on each unit owner's existing monthly assessment compared with a direct SPA. The bank loans that we will be considering have terms of 10—15- years. The Board has determined that a direct SPA, on the other hand, would need to be paid within the two years that we are doing construction. Therefore, the Board is strongly in favor of seeking a bank loan to finance the SPA. We want everyone who wants to continue to live in the Montage to be able to stay here.

16. *What about on-going maintenance and scheduled upgrades in the building? How does this impact the daily operation of the Montage?*

    The Association maintains two other funds for these purposes – the Reserve Fund and the general Operating Fund. The Reserve Fund is used for large scale and long-term repairs, maintenance, and replacement of major components of the Common Elements, as well as for unexpected emergencies. The Operating Fund is used for expenses incurred in the day-to-day operation of the community. Both funds are replenished by monthly regular assessments and are kept strictly separate from the CD Fund. Annual capital budgeting reviews are also an important part of prudent fiscal management to assure we remain in strong financial health. It also ensures we can pay for operations on an on-going basis out of our regular assessments as well as make the investment required to maintain the Montage as a premier high-rise.

17. *What about my regular monthly assessment? Is that going to go up as well?*

    The plan to finance the shortfall in the CD settlement recovery with a financed SPA is separate from the regular monthly assessment.

18. *What if inflation comes down in two years?*

While some of us in our personal lives may have high tolerances for risk, Board directors on behalf of an Association are fiduciaries duty bound to act in the best interest of the Association. As fiduciaries, we can't be risk takers with the Association's capital, and need to plan appropriately for the likely possibility of continued inflation.

At this moment in time the Board can, with reasonable accuracy, price out the cost of critical repairs and secure the contractors to do the work and manage the execution risk of finishing the work. There can be no assurance of what will happen in the future with inflation, with supply/demand, with the cost of labor and materials or the ability to secure either contractors or insurance on commercially reasonable terms. Another consideration that the Board must weigh on behalf of the Association is the impact to property values and the ability to secure mortgage financing in the purchase and sale market for a condominium property that was built in 1977. Carefully weighing all these factors, the Board strongly believes we need to complete these repairs as quickly as we can to protect the safety, welfare, and financial investment of Unit Owners.

19. *What are we being asked to vote on and what is the timing?*

In the coming weeks, Unit Owners are being asked to vote on a special assessment (SPA) and on a bank loan to finance the anticipated SPA. These are separate votes. First, the Board expects to recommend a SPA. The recommendation will be provided in a written summary. The process stipulates that the membership can deny the SPA if 51% of the unit owners cast a negative vote at a membership meeting held between 15-30 days from delivery of the written summary.

Second, if the SPA is approved, the Board expects to recommend and request the membership to approve a bank loan to finance the SPA. The SPA Financing will require 2/3 of unit owners to approve the bank loan. The vote is conducted by ballot, the results of which would be ratified by our auditor Hilburn & Lein.

We expect these votes to occur in the months of August and September 2022.

20. *Further explain the 2-year wrap insurance policy. Given the continued supply chain challenges, labor shortages, high inflation rates and impending recession, what happens if the work cannot be completed within the 2-year wrap policy period?*

Wrap insurance policies allow contractors to work at properties where their own insurance will either not provide coverage, or when a specific contractor may require it be in place as a condition of taking on a new job. Given the existence of the CD lawsuit and settlement, and the tightening of policies extended to contractors over the past few years by their own carriers which offload more risk

to their clients than was previously the case, increasingly these policies have become required.

Previously the Association was able to buy a one-off policy for the HVAC and other miscellaneous CD repair work already completed. The Association has been continuously advised by our Construction Manager, Group West, and other advisors, of the necessity of wrap insurance policies as, increasingly standard and expected in today's economic climate. Further, given the scope, scale, and complexity of the CD repair work.To recap, the repair work includes; water intrusion, seismic remediation, and the entire Pool, Pool Deck, and both Hot Tubs. Many qualified contractors are either reluctant or refuse to work at a property, and in particular Associations, with a history of construction defects and litigation. If the work does take longer, working with our insurance advisors we believe we would be able to extend the term of the policy or write a new policy. However, these are very expensive policies and would add additional cost that we are committed to avoiding if at all possible.

21. *We understand that health and safety items like the seismic repairs and building water intrusion which is being corrected now cannot wait. However, is the Pool, Spas and Pool Deck repair, at a projected cost of $7.65+ million, a "life safety" issue? What would a new wrap policy cost if the pool deck work is delayed by a few years?*

    The Pool, Spas and Pool Deck Repair, which incorporates the pool and spa assemblies as well as numerous issues on the plaza deck itself, presents life safety concerns and is a critical component of the construction defect repairs. So critical, in fact, that the Association's construction defect lawyers classified the repairs as "Priority I" in their September 2017 Settlement Sufficiency Analysis.

    The structural damage to the building due to water intrusion is severe and worsening with each passing month and year. If left in its current condition, water intrusion will eventually damage other floors of the building and pose risk to its structural integrity. Additionally, from a financial perspective, lenders are likely to restrict residential mortgage lending in the building until the pool and plaza deck are repaired and/or the Association can demonstrate its repair is funded and in process. We cannot project what a new wrap policy for the Pool, Spas and Pool Deck would cost in the future, nor if the Association would be able to obtain such a policy on commercially reasonable terms, if at all.

22. *The membership was told in the past that the garage water intrusion repair was not a construction defect. Now it appears it is, please explain.*

    The garage water intrusion was part of the construction defect claim and settlement. As part of the settlement, Fenton Grant provided a Settlement Sufficiency Analysis ("SSA") that allocated $175,000 to repair the below grade water intrusion (4.01(a) – Parking Structure, Below Grade Walls Leak). The repair description calls for identifying all locations where evidence of moisture

intrusion has occurred at (below grade) perimeter retaining walls, drilling holes, and pumping in sealant to the outside of the retaining wall and patching the drilled holes. This means that we will have a new waterproof membrane on the outside of the underground parking garage. The SSA classifies the repair as Priority I. In deciding what items take priority in the repair process, we relied on the guidance of our construction defect attorneys at Fenton Grant. As you can see from the SSA, Fenton Grant recommended that the Association allocate a portion of the settlement funds to repairing the water intrusion in the parking garage and classified this as a Priority I repair. Please see the SSA in the Digital Library.

