Peachtree Walk

Capital Reserve Study

2024

AssociationAnalysis,LLC

Peachtree Walk

Prepared For:

Peachtree Walk Condominium Association, Inc.
1074 &1075 Peachtree Walk, NE, Atlanta, GA 30309
August 15, 2023

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INTRODUCTION

On July 11, 2023 Rex Rouis of AssociationAnalysis, LLC conducted an on-site visit of Peachtree Walk, Atlanta GA (Property). Representational areas of all Common Elements and Limited Common Elements were observed. The purpose of the visit was to view the common areas for an analysis of capital reserve items.

IMPROVEMENTS

Peachtree Walk (Property) is currently a residential condominium community consisting of 218 residential units in two five-story buildings. The Property was originally built in 1995 and was converted to condominiums in 2001. The Property has multilevel structured parking, common lobbies, fitness center, outdoor swimming pool, grill and courtyard area, meeting rooms, and a private dog walk.

STUDY METHODOLOGY

LEVEL OF SERVICE: This Study has been conducted as a Full ('1st time') Reserve Study (Study), and was prepared under the guidelines of the National Reserve Study Standards of the Community Associations Institute, and conforms to the Community Associations Institute Professional Reserve Specialist Code of Ethics. A Reserve Study is made up of two parts. The first part is the Physical Analysis, and includes an on-site observation, where each of the Property's pertinent components are evaluated to determine their useful lives, their remaining lives, and their replacement costs. These determinations are based on our observation of the component at the time of the inspection, our professional experience, industry standards, local sources, and estimating services such as RS Means and the Marshall & Swift Valuation Service. The second part is the Financial Analysis, where the Physical Analysis information is inserted into three commonly used Funding Methods to calculate the corresponding reserve funding levels.

FUNDING METHODS: The three methods are the **Component Method**, the **Cash Flow Method**, and the **Current Funding**. Each method uses the exact same expenditure information, the only difference being the way in which each calculates the necessary funding contributions. The Component Method is a total of all the Fully Funded values for each component. The Cash Flow Method calculates the funding level necessary to maintain a specific reserve balance. Finally, the Current Funding inserts the Association's current funding plan into a calculation similar to the Cash Flow Method to determine a comparative future funding level. This funding level is then compared to Full Funding, and the result is expressed as a percentage. One of the three funding methods will be selected, and a recommended Funding Plan will be presented.

While it is our goal that the Association would use this Study as an essential tool in planning their future property needs, there may be issues and/or requirements known only to the Association that could influence reserve decisions. Many associations tend to adopt the Cash Flow Method over the Component Method due to its lower annual contributions. However, only the Board of Directors of the Association, in consultation with their appropriate management, legal, and accounting professionals, can ultimately decide their own specific Funding Plan.

Further information on funding methods and all terms and definitions can be found in the attached **Appendix**, found at the end of this report.

Board Summary

Property inspection Date	**11-Jul-2023**
Report Date	**15-Aug-2023**
First full year of contributions and expenditures - **Reserve Analysis Start Year**	**2024**
Substantial Completion Date - **Property Construction Date**	**1995**
Total Association Units	**218**
Calculated On All Expenditures - **Assumed Inflation Rate**	**4.25%**
Earned on Reserve Balance After Taxes - **Assumed Interest Rate**	**1.50%**
Number of Years in Reserve Study - **Funding Horizon**	**30**

Recommended Funding Plan

Our findings are based on our on-site Physical Analysis, our estimates of the life expectancies, and replacement costs for all components. The Recommended Funding Level utilizes the Cash Flow Method, and is designed to maintain a 5% Minimum Threshold balance. There will be a reported Starting 2024 Reserve Balance of $465,000.

Current Funding - The current 2023 contribution level of $98,680 is not sufficient, with inflation growth, till the end of the term.

Recommended Funding - Begin 2024 with a Reserve Contribution of $98,680 (0% over the 2023 contribution level) and provide a Step Increase of 7% per year till the year 2038, and then drop the Step Increase to 6% per year till the end of the 30-year term in 2053. The method to cover the cost of elevator modernizations will be determined at the time of each modernization.

Comparison Of Recommended Funding To Current Funding

	RECOMMENDED FUNDING	CURRENT FUNDING
Starting Reserve Balance	$450,000	$450,000
Starting Annual Reserve Contribution	**$98,680**	**$98,680**
See Note 1 - **Starting Annual Reserve Contribution - Ave. Per Unit**	**$453**	**$453**
See Note 2 - **Total of All Special Assessments**	$1,000,000	NA
Special Assessment Years	TBD, as needed	NA
See Note 2 - **Total of All Special Assessments - Ave. Per Unit**	$4,587	NA
See Note 3 - **Minimum Threshold Balance Level**	$156,927	$156,927