23. *Would requiring unit owners selling units to pay off their SPA at closing help reduce the amount of the Association's loan? How can we make that happen?*

    Typically the buyer and seller would work out who will pay the SPA at closing. However, we will take all these suggestions under advisement with respect to how each unit owner's liability would be treated by the lender and how to improve the overall structure of any bank loan obtained by the Association. The loan products offered by individual banks vary, and this can be one of the factors the Board takes into consideration in selecting a provider.

24. *We've seen the conclusions of the analysis of the Seismic construction defect that was done for the Associations by structural engineers, McElhaney Structure Engineering ("MSE"). And we have heard their recommendation for how to fix it. Is there more assurance we need to seek to validate that these repairs will work and that we aren't "over-engineering" the solution?*

    At both the Board meeting and subsequent to the presentation from MSE, we have continued to receive very thoughtful questions about this aspect of the Construction Defect repair project. In the interest of providing a more comprehensive response to these questions, we will be sending out a dedicated communication on the Seismic construction defect. We will also be placing this item on the Board meeting agenda for August 11 so that we can present these findings in a more summary fashion.

25. *Is the Reserve Fund adequately funded? What does it mean that it is rated "Poor"? What if we have another major need for repairs? How will we pay for them?*

    The Board works with our advisors to help determine the adequate level of funding for our Reserve fund. This includes our auditors, our management company, our general manager, our general counsel, and our consultant Bob Browning and his team who conduct the Reserve fund studies themselves. By statue Associations are required to update their Reserve studies every five years.

    The Montage's last full Reserve study was conducted in 2018 by Browning. It was updated again in 2020. At the May Board meeting the Board approved accelerating the full Reserve study one-year and has contracted with Browning for a 2022 Reserve study. This review is in process and is being led by our General

Manager and Chief Engineer, along with the Board. We believe it is prudent that our capital budgeting planning reflect the results of an updated study.

The 2020 Reserve Study rating of "Poor" refers to the Percent Funded Status in the Cover Letter and on Page 2 of the 2020 Reserve study report, which compares the current Reserve fund balance to the estimated amount in the Reserve fund study to repair, replace, restore or maintain major components through to their end of useful life replacement. The scale used to measure is 0% to 30% (Poor), 30% to 70% (Fair), and 70% to 100% (Strong). As of 12/31/21, the Association's Percent Funded Status was 28.9 %. Browning's assessment in the cover letter and in the report on Page 2 also states that based on the 30-year cash flow projection, the Association's reserves appear adequately funded as the Reserve fund ending balances remain positive throughout the replacement of all major components during the next 30 years. Nevada statute imposes no reserve funding level requirements nor does it address funding level adequacy. Although one or more of the Reserve fund percentages expressed in this report may be less than one hundred percent, those percentages do not necessarily indicate that the Association's reserves are inadequately funded.

Based on the results of the new full Reserve study, and our analysis of the Association's requirements, we will be updating our recommendations for appropriate allocations from assessments into the Reserve fund. In general, if there are major repairs required which are more than what is in the Reserve fund, the Association would need to develop a plan for paying for those repairs. Unexpected and necessary repairs can occur. We will continue to do our best to help ensure the Association is in a good financial condition to address problems as they arise both anticipated and unanticipated.

26. *How do we ensure the segregation the Construction Defect, Reserve and Operating Funds? How do we decide between using Construction Defect or Reserve funds when doing projects?*

Each of these funds are held in distinct, segregated accounts. As a matter of statute, they may not be co-mingled. We work with our financial advisors at First Service Residential and First Service Financial to help us manage, maintain, and invest these funds. Internally at the Association, the invoicing process itself is managed in a control environment with multiple steps of review. These steps include the finance function at First Service, our General Manager and Chief Engineer at the Montage, and your Board. These accounts are further subject to an annual audit by our Auditor, Hilburn & Lein. We are currently closing out the 2021 financial audit and our auditor will be presenting their findings to the Association at the August 11 Board meeting.

The allocation between Construction Defect and Reserve funds is guided by the Fenton Grant Settlement Sufficiency Analysis, in the case of CD repairs; and by the Browning Reserve Study, in the case of reserve repairs and replacements.

These allocations are determined at the time of contracting, invoice approval and are also verified in our annual audit.

When you attend Board meetings, you will hear the Board refer not just to the matters being brought to the Association's attention for budget approval, but also which fund is the source for paying the invoice – Construction Defect, Reserve or Operations. In this way, there is a further public Association record of how funds are being allocated which is then recorded in our published minutes which are available on our Montage Connect web-portal. As a further step to be transparent, Board agendas now include the specific contracts and invoices being considered by the Board at each meeting, and their dollar value.

27. *How much are we spending for all these surveys the Association is talking about?*

Surveys are intended to give Unit Owners a clear voice in the process of building administration decisions. The Association is budgeting for professionals who are experienced in conducting these types of surveys, as well as for the tools that allow us to collect data in a user-friendly way. Typically, these costs are integrated into the projects themselves as part of our data-collection process to help the Board make more informed decisions that incorporate the preferences of the community.

As fiduciaries, we are not directed to make decisions on behalf of the Association as individuals, even when (or especially when) we may have personal expertise to reference. Our reliance needs to come from the third-party, unconflicted advisers we hire to advise the Board. That does not preclude us, however, from tapping into the significant resources we have here in our community. We do make use of the skills of many unit owners who contribute numerous volunteer hours to contribute to these strategic planning projects. The Board's decision-making is significantly improved when it is advised by our experts, and further informed by the community. Allocations of Reserve and Operating funds is either an expense or an investment of Association capital.