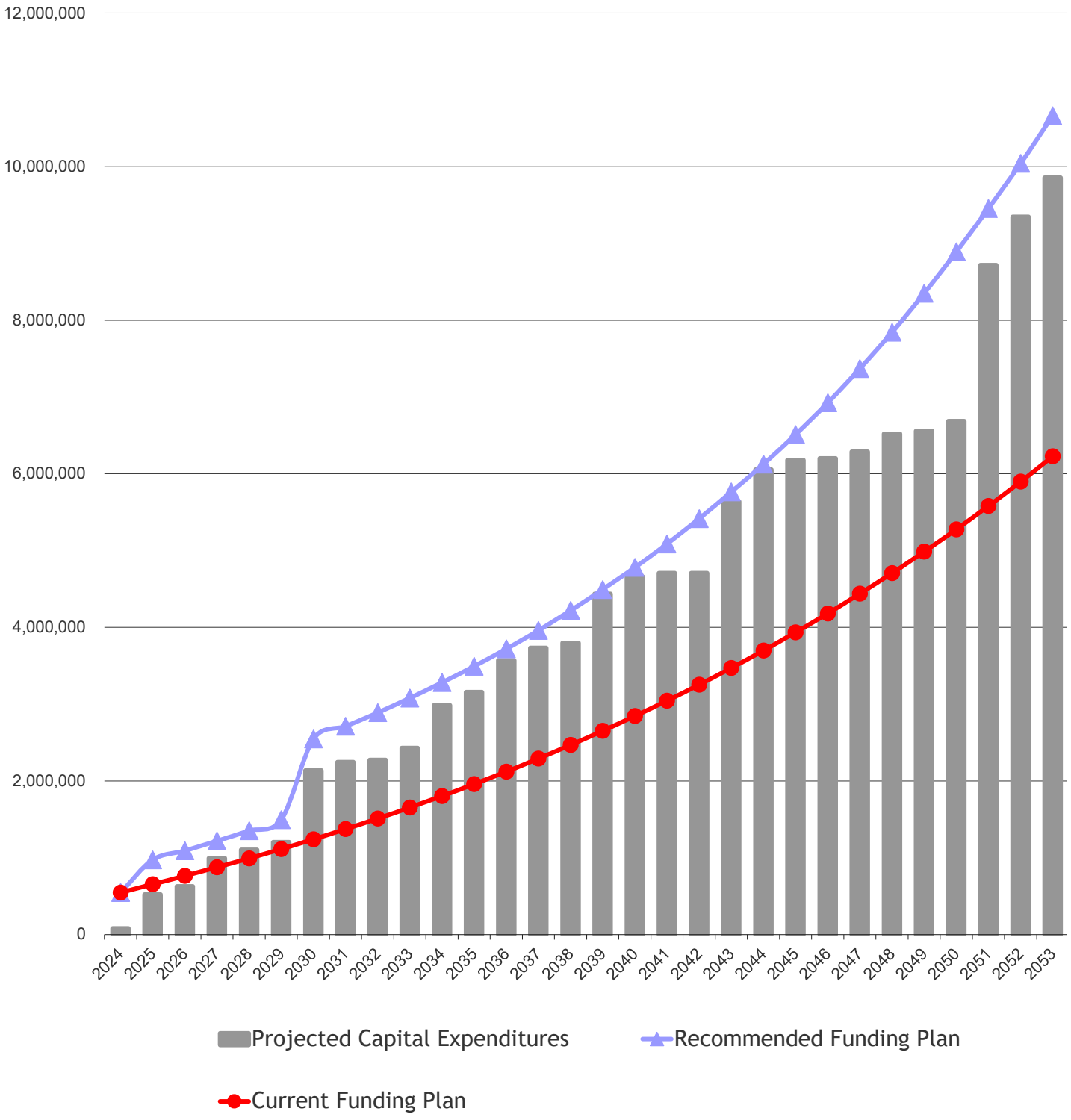
Recommended Ten Year Funding Schedule

	ANNUAL CONTRIBUTION	PERCENT CHANGE
Year One - Year 2024	**$98,680**	**0.00%**
Year 2025	**$105,588**	**7.00%**
Year 2026	**$112,979**	**7.00%**
Year 2027	**$120,887**	**7.00%**
Year 2028	**$129,349**	**7.00%**
Year 2029	**$138,404**	**7.00%**
Year 2030	**$148,092**	**7.00%**
Year 2031	**$158,459**	**7.00%**
Year 2032	**$169,551**	**7.00%**
Year 2033	**$181,419**	**7.00%**

Notes:

1. Average for all unit - See association documents for actual proration
2. Values are in uninflated current dollars
3. 5% of all Start Year Replacement Costs, adjusted for inflation

Comparison Of Recommended Funding To Current Funding



Recommended Funding Plan

Years 1 through 15

COMPONENT REPLACEMENT COSTS		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
ROOFING SYSTEMS																
Replace Shingle Roof	380,640															
Gutter & Soffit Repair Allowance	18,000	18,000														
STRUCTURES & EXTERIOR ITEMS																
A Building - Replace Awning Fabric	1,200			1,304										1,977		
EXTERIOR PAINTING & SEALANT																
Paint Stucco On Both Buildings	340,000											515,513				
Repaint North Parking Stairs	12,000		12,510										18,968			
Repaint Parking Gates & Barriers	12,000							15,404								
Repaint Wood Trellis	3,500		3,649								5,090					
COMMON INTERIORS & EQUIPMENT																
Paint Common Areas - Both Building	75,000			81,510									118,549			
Replace Common Wallpaper - Both	245,000													403,719		
Replace Common Flooring - Both Bu	310,000				351,229											
New Entry Mats - Both Buildings	11,000	11,000							14,721							19,700
Exercise Equipment Allowance	16,000			17,389							23,270					
General Lobby / Office / Meeting Allo	7,500				8,497								11,855			
Elevator Lobby Rugs	2,200		2,294								3,200					
Upgrade Network Allowance	3,000		3,128							4,185						
FIRE PROTECTION & SECURITY SYS																
Upgrade Fire Alarm Panel	15,000							19,255								
Replace Security/Camera System	85,000															
Upgrade Card Access System	95,000														163,197	
HVAC & OTHER SYSTEMS																
Replace 7 HVAC Units	66,500						81,885									
Replace 7 HVAC Units	66,500								88,993							
Replace 9 HVAC Units	85,500										124,351					
PLUMBING SYSTEMS																
Replace Office/Fitness Water Heater	2,500				2,832											
ELECTRICAL SYSTEMS																
Maintenance Main Panels	12,000						14,776									
ELEVATORS																
Refinish Cab Fronts and Openings	30,400		31,692													
Refurbish Cabs	72,000					85,043										
B Building - Modernize Traction Elev	700,000							898,575								
A Building - Modernize Hydraulic Ele	300,000		312,750													
SWIMMING POOL & HARDSCAPE																
Pool Interior Finish	17,000									23,717						
PAVEMENT & PARKING																
Mill Asphalt Paving & Restripe	21,000		21,893													
Reseal & Restripe All Asphalt Paving	2,100						2,586									
Garage Spray Insulation Allowance	2,500	2,500										3,791				
A Building - Convert Calif. Gate	20,000		20,850													
A Building - Reconfigure Pedestrian	7,500	7,500														
B Building - Slide Gate Operator	11,000		11,468										17,387			
B Building - Ramp Gate Operator	10,000	10,000														
B Building - Pedestrian Gate	5,000			5,434										8,239		
Replace B Building Parking Cables	8,500		8,861													
SITE & LANDSCAPING																
Monument Sign Allowance	12,000		12,510													
A Building - Courtyard Rejuvenation	15,000	15,000										22,743				
A Building - Detention Pond	9,500	9,500										14,404				
B Building - Upgrade Landscaping at	2,500		2,606													
A Building - Manual Pedestrian Gate	10,000					11,811										17,909
Chain Link Fence Repair	2,500				2,832								3,952			
Upgrade Landscape Lighting	5,000	5,000							6,691							8,954
Ongoing Landscape & Irrigation	10,000					11,811										17,909
ANNUAL CAPITAL EXPENDITURES		78,500	444,209	105,638	365,391	108,666	99,247	933,235	110,404	27,902	155,912	556,451	170,711	413,935	163,197	64,471
ANNUAL SURPLUS / (DEFICIT)		470,180	(25,872)	7,341	(244,504)	20,684	39,157	113,433	48,054	141,648	25,507	(362,332)	36,996	(191,689)	74,606	189,978
YEAR END BALANCE (DEFICIT)		477,081	458,172	472,441	233,190	257,526	300,840	419,636	474,345	624,171	659,232	304,071	345,906	157,968	235,503	430,439
TOTAL ANNUAL UNIT CONTRIBUTION		**98,680**	**105,588**	**112,979**	**120,887**	**129,349**	**138,404**	**148,092**	**158,459**	**169,551**	**181,419**	**194,118**	**207,707**	**222,246**	**237,804**	**254,450**
AVERAGE PER UNIT CONTRIBUTION		**453**	**484**	**518**	**555**	**593**	**635**	**679**	**727**	**778**	**832**	**890**	**953**	**1,019**	**1,091**	**1,167**
% CONTRIBUTION STEP INCREASE			**7.00%**	**7.00%**	**7.00%**	**7.00%**	**7.00%**	**7.00%**	**7.00%**	**7.00%**	**7.00%**	**7.00%**	**7.00%**	**7.00%**	**7.00%**	**7.00%**
SPECIAL ASSESSMENT			**312,750**					**898,575**								
AVERAGE PER UNIT ASSESSMENT			**1,435**					**4,122**								
		2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**

ELEVATOR COSTS AT EACH YEAR	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
B Building - Modernize Traction Elev	700,000	700,000	729,750	760,764	793,097	826,803	861,943	898,575	936,765	976,577	1,018,082	1,061,350	1,106,458	1,153,482	1,202,505	1,253,611
A Building - Modernize Hydraulic Ele	300,000	300,000	312,750	326,042	339,899	354,344	369,404	385,104	401,471	418,533	436,321	454,864	474,196	494,349	515,359	537,262