We are committed to using surveys and other data-collection tools to help the Board make decisions on behalf of the Association that are informed by reliable data and the expressed preferences of the community. This investment and analysis are comprised of the costs associated with the survey software licenses, and either the billable hours charged by consultants or as flat fees included in the scope of specific projects. Future budgets, beginning in 2023, can line-item a budget for this work. Currently we have purchased software licenses for SurveyMonkey Pro (annual license ~$2,300) and Miro Board (annual license ~$190) and engaged the research services of Perkins Eastman with a heavy assist from FSR as part of our on-going management fees to the Association. The services of the researcher consultant from Perkins Eastman is billed on an hourly basis as part of the Association's Montage Master Plan contract with Perkins Eastman.

28. *Why are we painting the building when we have a deficit for construction defect repairs? What is the cost of the painting portion of the building waterproofing work?*

    The total contract for EmpireWorks is $3.35 million. The break-down between the cost of materials and labor between water-intrusion resurfacing and painting is approximately $1.3 million for water intrusion, and $1.9 million for painting. There is additional provision in the budget for change orders and contingencies. While we can separate costs between resurfacing and paint as a matter of cost of goods and labor, we can't do the resurfacing of the exterior without repainting the entire building.

    The painting of the Montage is part of the exterior water-intrusion project and is integrated into fixing the exterior walls. As EmpireWorks is circling the building repairing the damage to the exterior, they are tinting the paint base with the final color to improve paint coverage and bonding to the building. The original SSA only anticipated that paint touch-ups would be required. Since then, we have been able to determine the full extent of the damage to the exterior walls and the general distress of the paint as it has weathered and aged. It became clear that we could not repair the walls without doing a complete repaint of the exterior.

29. *How are we prioritizing these critical repairs? How long will the seismic repairs take?*

    The Board, with guidance from its experts, has prioritized repairs in accordance with the SSA, which classifies repairs as Priority I, II, or III. Based on current project management plans, if we can continue securing the services of qualified contractors and don't have serious delays in the procuring of supplies and materials, we are tracking to have the work fully completed in early 2024, including the seismic repairs.

30. *Is there a conflict of interest that the Contractor who has been selected for the Pool, Spas & Pool Deck repair work is also advising on the scope of the work required to replace the pool?*

    The pool repair work part of the overall Pool, Spas & Pool deck process has been conducted by Western Water Features, not by Pellett. Pellett is not conflicted in advising with Group West on behalf of the Association whether the foundation under the pool is secure enough to be repaired, or if it needs to be replaced.

31. *The sheer wall that was removed in the conversion of the building from a hotel/casino to a condominium was approved and permitted by the City of Reno. Isn't the City accountable to the Association for approving a plan that resulted in a construction defect which we are now having to pay for getting repaired? What agency can be held to account for approving removal of the seismic wall?*

The liability of construction defects resides with the contractors and sub-contractors who provide the work, not the City. In arriving at a settlement of the litigation, these parties (contractors and subs) were released from all claims. However, if there are parties who have provided services to the Association not directly a party to the settlement agreements, and we have a reasonable reason to believe there may be negligence, we will advise with our general counsel about any claims we might be able to pursue on reasonable commercial terms which might help offset the CD funding deficit.

32. *We only received the meeting agenda two days before the July 14 board meeting. Aren't these supposed to go out 10 days in advance?*

    The notice for board meetings is an NRS requirement, that the Association be notified of board meetings 10 days in advance. Agendas may go out up until the time of the meeting. In general, we circulate the agenda the week of the meeting so that it is pertinent and the most up to date with respect to matters being taken up by the board. With respect to the board meeting notices, we have already noticed all the board meeting dates for 2022, which occur the 2nd Thursday of each month at 6pm PDT.

33. *Please explain the budget numbers between 2021 and 2022. Why does there seem to be such a big increase?*

    The Annual Budget for the Montage has two distinct sections. First there is the Operating Expense section which is the annual costs of operating and maintaining the building and supporting the Unit Owners. The second section is the annual transfer to the Reserve Fund.

    The 2022 budgeted operating expenses did not increase over the 2021 budgeted Operating Expenses, but actually decreased by minus 0.6%. After the Reserve Transfer, the increase in the Overall Annual Budget from 2021 to 2022 was +1.4%.

    The Board aims to manage the costs of the Operating Expense budget while maintaining an adequately supported Reserve fund to budget for the anticipated scheduled maintenance, on-going maintenance and investments required to maintain the Montage as a premier high-rise.

	2018	2019	2020	2021	2022	
Operating Expense	$2,790,972	$2,616,492	$2,653,320	$2,782,164	$2,766,747	
% Change		-6.3%	+1.4%	+4.9%	-0.6%	
Overall % Change					-0.9%	
Reserve Transfer	$0	$240,000	$393,600	$420,00	$480,000	
Overall Annual Budget	$2,790,972	$2,856,492	$3,046,920	$3,202,164	$3,246,747	
% Change		+2.3%	+6.7%	+5.1%	+1.4%	

34. Why are we updating the pool house if we are short of funds?

Renovation of the pool house interior is part of the larger common area amenities Master Plan, while the structure itself is part of Construction Defect. At one point the Board had approved an acoustic upgrade to the pool room, but rescinded that approval earlier this year anticipating this work. It is also the location that will house the construction crews for the duration of the time they are doing the Pool, Spas and Pool Deck repairs. We determined this was an optimal solution that can help minimize the disruption of otherwise having work crews constantly using our main elevators or other interior and common area spaces to stage their work.

35. *I am concerned about the dark colored paint making my set-back balcony terrace too hot*.