Recommended Funding Plan

Years 16 through 30

COMPONENT REPLACEMENT COSTS		2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
ROOFING SYSTEMS																
Replace Shingle Roof	380,640					839,382										
Gutter & Soffit Repair Allowance	18,000	33,606														
STRUCTURES & EXTERIOR ITEMS																
A Building - Replace Awning Fabric	1,200								2,998							
EXTERIOR PAINTING & SEALANT																
Paint Stucco On Both Buildings	340,000													1,046,002		
Repaint North Parking Stairs	12,000							28,759								
Repaint Parking Gates & Barriers	12,000							28,759								
Repaint Wood Trellis	3,500			7,102								9,908				
COMMON INTERIORS & EQUIPMENT																
Paint Common Areas - Both Building	75,000						172,418									250,765
Replace Common Wallpaper - Both	245,000															
Replace Common Flooring - Both Bu	310,000	578,766												953,708		
New Entry Mats - Both Buildings	11,000							26,363							35,280	
Exercise Equipment Allowance	16,000		31,141							41,674						
General Lobby / Office / Meeting Allo	7,500					16,539								23,074		
Elevator Lobby Rugs	2,200			4,464								6,228				
Upgrade Network Allowance	3,000	5,601							7,495							10,031
FIRE PROTECTION & SECURITY SYS																
Upgrade Fire Alarm Panel	15,000		29,195										44,266			
Replace Security/Camera System	85,000		165,438													
Upgrade Card Access System	95,000														304,687	
HVAC & OTHER SYSTEMS																
Replace 7 HVAC Units	66,500						152,877									
Replace 7 HVAC Units	66,500										180,571					
Replace 9 HVAC Units	85,500														274,218	
PLUMBING SYSTEMS																
Replace Office/Fitness Water Heater	2,500			5,073												
ELECTRICAL SYSTEMS																
Maintenance Main Panels	12,000						27,587									
ELEVATORS																
Refinish Cab Fronts and Openings	30,400					67,038										
Refurbish Cabs	72,000															240,735
B Building - Modernize Traction Elev	700,000															
A Building - Modernize Hydraulic Ele	300,000															
SWIMMING POOL & HARDSCAPE																
Pool Interior Finish	17,000									44,279						
PAVEMENT & PARKING																
Mill Asphalt Paving & Restripe	21,000															
Reseal & Restripe All Asphalt Paving	2,100			4,261												7,021
Garage Spray Insulation Allowance	2,500						5,747									
A Building - Convert Calif. Gate	20,000												59,021			
A Building - Reconfigure Pedestrian	7,500											21,231				
B Building - Slide Gate Operator	11,000							26,363								
B Building - Ramp Gate Operator	10,000	18,670														
B Building - Pedestrian Gate	5,000								12,492							
Replace B Building Parking Cables	8,500												25,084			
SITE & LANDSCAPING																
Monument Sign Allowance	12,000			24,349												
A Building - Courtyard Rejuvenation	15,000						34,484									
A Building - Detention Pond	9,500						21,840									
B Building - Upgrade Landscaping at	2,500					5,513										
A Building - Manual Pedestrian Gate	10,000										27,153					
Chain Link Fence Repair	2,500					5,513								7,691		
Upgrade Landscape Lighting	5,000							11,983							16,036	
Ongoing Landscape & Irrigation	10,000										27,153					
ANNUAL CAPITAL EXPENDITURES		636,642	225,775	45,248		933,984	414,953	122,227	22,986	85,953	234,878	37,366	128,371	2,030,475	630,220	508,552
ANNUAL SURPLUS / (DEFICIT)		(366,925)	60,125	257,806	321,237	(593,473)	(54,011)	260,371	382,568	343,934	220,803	445,656	383,632	(1,487,752)	(54,934)	101,252
YEAR END BALANCE (DEFICIT)		**67,218**	128,803	390,474	719,978	132,853	80,430	343,960	734,557	1,092,089	1,330,930	1,799,892	2,213,399	747,690	703,560	816,125
TOTAL ANNUAL UNIT CONTRIBUTION		**269,717**	**285,900**	**303,054**	**321,237**	**340,511**	**360,942**	**382,598**	**405,554**	**429,887**	**455,681**	**483,022**	**512,003**	**542,723**	**575,286**	**609,804**
AVERAGE PER UNIT CONTRIBUTION		**1,237**	**1,311**	**1,390**	**1,474**	**1,562**	**1,656**	**1,755**	**1,860**	**1,972**	**2,090**	**2,216**	**2,349**	**2,490**	**2,639**	**2,797**
% CONTRIBUTION STEP INCREASE		**6.00%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**	**6.00%**
SPECIAL ASSESSMENT																
AVERAGE PER UNIT ASSESSMENT																
		2039	**2040**	**2041**	**2042**	**2043**	**2044**	**2045**	**2046**	**2047**	**2048**	**2049**	**2050**	**2051**	**2052**	**2053**

ELEVATOR COSTS AT EACH YEAR	2023	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
B Building - Modernize Traction Elev	700,000	1,306,890	1,362,433	1,420,336	1,480,700	1,543,630	1,609,234	1,677,627	1,748,926	1,823,255	1,900,744	1,981,525	2,065,740	2,153,534	2,245,059	2,340,474
A Building - Modernize Hydraulic Ele	300,000	560,096	583,900	608,715	634,586	661,556	689,672	718,983	749,540	781,395	814,604	849,225	885,317	922,943	962,168	1,003,060

Component Inventory and Detail

ROOFING SYSTEMS

Component		Component Replacement Cost	
Replace Shingle Roof	Total	**$380,640**	**Estimated Cost at Current Prices:**
Remove existing roof and replace with a similar premium architectural shingle roof	Per Yr	$19,032	30 Years Estimated Useful Life
			10 Years Estimated Current Age
			20 Years Estimated Remaining Life
Gutter & Soffit Repair Allowance	Total	**$18,000**	**Estimated Cost at Current Prices:**
Allowance for partial repair of gutters, soffits, and roof flashings	Per Yr	$18,000	15 Years Estimated Useful Life
			14 Years Estimated Current Age
			1 Years Estimated Remaining Life
		$398,640	**Total Estimated Cost at Current Prices**
		$37,032	**Total Estimated Cost at Current Prices Per Year**

STRUCTURES & EXTERIOR ITEMS

Component		Component Replacement Cost	
A Building - Replace Awning Fabric	Total	**$1,200**	**Estimated Cost at Current Prices:**
Allowance to replace awning fabric at lower level entrance to A Building.	Per Yr	$400	10 Years Estimated Useful Life
			7 Years Estimated Current Age
			3 Years Estimated Remaining Life
		$1,200	**Total Estimated Cost at Current Prices**
		$400	**Total Estimated Cost at Current Prices Per Year**

EXTERIOR PAINTING & SEALANT

Component		Component Replacement Cost	
Paint Stucco On Both Buildings	Total	**$340,000**	**Estimated Cost at Current Prices:**
Allowance to repaint both buildings with similar elastomeric material.	Per Yr	$30,909	17 Years Estimated Useful Life
			6 Years Estimated Current Age
			11 Years Estimated Remaining Life
Repaint North Parking Stairs	Total	**$12,000**	**Estimated Cost at Current Prices:**
Allowance to make minor repairs and repaint the steel security gates and steel stairs at the north end of A building parking.	Per Yr	$6,000	10 Years Estimated Useful Life
			8 Years Estimated Current Age
			2 Years Estimated Remaining Life
Repaint Parking Gates & Barriers	Total	**$12,000**	**Estimated Cost at Current Prices:**
Allowance to paint all gate systems, barriers, and fencing at lower level autoi/pedestrian entry points.	Per Yr	$1,714	15 Years Estimated Useful Life
			8 Years Estimated Current Age
			7 Years Estimated Remaining Life
Repaint Wood Trellis	Total	**$3,500**	**Estimated Cost at Current Prices:**
Allowance to make minor repairs and repaint wood tressis near Office entrance at B Building.	Per Yr	$1,750	8 Years Estimated Useful Life
			6 Years Estimated Current Age
			2 Years Estimated Remaining Life
		$367,500	**Total Estimated Cost at Current Prices**
		$40,373	**Total Estimated Cost at Current Prices Per Year**

Component Inventory and Detail

COMMON INTERIORS & EQUIPMENT

Component		Component Replacement Cost	
Paint Common Areas - Both Buildings	Total	**$75,000**	**Estimated Cost at Current Prices:**
Paint the interior common areas on both buildings. Use same spec as previous Gray Contracting work.	Per Yr	$25,000	9 Years Estimated Useful Life 6 Years Estimated Current Age 3 Years Estimated Remaining Life
Replace Common Wallpaper - Both Buildings	Total	**$245,000**	**Estimated Cost at Current Prices:**
Replace the wallpaper in all interior common areas on both buildings. Use same spec as previous Gray Contracting work.	Per Yr	$18,846	20 Years Estimated Useful Life 7 Years Estimated Current Age 13 Years Estimated Remaining Life
Replace Common Flooring - Both Buildings	Total	**$310,000**	**Estimated Cost at Current Prices:**
Replace the flooring in all interior common areas on both buildings. Use same spec as previous Gray Contracting work.	Per Yr	$77,500	12 Years Estimated Useful Life 8 Years Estimated Current Age 4 Years Estimated Remaining Life
New Entry Mats - Both Buildings	Total	**$11,000**	**Estimated Cost at Current Prices:**
Replace carpet in rear halls	Per Yr	$11,000	7 Years Estimated Useful Life 6 Years Estimated Current Age 1 Years Estimated Remaining Life
Exercise Equipment Allowance	Total	**$16,000**	**Estimated Cost at Current Prices:**
Allowance to replace exercise equipment over 7 years - 3 treadmills	Per Yr	$5,333	7 Years Estimated Useful Life 4 Years Estimated Current Age 3 Years Estimated Remaining Life
General Lobby / Office / Meeting Allowance	Total	**$7,500**	**Estimated Cost at Current Prices:**
A general allowance for upgrades to the lobby common area for materials, furniture, and equpment.	Per Yr	$1,875	8 Years Estimated Useful Life 4 Years Estimated Current Age 4 Years Estimated Remaining Life
Elevator Lobby Rugs	Total	**$2,200**	**Estimated Cost at Current Prices:**
Replace rugs	Per Yr	$1,100	8 Years Estimated Useful Life 6 Years Estimated Current Age 2 Years Estimated Remaining Life
Upgrade Network Allowance	Total	**$3,000**	**Estimated Cost at Current Prices:**
Allowance to upgrade the Cat5 network system	Per Yr	$1,500	7 Years Estimated Useful Life 5 Years Estimated Current Age 2 Years Estimated Remaining Life
		$669,700	**Total Estimated Cost at Current Prices**
		$142,154	**Total Estimated Cost at Current Prices Per Year**

Component Inventory and Detail

FIRE PROTECTION & SECURITY SYSTEMS

Component		Component Replacement Cost	
Upgrade Fire Alarm Panel	Total	**$15,000**	**Estimated Cost at Current Prices:**
Upgrade the first needed panel in 10 years and the next in 20 years.	Per Yr	$2,143	10 Years Estimated Useful Life
			3 Years Estimated Current Age
			7 Years Estimated Remaining Life
Replace Security/Camera System	Total	**$85,000**	**Estimated Cost at Current Prices:**
Allowance to replace security and camera system.	Per Yr	$5,000	20 Years Estimated Useful Life
			3 Years Estimated Current Age
			17 Years Estimated Remaining Life
Upgrade Card Access System	Total	**$95,000**	**Estimated Cost at Current Prices:**
Alllowance to upgrade the card access system	Per Yr	$6,786	15 Years Estimated Useful Life
			1 Years Estimated Current Age
			14 Years Estimated Remaining Life
		$195,000	**Total Estimated Cost at Current Prices**
		$13,929	**Total Estimated Cost at Current Prices Per Year**

HVAC & OTHER SYSTEMS

Component		Component Replacement Cost	
Replace 7 HVAC Units	Total	**$66,500**	**Estimated Cost at Current Prices:**
Allowance to replace 7 common area HVAC units	Per Yr	$11,083	15 Years Estimated Useful Life
			9 Years Estimated Current Age
			6 Years Estimated Remaining Life
Replace 7 HVAC Units	Total	**$66,500**	**Estimated Cost at Current Prices:**
Allowance to replace 7 common area HVAC units	Per Yr	$8,313	17 Years Estimated Useful Life
			9 Years Estimated Current Age
			8 Years Estimated Remaining Life
Replace 9 HVAC Units	Total	**$85,500**	**Estimated Cost at Current Prices:**
Allowance to replace 7 common area HVAC units	Per Yr	$8,550	19 Years Estimated Useful Life
			9 Years Estimated Current Age
			10 Years Estimated Remaining Life
		$218,500	**Total Estimated Cost at Current Prices**
		$27,946	**Total Estimated Cost at Current Prices Per Year**

PLUMBING SYSTEMS

Component		Component Replacement Cost	
Replace Office/Fitness Water Heater	Total	**$2,500**	**Estimated Cost at Current Prices:**
Allowance to replace the water heater that serves the Office area and fitness center.	Per Yr	$625	14 Years Estimated Useful Life
			10 Years Estimated Current Age
			4 Years Estimated Remaining Life
		$2,500	**Total Estimated Cost at Current Prices**
		$625	**Total Estimated Cost at Current Prices Per Year**

Component Inventory and Detail

ELECTRICAL SYSTEMS

Component		Component Replacement Cost	
Maintenance Main Panels	Total	**$12,000**	**Estimated Cost at Current Prices:**
Allowance to infrared and make a major maintenance to the main switch gear panels.	Per Yr	$2,000	15 Years Estimated Useful Life
			9 Years Estimated Current Age
			6 Years Estimated Remaining Life
		$12,000	**Total Estimated Cost at Current Prices**
		$2,000	**Total Estimated Cost at Current Prices Per Year**