Similar concerns were voiced in the resident survey that went out in March 2022. In advising the Board on the selection of colors, factors of climate, sun exposure specific to Reno, how these colors might age and weather, etc. were considered by our consultants and designers. Our sustainability consultants also took into consideration the Solar Reflectance Index of the charcoal paint to be under the recommended minimum of 30. That, coupled with the minimum surface area that is actually painted with this color, led them to conclude that the charcoal color would not make any true impact on the temperature of the interior terraces. We are happy to report that with the painting underway, the concerns about diminishing the enjoyment of these outdoor private terraces and patios does in fact not appear to be a problem. One of our board members shares this sun exposure and indicated that they do not experience a reflection of heat and that the terrace in fact looks much better. We would note that these observations are being made in a July with temperatures consecutively in the mid-to high 90s.

36. Is the special assessment (SPA) a tax? What exactly is a special assessment?

A Special Assessment is not a tax. A Special Assessment is an assessment made against each Owner and his or her Unit in the event the Board determines that the estimated total amount of fund assessed to defray the Common Expenses for a given fiscal year is or will become inadequate to meet the Common Expenses, or in the event the Association has insufficient reserves to perform its obligations under this Declaration.

Once levied, the SPA is an obligation to pay on behalf of the unit owner and carries with it the same obligations and penalties as your monthly assessments. The monthly fees we pay are called assessments, and it is these assessments which fund our Reserve and Operating Funds. The SPA is a separate line item in your monthly statement from First Service which breaks-down the billing. The SPA is combined with and included as part of your monthly billing.

The SPA is also an investment in your home. The amount of the SPA would increase your basis in your investment in your unit. A tax advisor can indicate any tax value to you as a Unit Owner upon a sale or transfer of your ownership.

37. *I would like to review all the documents associated with this matter.*

We will be establishing an online library on Friday of this week, July 22. This library will be keyword searchable. Instructions for access will be sent later this week.

Without further ado:

CONSTRUCTION DEFECT AND SPECIAL ASSESSMENT F.A.Q.'S #3

SPECIAL TOPIC: SEISMIC CONSTRUCTION DEFECTS

August 17, 2022

1. *We've seen the conclusions of the analysis of the Seismic construction defect that was done for the Associations by structural engineers, McElhaney Structure Engineering ("MSE"). And we have heard their recommendation for how to fix it. Is there more assurance we need to seek to validate that these repairs will work and that we aren't "over-engineering" the solution?*

The Board initially relied upon all the experts who reported on the seismic defects in 2015 and 2016 as part of our construction defect lawsuit. The original report only addressed the symptoms of apparent damage. Group West and MSE over the past year have performed a comprehensive structural analysis, taking into account the previous reports findings, and identified a larger issue which requires additional structural engineering and subsequently additional scopes of work to completely address the overall structural issues and have the building perform as intended. This analysis was initially intended only to provide engineering parameters for the prescribed solution in the 2015/16 reports, but through diligence identified the above referenced issues and have validated those conclusions. We have worked with Group West & MSE to develop, adjust and refine their recommended design solution, while being very conscious of the costs of said solution in conjunction with assuring it is properly engineered and minimizing impact to residents wherever possible (both during construction and the affects/results after of the design). Great care and concern was taken to protect homes and their views, while also making sure the problem itself is satisfactorily and permanently resolved. We want the Montage to be the most structurally sound high-rise in Reno.

But we also recognize that we can't protect against the most extreme earthquake events. Our solutions need to be commercially viable against conservative risks we may face as the more likely or probable. The reports from MSE and other structural engineers who have reviewed the Montage are available in the library.

2.Have we had the seismic analysis run on different analytic models?

MSE has analyzed a dynamic finite element analysis (FEA) model using RISA 3D, with a response spectra input function as described by the building code, ASCE 7-16. A static analysis verification of reactions was also performed as a data point. The dynamic analysis uses a lumped

mass matrix. The response spectra represent the maximum response of any single degree of freedom (SDOF) system to a dynamic base excitation. Earthquake time history data is converted into a response spectrum. With this response spectrum, it is possible to predict the maximum response for any SDOF system. In the response spectra analysis procedure, each of the building's modes (degrees of freedom of movement) is considered to be an independent SDOF system. The maximum responses for each mode are calculated independently. These modal responses are then combined to obtain the building's overall response to the applied spectra. The building code is based on ground accelerations—which is what affects buildings, and does not correspond to Richter Scale, which measures energy released in the ground as a function of fault movements, etc. Reno is probably capable of producing somewhere in the vicinity of a 6-7 earthquake on the Richter scale.

3.Is the Board aware that we had the largest earthquake in Reno history in 2008, after the shear wall was removed?

The earthquake that occurred in 2008 was 4.7 on the Richter scale. This is significantly smaller than the 6.1 that occurred in Reno in 1914 and the 6.4 and 6.2 that occurred in 1869, among others in the history of Reno. Richter is a base 10 logarithmic scale, and a 1-point increase corresponds to 10 times more energy being released.

The seismic reports that were delivered were conducted mostly in 2015 and 2016 after this 2008 event and our settlement proving the seismic defects was concluded in favor of the Association. These reports are available in the digital Library. It should be noted that there are 'crack meters' located throughout the affected areas and are still monitored monthly with reports being provided to the MOA. According to those reports there has been nearly zero movement or worsening of the cracks since the meters were installed.

4.Did we perform a Probabilistic Risk Assessment of the effect of doing nothing about the shear wall? Do we really need to conduct these repairs if 2008 didn't cause that much damage?

A probabilistic risk assessment is not in MSE's current scope. However, the Seismic defects have been categorized a P1 priority in the Settlement Sufficiency Analysis (SSA). While we might consider ourselves fortunate that there has not to date been a catastrophic event, there can be no assurances in the future that we couldn't have a major earthquake causing serious damage to the building, or complete failure rendering the structure uninhabitable. While the probabilistic risk of such an event may be fairly low, the potential for loss of life and the risk to health and safety means that the Board has little to no discretion in asserting that these defects should not be repaired.

It should be noted here the seismic wall (or lack thereof), cracking concrete shear walls, and failing shear wall connections, are not the only structural issues the Montage is experiencing and repairing. The Pool Deck project has structural components to address or repair potentially failing structures within that scope of work. This surely includes repairing the significant amount of ongoing leaking, which in turn causes structural failures in systems such as structural steel/trusses/beams/columns (RUST), failures in slabs and metal deck among other issues. Repairing ALL of these will be required to provide a safe, sound, structurally robust and code compliant building. These current issues, if not addressed, will worsen to the point of structural failure, with an earthquake smaller than one Reno experienced in 2008.