ELEVATORS

Component		Component Replacement Cost	
Refinish Cab Fronts and Openings	Total	**$30,400**	**Estimated Cost at Current Prices:**
Refinish the elevator openings, doors, and interior front	Per Yr	$15,200	18 Years Estimated Useful Life
			16 Years Estimated Current Age
			2 Years Estimated Remaining Life
Refurbish Cabs	Total	**$72,000**	**Estimated Cost at Current Prices:**
Refurbish all elevator cabs	Per Yr	$14,400	25 Years Estimated Useful Life
			20 Years Estimated Current Age
			5 Years Estimated Remaining Life
B Building - Modernize Traction Elevators	Total	**$700,000**	**Estimated Cost at Current Prices:**
	Per Yr	$100,000	35 Years Estimated Useful Life
			28 Years Estimated Current Age
			7 Years Estimated Remaining Life
A Building - Modernize Hydraulic Elevators	Total	**$300,000**	**Estimated Cost at Current Prices:**
Modernize hydraulic elevators. Converting to a Gen@ traction system would add a cost of $65K each.	Per Yr	$150,000	30 Years Estimated Useful Life
			28 Years Estimated Current Age
			2 Years Estimated Remaining Life
		$1,102,400	**Total Estimated Cost at Current Prices**
		$279,600	**Total Estimated Cost at Current Prices Per Year**

SWIMMING POOL & HARDSCAPE

Component		Component Replacement Cost	
Pool Interior Finish	Total	**$17,000**	**Estimated Cost at Current Prices:**
Refinish pool interior with similar Arctic White PebbleSheen finish	Per Yr	$1,889	15 Years Estimated Useful Life
			6 Years Estimated Current Age
			9 Years Estimated Remaining Life
		$17,000	**Total Estimated Cost at Current Prices**
		$1,889	**Total Estimated Cost at Current Prices Per Year**

Component Inventory and Detail

PAVEMENT & PARKING

Component		Component Replacement Cost	
Mill Asphalt Paving & Restripe	Total	**$21,000**	**Estimated Cost at Current Prices:**
Mill asphalt to 2" depth and repave Building 'B' entry and parking area. Does not include asphalt ramp to lower parking area. Includes new parking spaces and stencils.	Per Yr	$10,500	30 Years Estimated Useful Life 28 Years Estimated Current Age 2 Years Estimated Remaining Life
Reseal & Restripe All Asphalt Paving	Total	**$2,100**	**Estimated Cost at Current Prices:**
Allowance to reseal and restripe all asphalt paving areas for both buildings.	Per Yr	$350	12 Years Estimated Useful Life 6 Years Estimated Current Age 6 Years Estimated Remaining Life
Garage Spray Insulation Allowance	Total	**$2,500**	**Estimated Cost at Current Prices:**
Allowance to repair damaged or missing areas of spray insulation	Per Yr	$2,500	10 Years Estimated Useful Life 9 Years Estimated Current Age 1 Years Estimated Remaining Life
A Building - Convert Calif. Gate	Total	**$20,000**	**Estimated Cost at Current Prices:**
Convert the California gate to a typical swing gate at A Building	Per Yr	$10,000	25 Years Estimated Useful Life 23 Years Estimated Current Age 2 Years Estimated Remaining Life
A Building - Reconfigure Pedestrian Gate	Total	**$7,500**	**Estimated Cost at Current Prices:**
Reconfigure the back gate at A building rear parking stair	Per Yr	$7,500	25 Years Estimated Useful Life 24 Years Estimated Current Age 1 Years Estimated Remaining Life
B Building - Slide Gate Operator	Total	**$11,000**	**Estimated Cost at Current Prices:**
Replace operator	Per Yr	$5,500	10 Years Estimated Useful Life 8 Years Estimated Current Age 2 Years Estimated Remaining Life
B Building - Ramp Gate Operator	Total	**$10,000**	**Estimated Cost at Current Prices:**
Replace operator and bring up to code	Per Yr	$10,000	15 Years Estimated Useful Life 14 Years Estimated Current Age 1 Years Estimated Remaining Life
B Building - Pedestrian Gate	Total	**$5,000**	**Estimated Cost at Current Prices:**
Allownance for minor repairs to B Building pedestrian gate.	Per Yr	$1,667	10 Years Estimated Useful Life 7 Years Estimated Current Age 3 Years Estimated Remaining Life
Replace B Building Parking Cables	Total	**$8,500**	**Estimated Cost at Current Prices:**
Allowance to replace rusty and severed parking safety cables. Drill weep holes in all vertical supports to allow water to exit.	Per Yr	$4,250	25 Years Estimated Useful Life 23 Years Estimated Current Age 2 Years Estimated Remaining Life
		$87,600	**Total Estimated Cost at Current Prices**
		$52,267	**Total Estimated Cost at Current Prices Per Year**

Component Inventory and Detail

SITE & LANDSCAPING

Component		Component Replacement Cost	
Monument Sign Allowance	Total	**$12,000**	**Estimated Cost at Current Prices:**
Allowance to refurbish and upgrade monument sign area at Building B entrance	Per Yr	$6,000	16 Years Estimated Useful Life 14 Years Estimated Current Age 2 Years Estimated Remaining Life
A Building - Courtyard Rejuvenation	Total	**$15,000**	**Estimated Cost at Current Prices:**
Replace most plant materials and refresh surfaces.	Per Yr	$15,000	10 Years Estimated Useful Life 9 Years Estimated Current Age 1 Years Estimated Remaining Life
A Building - Detention Pond	Total	**$9,500**	**Estimated Cost at Current Prices:**
Muck out detention pond. Thin back trees as recommended.	Per Yr	$9,500	10 Years Estimated Useful Life 9 Years Estimated Current Age 1 Years Estimated Remaining Life
B Building - Upgrade Landscaping at Pool	Total	**$2,500**	**Estimated Cost at Current Prices:**
Upgrade the landscaping at the southeast corner of the pool courtyard.	Per Yr	$1,250	18 Years Estimated Useful Life 16 Years Estimated Current Age 2 Years Estimated Remaining Life
A Building - Manual Pedestrian Gate	Total	**$10,000**	**Estimated Cost at Current Prices:**
Repair allowance for the pedestrian gate at A Building	Per Yr	$2,000	10 Years Estimated Useful Life 5 Years Estimated Current Age 5 Years Estimated Remaining Life
Chain Link Fence Repair	Total	**$2,500**	**Estimated Cost at Current Prices:**
Ongoing allowance to repair chain link security fencing along north side of parking areas.	Per Yr	$625	8 Years Estimated Useful Life 4 Years Estimated Current Age 4 Years Estimated Remaining Life
Upgrade Landscape Lighting	Total	**$5,000**	**Estimated Cost at Current Prices:**
Allowance to upgrade the landscape lighting system.	Per Yr	$5,000	7 Years Estimated Useful Life 6 Years Estimated Current Age 1 Years Estimated Remaining Life
Ongoing Landscape & Irrigation	Total	**$10,000**	**Estimated Cost at Current Prices:**
Ongoing allowance for major maintenance of landscape and irrigation	Per Yr	$2,000	10 Years Estimated Useful Life 5 Years Estimated Current Age 5 Years Estimated Remaining Life
		$66,500	**Total Estimated Cost at Current Prices**
		$41,375	**Total Estimated Cost at Current Prices Per Year**

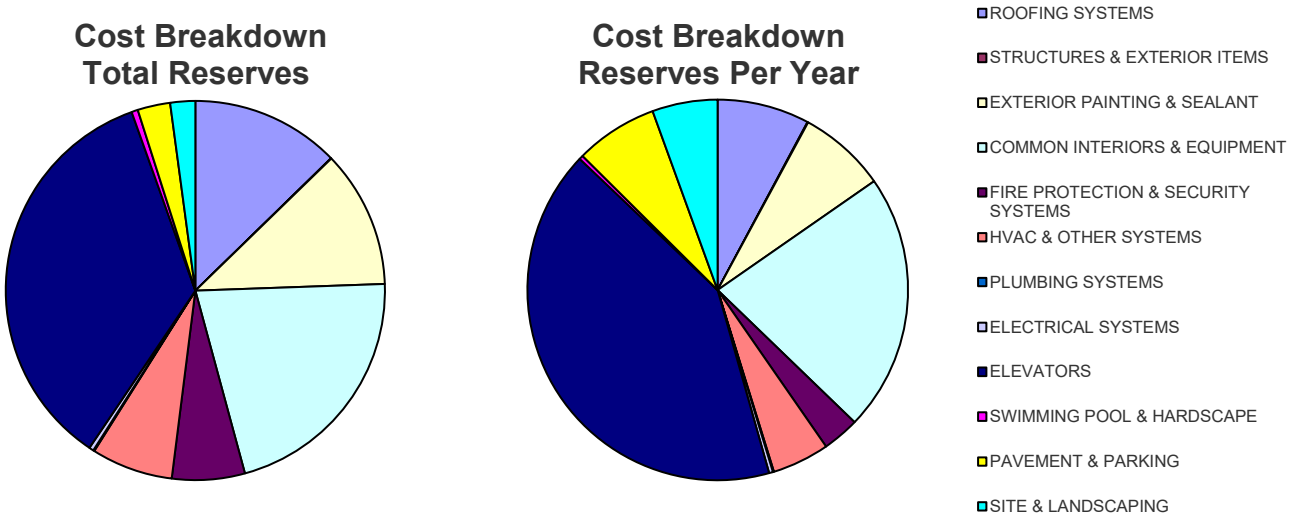
End of Component Inventory

Component Funding Method Breakdown

COMPONENT	ESTIMATED USEFUL LIFE (Years)	ESTIMATED REMAINING USEFUL LIFE (Years)	CURRENT COMPONENT REPLACEMENT COST	FUTURE COMPONENT REPLACEMENT COST (With Inflation Shown At First Occurrence)	FIRST OCCUR. YEAR	AMOUNT TO BE FUNDED ANNUALLY (To First)	AMOUNT TO BE FUNDED MONTHLY
ROOFING SYSTEMS							
Replace Shingle Roof	30	20	$380,640	$839,382	2043	$41,969	$3,497
Gutter & Soffit Repair Allowance	15	1	$18,000	$18,000	2024	$18,000	$1,500
STRUCTURES & EXTERIOR ITEMS							
A Building - Replace Awning Fabri	10	3	$1,200	$1,304	2026	$435	$36
EXTERIOR PAINTING & SEALANT							
Paint Stucco On Both Buildings	17	11	$340,000	$515,513	2034	$46,865	$3,905
Repaint North Parking Stairs	10	2	$12,000	$12,510	2025	$6,255	$521
Repaint Parking Gates & Barriers	15	7	$12,000	$15,404	2030	$2,201	$183
Repaint Wood Trellis	8	2	$3,500	$3,649	2025	$1,824	$152
COMMON INTERIORS & EQUIPMENT							
Paint Common Areas - Both Buildi	9	3	$75,000	$81,510	2026	$27,170	$2,264
Replace Common Wallpaper - Bot	20	13	$245,000	$403,719	2036	$31,055	$2,588
Replace Common Flooring - Both	12	4	$310,000	$351,229	2027	$87,807	$7,317
New Entry Mats - Both Buildings	7	1	$11,000	$11,000	2024	$11,000	$917
Exercise Equipment Allowance	7	3	$16,000	$17,389	2026	$5,796	$483
General Lobby / Office / Meeting A	8	4	$7,500	$8,497	2027	$2,124	$177
Elevator Lobby Rugs	8	2	$2,200	$2,294	2025	$1,147	$96
Upgrade Network Allowance	7	2	$3,000	$3,128	2025	$1,564	$130
FIRE PROTECTION & SECURITY SYSTEMS							
Upgrade Fire Alarm Panel	10	7	$15,000	$19,255	2030	$2,751	$229
Replace Security/Camera System	20	17	$85,000	$165,438	2040	$9,732	$811
Upgrade Card Access System	15	14	$95,000	$163,197	2037	$11,657	$971
HVAC & OTHER SYSTEMS							
Replace 7 HVAC Units	15	6	$66,500	$81,885	2029	$13,647	$1,137
Replace 7 HVAC Units	17	8	$66,500	$88,993	2031	$11,124	$927
Replace 9 HVAC Units	19	10	$85,500	$124,351	2033	$12,435	$1,036
PLUMBING SYSTEMS							
Replace Office/Fitness Water Hea	14	4	$2,500	$2,832	2027	$708	$59
ELECTRICAL SYSTEMS							
Maintenance Main Panels	15	6	$12,000	$14,776	2029	$2,463	$205
ELEVATORS							
Refinish Cab Fronts and Openings	18	2	$30,400	$31,692	2025	$15,846	$1,321
Refurbish Cabs	25	5	$72,000	$85,043	2028	$17,009	$1,417
B Building - Modernize Traction El	35	7	$700,000	$898,575	2030	$128,368	$10,697
A Building - Modernize Hydraulic E	30	2	$300,000	$312,750	2025	$156,375	$13,031
SWIMMING POOL & HARDSCAPE							
Pool Interior Finish	15	9	$17,000	$23,717	2032	$2,635	$220
PAVEMENT & PARKING							
Mill Asphalt Paving & Restripe	30	2	$21,000	$21,893	2025	$10,946	$912
Reseal & Restripe All Asphalt Pav	12	6	$2,100	$2,586	2029	$431	$36
Garage Spray Insulation Allowanc	10	1	$2,500	$2,500	2024	$2,500	$208
A Building - Convert Calif. Gate	25	2	$20,000	$20,850	2025	$10,425	$869
A Building - Reconfigure Pedestria	25	1	$7,500	$7,500	2024	$7,500	$625
B Building - Slide Gate Operator	10	2	$11,000	$11,468	2025	$5,734	$478
B Building - Ramp Gate Operator	15	1	$10,000	$10,000	2024	$10,000	$833
B Building - Pedestrian Gate	10	3	$5,000	$5,434	2026	$1,811	$151
Replace B Building Parking Cables	25	2	$8,500	$8,861	2025	$4,431	$369

SITE & LANDSCAPING							
Monument Sign Allowance	16	2	$12,000	$12,510	2025	$6,255	$521
A Building - Courtyard Rejuvenatic	10	1	$15,000	$15,000	2024	$15,000	$1,250
A Building - Detention Pond	10	1	$9,500	$9,500	2024	$9,500	$792
B Building - Upgrade Landscaping	18	2	$2,500	$2,606	2025	$1,303	$109
A Building - Manual Pedestrian Ga	10	5	$10,000	$11,811	2028	$2,362	$197
Chain Link Fence Repair	8	4	$2,500	$2,832	2027	$708	$59
Upgrade Landscape Lighting	7	1	$5,000	$5,000	2024	$5,000	$417
Ongoing Landscape & Irrigation	10	5	$10,000	$11,811	2028	$2,362	$197
TOTAL			**$3,138,540**	**$4,459,194**		**$766,231**	