Although we have not performed a specific risk analysis, very recent examples exist of similar conditions in a building not being addressed and causing a catastrophic failure. Not doing anything will eventually result in a structural failure of some type, potentially without a seismic event even happening.

5.If the building is safe, why is there low immediate risk? What does immediate mean?

This is based on when the next design-level seismic event will occur, which is not very amenable to prediction at this point in the state of the science. The whole U.S building code is based on a philosophy of protecting life safety (non-collapse) but accepting structural damage in the design seismic event and is based on probabilities and historical data of earthquake accelerations in a particular area. We have performed a code analysis which is intended to protect life safety and prevent collapse. It allows damage, which means buildings may not be habitable or functional after a moderate or large earthquake.

6.How low is the risk…5%...10%...only if there is a larger than average earthquake? What does this mean?

A probabilistic risk analysis for the building for different earthquake conditions is a different animal than code analysis and is not currently in MSE's scope. We have performed a building code analysis which is intended to protect life safety and prevent collapse. For a data set that is beyond building code analysis, the building would need to be analyzed under different earthquake conditions and cross-referenced with a geophysicist who specializes in seismic to weigh in on probabilities and return periods for various earthquake levels and accelerations at the site. The building code encompasses this information with regard to the highest design-level earthquake acceleration that is deemed to be able to occur at the site and not multi-tiered earthquake accelerations of lesser intensities.

7.Please identify how you validated and verified the computer simulation for induced motion of the building to determine the force response.

The building code requires a dynamic analysis of this building due to the height and structural irregularities (discontinuous load paths). A dynamic analysis is a more sophisticated analysis than the typical equivalent lateral force procedure for shorter and more regular structures. The dynamic analysis encompasses more mode shapes and degrees of freedom of movement of the structure to encompass its dynamic properties better and code requires a modal participation factor of 90% or greater to validate that enough of the building's dynamic personality has been accounted for. We have achieved about 97% modal participation factor. We have also performed static analysis checks of base shear as comparisons. This is typical of building designs and additional verifications have not been performed.

8.Specifically, have the analysis modeling and assumptions been peer reviewed and/or cross-verified using an alternate analysis technique or subject matter expert review?

No, the modeling and assumptions have not been peer reviewed or submitted to the city at this point.

9.Have the modeling techniques and assumptions been reviewed for engineering cost vs risk?

We have only performed a code analysis at this point.

10. Do we have an analysis report that describes your approach, code used, and assumptions?

The report "Montage Reactions for Retrofit (Dynamic Analysis)" dated January 28, 2022, describes the methodology. The Report" Montage Building Retrofit" dated March 30, 2022, describes conclusions and recommendations.

Sincerely, Dennis Tyson

Community Manager for The Montage Owners Association

FirstService Residential

t. 775-322-7701

FirstService
RESIDENTIAL

Notice of Special Assessment Amount and Financing Vote

On August 11th, 2022, the Board of Directors ("Board") approved a Special Assessment to cover the projected cost of the construction defect repair project at The Montage. On August 18th, 2022, The Montage unit owners ratified the Special Assessment pursuant to Section 18.5 of the CC&Rs.

Summary:

- **The Special Assessment has been set at $8,600,000 or $21.2825/square foot for residential, $8.5730/square foot for commercial.**
- **There will be a vote to approve optional financing for the Special Assessment, which will be due June 15th.**
- **You are strongly encouraged to vote yes.**
- **If you vote yes, you can still choose to pay a lump sum and avoid any interest charges.**
- **Voting yes benefits you, your neighbors and the entire community.**
- **Voting *NO* may ultimately reduce the value of your unit due to foreclosures and/or distressed sales.**

This notice is to inform you that the amount of that Special Assessment has been set at $8,600,000.00 dollars or $21.2825 per square foot for residential and $8.5730 per square foot for commercial. The square foot assessment of each unit has been determined in accordance with the county assessor's records and Sections 18.1 and 18.2 of the CC&Rs. Attached is the list of square footage for each unit. Each respective unit owner's Special Assessment amount will appear on the June monthly statement and will be due June 15th, 2023.

Over the last several months the Board has been working to secure a bank loan that will allow owners the option of paying the Special Assessment spread out over a period of years rather than due in one lump sum. Owners who wish to avoid any interest charge will still have the option to pay the special assessment in one lump sum.

The loan terms require the Association to provide the lender with collateral to secure the repayment of the loan. Section 7.3(b)(2) of the Association's Bylaws grant to the Board the authority to hypothecate (pledge) any or all of the Association's real or personal property as security for money borrowed or debts incurred, but only with the consent of 66% (252/382) of the Owners. If a majority of the Owners approve the loan, the loan will be secured by future assessments and other recurring income (cash flow) of the Association. None of the Association's real property has been pledged as security for the loan.

One week from today the ballot will be sent via mail and email, which will allow you to cast your vote for or against obtaining the loan to finance the Special Assessment. We strongly encourage you to vote yes. It is critical that you understand that this vote is NOT for the Special Assessment. The Special Assessment has already been ratified. The current vote simply allows the Association to spread the cost of the Special Assessment over a period of years for those who cannot or choose not to pay a lump sum.

The entire Special Assessment will be due in full on June 15th, 2023 if the loan is not approved.

8290 Arville Street | Las Vegas, NV 89139
Tel 702.737.8580 | Fax 702.737.3360
www.fsresidential.com

Unit Number	**Square Feet**	Unit Number	**Square Feet**	Unit Number	**Square Feet**
101	**1,972**	416	**680**	709	**967**
102	**1,966**	417	**499**	710	**637**
103	**1,972**	418	**830**	711	**1,086**
104	**1,928**	419	**618**	712	**1,273**
105	**1,997**	420	**668**	713	**618**
106	**1,997**	421	**849**	714	**587**
107	**1,991**	422	**849**	715	**1,017**
108	**2,009**	510	**824**	716	**805**
301	**1,186**	511	**867**	717	**842**
302	**1,248**	512	**867**	718	**1,504**
303	**1,460**	513	**849**	719	**998**
304	**1,155**	514	**1198**	801	**587**
305	**1,042**	515	**1030**	802	**618**
306	**1,242**	516	**686**	803	**1261**
307	**1,242**	517	**512**	804	**1086**
308	**1,242**	518	**818**	805	**643**
309	**1,242**	519	**637**	806	**967**
310	**1,117**	520	**674**	807	**805**
311	**1,298**	521	**855**	808	**805**
312	**1,292**	522	**849**	809	**967**
313	**1,292**	601	**1392**	810	**637**
314	**1,048**	603	**1591**	811	**1080**
315	**1,023**	604	**1067**	812	**1261**
316	**1,142**	605	**637**	813	**612**
317	**1,111**	606	**967**	814	**587**
318	**1,872**	607	**805**	815	**1011**
319	**2,309**	608	**805**	816	**793**
320	**1,348**	609	**967**	817	**849**
321	**1,286**	610	**637**	818	**1523**
401	**2,590**	611	**1005**	819	**1005**
402	**2,515**	612	**1641**	901	**593**
403	**2,852**	613	**449**	902	**618**
404	**2,952**	614	**1011**	903	**1273**
405	**2,478**	615	**649**	904	**1080**
406	**2,933**	616	**849**	905	**637**
407	**2,509**	617	**1498**	906	**967**
408	**2,521**	701	**593**	907	**805**
409	**2,446**	702	**618**	908	**805**
410	**755**	703	**1,254**	909	**967**
411	**842**	704	**1,080**	910	**637**
412	**842**	705	**637**	911	**1073**
413	**836**	706	**974**	912	**1273**
414	**1186**	707	**805**	913	**612**
415	**1023**	708	**811**	914	**593**

Unit Number	**Square Feet**	Unit Number	**Square Feet**	Unit Number	**Square Feet**
915	**1011**	1205	**637**	1512	**1273**
916	**793**	1206	**967**	1513	**612**
917	**842**	1207	**805**	1514	**587**
918	**1516**	1208	**805**	1515	**1017**
919	**992**	1209	**967**	1516	**793**
1001	**593**	1210	**637**	1517	**855**
1002	**618**	1211	**1080**	1518	**1516**
1003	**1273**	1212	**1273**	1519	**992**
1004	**1080**	1213	**612**	1601	**593**
1005	**637**	1214	**593**	1602	**618**
1006	**967**	1215	**1011**	1603	**1267**
1007	**799**	1216	**799**	1604	**1086**
1008	**805**	1217	**855**	1605	**637**
1009	**961**	1218	**1516**	1606	**974**
1010	**637**	1219	**998**	1607	**805**
1011	**1080**	1401	**593**	1608	**811**
1012	**1273**	1402	**618**	1609	**967**
1013	**612**	1403	**1261**	1610	**643**
1014	**587**	1404	**1086**	1611	**1073**
1015	**1011**	1405	**637**	1612	**1273**
1016	**793**	1406	**967**	1613	**618**
1017	**849**	1407	**805**	1614	**593**
1018	**2515**	1408	**805**	1615	**1011**
1101	**587**	1409	**967**	1616	**799**
1102	**618**	1410	**637**	1617	**849**
1103	**1267**	1411	**1080**	1618	**1510**
1104	**1086**	1412	**1273**	1619	**992**
1105	**637**	1413	**618**	1701	**599**
1106	**974**	1414	**587**	1702	**618**
1107	**805**	1415	**1011**	1703	**1254**
1108	**805**	1416	**799**	1704	**1080**
1109	**967**	1417	**849**	1705	**637**
1110	**637**	1418	**1523**	1706	**967**
1111	**1080**	1419	**992**	1707	**805**
1112	**1273**	1501	**593**	1708	**805**
1113	**618**	1502	**618**	1709	**967**
1114	**587**	1503	**1261**	1710	**637**
1115	**1011**	1504	**1086**	1711	**1080**
1116	**793**	1505	**637**	1712	**1273**
1117	**855**	1506	**974**	1713	**618**
1118	**1516**	1507	**805**	1714	**593**
1119	**967**	1508	**811**	1715	**1011**
1201	**593**	1509	**967**	1716	**793**
1202	**1885**	1510	**637**	1717	**855**
1204	**1080**	1511	**1086**	1718	**1516**

Unit Number	**Square Feet**
1719	**992**
1801	**593**
1802	**618**
1803	**1267**
1804	**1080**
1805	**637**
1806	**974**
1807	**805**
1808	**805**
1809	**967**
1810	**637**
1811	**1086**
1812	**1279**
1813	**618**
1814	**593**
1815	**1011**
1816	**793**
1817	**855**
1818	**1516**
1819	**986**
1901	**587**
1902	**618**
1903	**1254**
1904	**1086**
1905	**637**
1906	**974**
1907	**805**
1908	**805**
1909	**974**
1910	**637**
1911	**1067**
1912	**1273**
1913	**612**
1914	**593**
1915	**1023**
1916	**793**
1917	**855**
1918	**1523**
1919	**998**
2001	**593**
2002	**618**
2003	**1254**
2004	**1086**
2005	**637**
2006	**967**

Unit Number	**Square Feet**
2007	**805**
2008	**805**
2009	**967**
2010	**637**
2011	**1073**
2012	**1273**
2013	**618**
2014	**587**
2015	**1017**
2016	**793**
2017	**855**
2018	**1516**
2019	**992**
2101	**593**
2102	**612**
2103	**1261**
2104	**1092**
2105	**637**
2106	**974**
2107	**805**
2108	**805**
2109	**974**
2110	**637**
2111	**1080**
2112	**1267**
2113	**618**
2114	**587**
2115	**1017**
2116	**786**
2117	**836**
2118	**1523**
2119	**992**
2201	**1204**
2203	**1261**
2204	**1086**
2205	**637**
2206	**967**
2207	**805**
2208	**805**
2209	**961**
2210	**637**
2211	**1086**
2212	**1273**
2213	**612**
2214	**587**