Component Replacement Cost Breakdown



Component Funding Method Contribution Per Year

Component Method Per Year

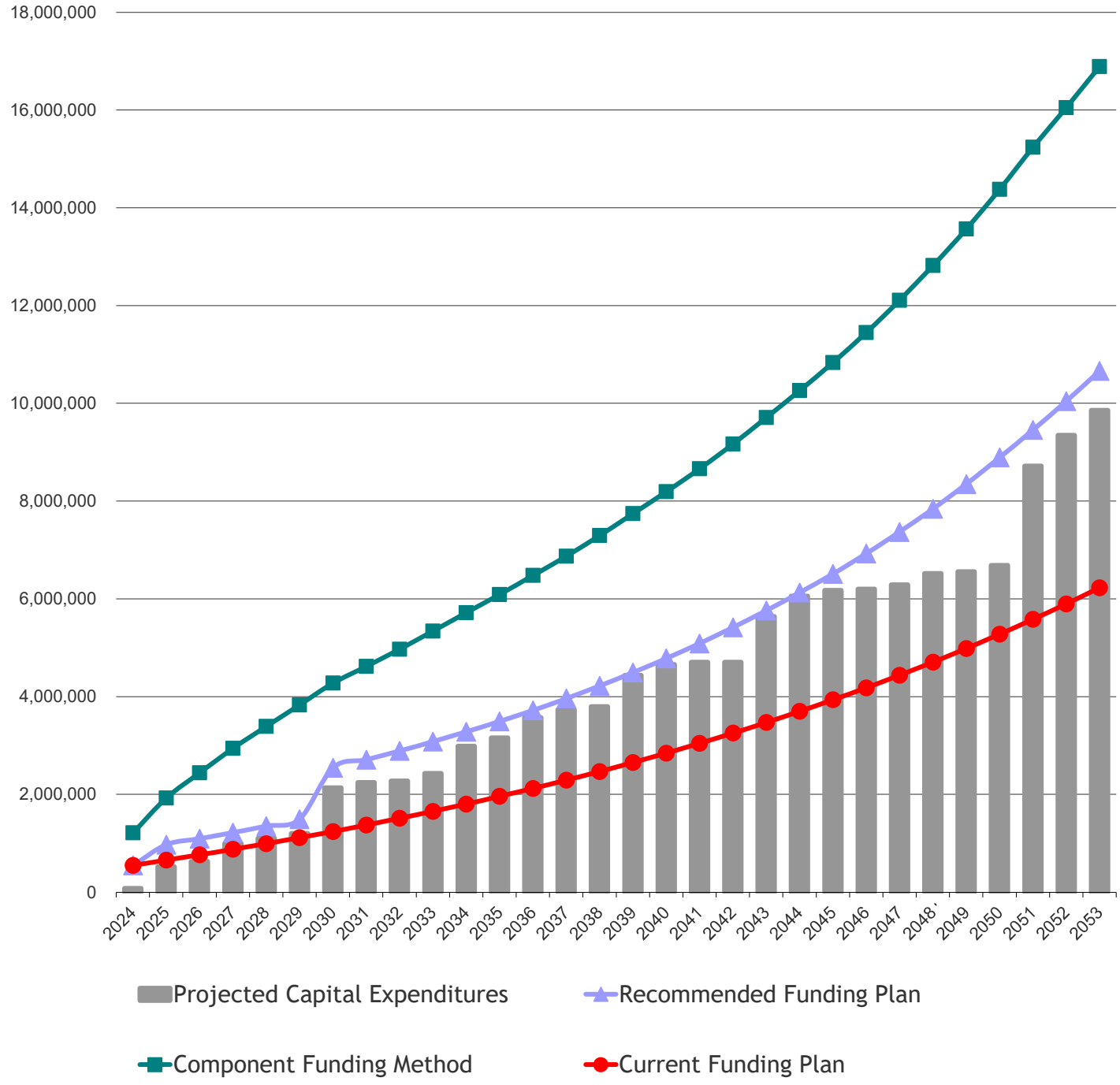
The Component Contribution changes each year depending on the actual combination of Component ages, current funding status, and costs of each Component. Year one can sometimes be significantly higher then the following years because it corrects for previous un-funded years for each individual Component. For further detail see the attached Appendix

YEAR	TOTAL PER YEAR	YEAR	TOTAL PER YEAR	YEAR	TOTAL PER YEAR
2024	766,231	**2034**	334,261	**2044**	491,335
2025	695,187	**2035**	332,279	**2045**	510,328
2026	493,125	**2036**	343,574	**2046**	543,238
2027	472,970	**2037**	352,517	**2047**	582,462
2028	417,377	**2038**	374,559	**2048**	621,405
2029	408,170	**2039**	396,518	**2049**	656,431
2030	406,011	**2040**	395,560	**2050**	702,131
2031	311,032	**2041**	418,432	**2051**	746,729
2032	316,023	**2042**	445,313	**2052**	713,243
2033	327,574	**2043**	475,803	**2053**	738,739

End of Component Funding Method

Comparison of Cash Flow Method to Component Method

This Section provides comparisons of the Cash Flow Funding Method and the Current Funding Method with the Component Funding Method and the Full Funding Method, as required by the National Reserve Study Standards, and adopted by the Community Associations Institute (CAI).

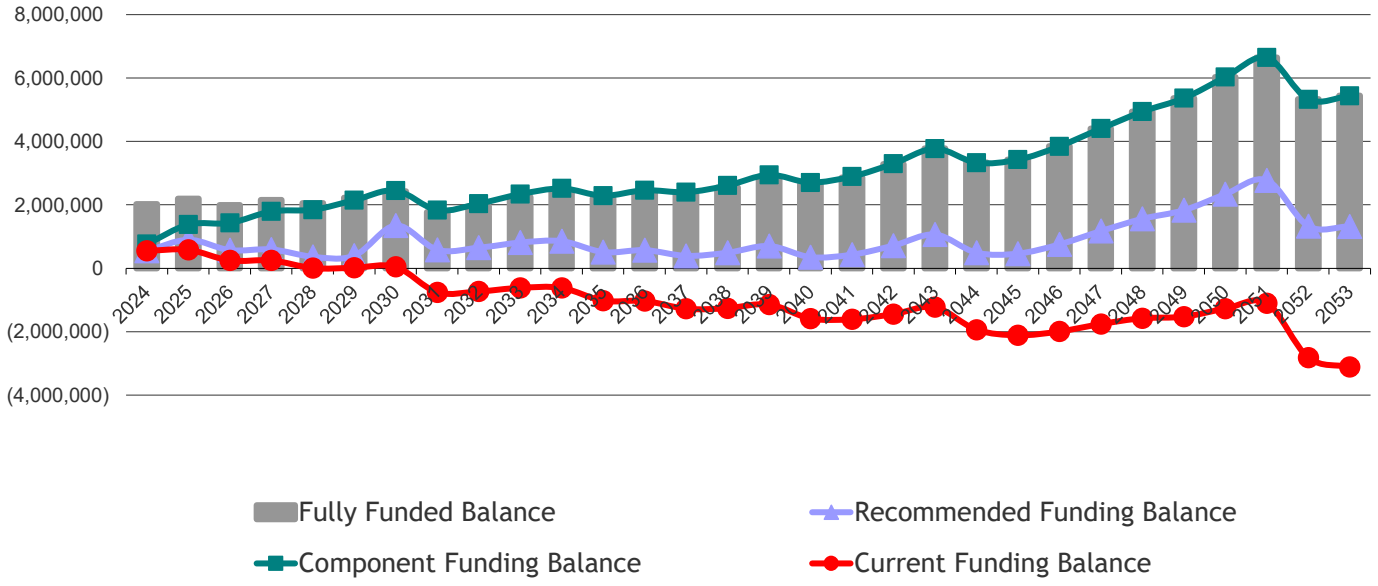


Comparison of Cash Flow, Component & Full Funding Methods

(In Inflated Dollars)