Unit Number	**Square Feet**
2215	**1017**
2216	**793**
2217	**849**
2218	**1523**
2219	**992**
2301	**2,222**
2302	**2,047**
2303	**2,658**
2304	**2,721**
2305	**2,028**
2306	**2,515**
2307	**2,521**
2308	**2,022**
2309	**2,658**
2310	**2,540**
2311	**2,047**
2312	**2,309**
2313	**3,308**
2314	**3,095**
C101	**10,634**
C102	**1,529**
C103	**5,735**
C104	**4,244**

Gmail [redacted]

Construction Defect Remediation Project Update 5/21/25

FirstService Residential <Communications@mc.fsresidential.com> Wed, May 21, 2025 at 4:59 PM
Reply-To: David Rosequist <david.rosequist@fsresidential.com>
[redacted]

Dear Montage Owners,

Your Board of Directors and Management Team would like to provide an update on the ongoing Construction Defect Remediation Project.

As you know, our top priorities remain completing the project and doing so as cost-effectively as possible, while carefully balancing cost with progress. This project has faced several challenges, including:

- Unexpected requirements related to seismic safety and other building standards
- Inflation, tariffs, and increased construction demand in the Reno area
- Limited availability of qualified contractors due to the project's complexity
- Low contractor interest given the HOA structure and the project's lengthy history

Despite these obstacles, our General Contractor, Owner's Representative, Board of Directors, and Management Team have worked diligently to secure competitive bids and move the project forward. We expect to finalize contracts, establish a construction timeline, and share updated financial details within the next two weeks. Until now, the project has been too fluid to provide reliable updates since it has been changing on a regular basis.

We are planning several actions to provide the community with information. To provide full transparency, we are working with our auditing firm, Hillburn and Lein, to prepare a comprehensive financial overview of the entire project. This will include:

- A comparison of original repair estimates from the lawsuit vs. actual/projected costs
- A breakdown of gross and net settlement proceeds
- Financial analysis of key phases: Garden Deck, CD Assessment, EIFS/Exterior repairs, Seismic work, and Pool Deck repairs
- An explanation of how and why estimates have evolved over time

Hillburn and Lein will audit and validate this financial review to ensure accuracy.

Over the next several weeks, we will be holding several in-person Town Hall Roundtables to review the financial assessment, share the construction updates, and answer questions. To allow for meaningful discussion, each session will be kept small. We'll hold as many sessions as needed to accommodate all interested owners. Dates will be shared soon.

In addition, we're excited to announce that we will be scheduling regular Community Coffee events. These will be social opportunities to get together with neighbors, members of the management team and Board members who will present for informal Q&A. Details on time and location will be shared soon. Please let us know if you have a day or time preference.

We appreciate your ongoing support and engagement as we work toward completing this critical project for the long-term success of the Montage.

Your Montage Management Team and Board of Directors



The Montage Addition CD Meeting Summary

Date: May 30, 2025
Time: 10:00 AM
Attendees: All Board Members, Craig Willcut (Owners Rep), FirstService Residential team, Legal Counsel (Megan Thongkham), Community Members

Meeting Purpose & Context

- The goal was to approve a partial change order, specific to below deck work, to ensure progress on the CD project.
- Brycon change order (#002) is available for community members to review on the portal.

Contractor Status & Subcontractor Urgency

- Craig emphasized the risk of losing critical trades if a commitment was not made.
- The contractors in the partial change order are vetted, fully scoped, and quote analysis has been completed.
- If this change order isn't approved promptly, delays and cost escalations may follow due to rebidding or remobilization.

Permit Revisions & City Requirements

- The project originally had four permits but now requires a single consolidated permit, per Health Department and City Planning requests.
- Recently, the city changed course and is demanding a completely new permit rather than a revision.
- Despite administrative hurdles, no major delay is expected at this time.

Financial Summary & Funding Plan

- Change order amount: **$7,267,984.**
- The board is conducting a detailed financial analysis and will be presenting in small groups as soon as it's ready. The MOA office will communicate how to sign up for these groups.
    - Based on current analysis, no additional special assessment is expected
- One key item, line 0500-00 (Structural steel), approval contingent upon Owners Rep. further review of secondary quote and his further recommendation.

Motion for Approval

- A motion was made and seconded to approve the partial change order for Brycon Construction, totaling **$7,267,984**, Contingent on line item 0500-00 (steel) pending further review and recommendation from the Owners Rep Craig.

- The vote was 4 in favor of the above motion, with 1 No

Yays:	Nays:
Robert Goldberg, President	Phil Telander/Director
Annette Alvarez/Vice President	
Rick Heroux/Secretary	
John Eastman/Treasurer	

Unit Owner Forum – Questions & Answers

[redacted]

Question: Asked whether additional bids would be obtained beyond the two already received. Emphasized the importance of moving forward without delay if valid bids are in hand.

Answer: *Confirmed that they have been attempting to collect multiple proposals/bids for over two months. Confirmed the effort to obtain bids was extensive.*

[redacted]

1. Requested clarification on the Brycon change order, whether the $7 million is in addition to a prior amount or part of it.
2. Suggested the Board have audit clarity. Recounted a past experience where a garden deck audit failed to account for scope properly. Emphasized the importance of specifying expectations clearly in any new audit.
3. Repeated request to post plans

Answer: *The current change order is for new work and is in addition to the initial contract which was primarily for placing the pool on order.*

[redacted]

1. Requested the Board to formally state why they believe it's reasonable not to follow NRS (Nevada Revised Statutes) procedures on bid solicitation and opening.
2. Requested that both the new change order and the original order be posted to the portal for transparency.

[redacted]

Advised that the Association previously complied with the NRS 116 bidding process and obtained only a single bid. As a result, the Association moved forward with a qualified contractor (Brycon). She further advised that the statute only requires Associations to solicit bids where reasonably possible and that subcontractor cost estimates are submitted to the general contractor for review and approval and are not subject to the same statutory scheme.

[redacted]

1. Asked how bids can be requested without finalized plans.

Answer: *Craig (Owners Rep) Explained that plans are 98–99% complete, with only minor updates pending city permit comments. Stated that bids were based on these nearly finalized plans.*

2. Inquired about the destination of Special assessment repayments, and whether they go toward the loan or a general CD fund.

Answer: *Robert Goldberg / John Eastman Confirmed that special assessment repayments go directly toward paying off the borrower's obligation and the loan. These funds are kept in a separate account used to pay the monthly loan to the bank.*

COMMUNITY UPDATE



Rebar progress on Rowhouse Garage side of column.

ALLEYWAY

- To minimize the use of a crane, a platform in the alleyway is expected to go up the week of Nov 3rd. During the first week, traffic in and out of the Rowhouse parking garage will be directed through the West Street alleyway entrance. Expect to see increased activity and possible traffic delays while materials are being transported through the alleyway.
- Deliveries will be directed to the front due to activity in the alleyway, to allow for material transport to go smoothly and to prevent delivery vehicles from becoming temporarily trapped.

P3 - 6TH FLOOR

- Concrete has been poured in the first 8 feet of the column that was being prepped in the Oct 10th update.
- Saturday Oct 25th, contractors will be on site doing work on the 3rd and 4th floor.
- Steel expected on-site on Wednesday, Oct 29th.

Beginning soon:

- Core drilling in P1 & Employee / Contractor garage (expect loud noise).
- Core drilling on pool deck (expect loud noise).
- Installation of hangers for drainpipes under the pool deck.
- Marking the layout of the planter and landscaping curbs.
- 4th floor prep work for DYWIDAG (expect loud noise).



Rebar progress on Employee / Contractor Garage side of column.

We expect to see more activity on the pool deck soon!

Community Update



Food Drive!

A Food Bank of Northern Nevada donation barrel is now located in the lobby. Donations of non-perishable food items only are welcome.

Most-needed foods include:
Peanut butter, tuna fish, hearty soups, oatmeal, stews and chili, fruit in juice, rice and beans, whole grain pasta, whole grain cereal, and low-sodium vegetables.

Monetary donations can be made directly to the Food Bank at www.fbnn.org.

FOOD BANK OF NORTHERN NEVADA

Stop by the Owners Lounge to check out the new TV!

Construction Update

Work continues to progress as planned, with steady movement across all areas of the project. While this week's update is brief, activity remains consistent on site as crews move through each phase.

- The alleyway platform has been installed, providing a cost-effective alternative to crane use and minimizing disruption along 2nd Street.
- To date, the seismic project has progressed without affecting the third-floor amenities, resulting in savings on restoration costs and minimizing disruption to residents.
- Surveyors were onsite on November 5 to confirm elevation levels for the upcoming pool deck paver installation.
- Core drilling continues in P1 and the employee/contractor garage (expect loud noise).
- Plumbing work has also begun with the installation of piping below the pool deck.

DEC 19TH, 2025

COMMUNITY UPDATE



ALLEYWAY

Thank you for your help with the alleyway restrictions. Your patience has allowed the construction crew to work more efficiently, and they truly appreciate the community's support.

To help offset the impact of alleyway restrictions, a temporary appendix to the Move and Delivery Policy is in effect:

- Sunday moves and deliveries are permitted through the end of construction.

PARKING GARAGE PROGRESS

The parking garage is nearly complete, and may be finished shortly after this notice is posted.

A sincere thank you to residents who generously lent their parking spaces. Those still affected have been contacted regarding returning to their assigned spots.

Final garage painting touch-ups will begin shortly. This work is expected to be minimally impactful, and any affected parking spaces will be coordinated directly with residents.

WHAT TO EXPECT NEXT

As work progresses primarily to the 3rd and 4th floors, you may notice:

- Welding: noticeable exhaust odors
- Drilling: intermittent loud noises

This phase represents the largest portion of the project, and we appreciate your continued patience as work moves forward.

HOLIDAY CONSTRUCTION SCHEDULE

During the upcoming holiday weeks, construction activity will be lighter. However, some crew members may still be on-site to ensure progress continues.

STORAGE CLARIFICATION

Storage cage availability is dependent on location. In some cases, storage access may remain unavailable until later in the project due to the following requirements:

- Roof completion
- Pool installation and confirmation it is fully watertight
- Plumbing restoration and confirmation it is fully watertight

Much of the work on the 3rd and 4th floors directly impacts these areas, which is why this portion represents the bulk of the project timeline.

Thank you again for your understanding and support as construction continues.



COMMUNITY

UPDATE

JAN 7, 2026

The construction team continues to make significant progress in several areas of the project. Below is an update on the work planned for the next few weeks. Disruptive noise is expected for the reminder of the project, especially as the work begins to focus on the pool deck area.

ABOVE DECK CONSTRUCTION

Work on the pool deck is continuing to forward within two key activities scheduled to start this week:

LANDSCAPE CURB INSTALLATION:

Crews will begin forming the new landscape curbs around the pool deck. These curbs will define the planting areas that will be installed later.

POOL DECK DRAIN SYSTEM:

Installation of the pool deck drain system will also begin this week. This system is designed to help direct water away from the pool deck and reduce moisture issues as construction continues.

SEISMIC RETROFIT WORK

1ST FLOOR STRUCTURAL STEEL:

Installation of new structural steel on the 1st Floor is expected to be completed by the end of this week. This completes this phase of work and allows the project to move forward.

3RD FLOOR STRUCTURAL STEEL:

After the 1st Floor work is finished, the steel crew will move to the 3rd Floor. Work on the 3rd Floor is estimated to begin the week of the 12th.