Year	Fully Funded	Component Method		Recommended Funding		Current Funding	
	Beginning Balance	Beginning Balance	Percent Funded	Beginning Balance	Percent Funded	Beginning Balance	Percent Funded
2024	$2,020,701.32	$766,230.56	37.92%	$555,581.35	27.49%	$555,581.35	27.49%
2025	$2,192,761.42	$1,382,917.47	63.07%	$902,381.13	41.15%	$584,551.46	26.66%
2026	$1,998,022.88	$1,431,833.40	71.66%	$578,078.25	28.93%	$249,705.44	12.50%
2027	$2,155,413.12	$1,799,166.26	83.47%	$598,580.76	27.77%	$256,130.99	11.88%
2028	$2,056,459.99	$1,851,152.41	90.02%	$366,192.03	17.81%	$7,295.60	0.35%
2029	$2,229,028.03	$2,150,656.35	96.48%	$400,086.81	17.95%	$20,139.28	0.90%
2030	$2,427,183.81	$2,457,420.51	101.25%	$1,352,870.88	55.74%	$47,566.18	1.96%
2031	$1,773,121.41	$1,835,218.22	103.50%	$584,749.83	32.98%	-$753,611.29	-42.50%
2032	$1,958,228.13	$2,040,836.33	104.22%	$652,073.59	33.30%	-$726,346.22	-37.09%
2033	$2,246,766.37	$2,340,507.98	104.17%	$815,144.41	36.28%	-$610,728.00	-27.18%
2034	$2,424,079.41	$2,518,857.52	103.91%	$860,521.97	35.50%	-$617,019.89	-25.45%
2035	$2,201,752.03	$2,294,686.20	104.22%	$516,616.59	23.46%	-$1,017,491.70	-46.21%
2036	$2,382,936.66	$2,467,549.72	103.55%	$571,903.19	24.00%	-$1,025,594.29	-43.04%
2037	$2,329,546.91	$2,406,131.60	103.29%	$398,700.53	17.11%	-$1,270,010.69	-54.52%
2038	$2,547,049.28	$2,617,493.82	102.77%	$494,910.57	19.43%	-$1,256,484.40	-49.33%
2039	$2,888,983.75	$2,949,540.71	102.10%	$703,860.51	24.36%	-$1,136,721.71	-39.35%
2040	$2,661,750.66	$2,708,458.55	101.75%	$354,577.39	13.32%	-$1,581,299.70	-59.41%
2041	$2,866,521.13	$2,901,115.92	101.21%	$435,722.14	15.20%	-$1,606,847.45	-56.06%
2042	$3,282,091.62	$3,301,180.68	100.58%	$719,977.63	21.94%	-$1,443,358.85	-43.98%
2043	$3,776,983.59	$3,776,983.59	100.00%	$1,066,837.41	28.25%	-$1,225,751.11	-32.45%
2044	$3,334,334.33	$3,334,334.33	100.00%	$495,382.51	14.86%	-$1,932,879.47	-57.97%
2045	$3,429,709.75	$3,429,709.75	100.00%	$466,187.50	13.59%	-$2,111,334.60	-61.56%
2046	$3,850,720.76	$3,850,720.76	100.00%	$757,543.31	19.67%	-$1,987,013.11	-51.60%
2047	$4,410,197.19	$4,410,197.19	100.00%	$1,178,042.79	26.71%	-$1,752,972.08	-39.75%
2048	$4,945,648.46	$4,945,648.46	100.00%	$1,565,807.44	31.66%	-$1,570,974.98	-31.76%
2049	$5,367,202.01	$5,367,202.01	100.00%	$1,837,257.78	34.23%	-$1,526,514.14	-28.44%
2050	$6,031,967.05	$6,031,967.05	100.00%	$2,341,770.38	38.82%	-$1,272,669.71	-21.10%
2051	$6,650,325.35	$6,650,325.35	100.00%	$2,778,165.29	41.77%	-$1,097,453.92	-16.50%
2052	$5,333,093.03	$5,333,093.03	100.00%	$1,333,780.06	25.01%	-$2,811,439.73	-52.72%
2053	$5,441,612.20	$5,441,612.20	100.00%	$1,324,676.25	24.34%	-$3,111,719.95	-57.18%

Beginning Balance Comparison Per Year



End of Report

FUNDING METHODS

The three commonly used calculation methods to calculate the Reserve Funding Plan are the **Component Method**, the **Cash Flow Method**, and the **Current Funding Method**. Each method uses the exact same expenditure information, the only difference being the way in which each calculates the necessary contributions. The Component Method sets the Component Replacement Cost value for each separate component. The Cash Flow Method calculates the funding level necessary to maintain a specific reserve balance. Finally, the Current Funding Method analyzes the current funding level.

COMPONENT METHOD: Component Method determines reserve funding by dividing the inflated Component Replacement Cost by the useful life for each component, then summing all Component Replacement Costs for an annual total over the full analysis period. Funds for each component are considered separate (non-pooled) accounts, each funding 100% of the component's expenditure when it is due. The Component Method calculation is similar to that of the Full Funding Method, except that the first year is not calculated to offset the full "used up" portion of the Component Replacement Cost. The Component Method yearly balance is compared to the Fully Funded Balance, and the result is expressed as a percentage.

CASH FLOW METHOD: A method of developing a Funding Plan where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund. This analysis calculates the future Component Replacement Cost for reserve components when they are due, and recognizes increases in construction costs, as well as interest income on reserve balances. Previous balances and new contributions for all components are pooled, and a yearly contribution rate calculated to provide positive cash flow and a reserve balance above a minimum Threshold Funding amount. Different contribution combinations (Unit Contributions, Step Increases, and/or Special Assessments) are tested until a funding plan is achieved, one that adequately funds the expenditures throughout the analysis period (Funding Horizon

Unlike the Component Method, the Cash Flow Method does not require separate 100% funding of each component to meet projected expenditures. This results in a contribution rate that is normally less than that determined by the Component Method. Although the Cash Flow Method may fund reserves at less than 100% Percent Funding during all or portions of the analysis period, a positive cash flow is achieved that ensures that each component will have sufficient funds available when it is due. The Cash Flow Method yearly balance is compared to the Fully Funded Balance, and the result is expressed as a percentage.

CURRENT FUNDING METHOD: The Current Funding Method takes the Association's current funding values and inserts them into a Cash Flow Method calculation to determine if the resulting reserve balance stays above the minimum Threshold Funding amount. The Current Funding yearly balance is compared to the Fully Funded Balance, and the result is expressed as a percentage.

FUNDING PLAN: One of the three funding methods will be selected, and a recommended Funding Plan will be presented. This recommendation is based on limited information, for there may be issues and/or requirements known only to the Association that could influence reserve decisions. Only the Board of Directors of the Association, in consultation with their appropriate management, legal, and accounting professionals, can ultimately decide their own specific Funding Plan.

TERMS AND DEFINITIONS

BEGINNING BALANCE: The current balance in the reserve budget at the beginning of the Funding Horizon Start Year. The Beginning Balance is the same for all Funding Methods and combined with the particular Funding Method Start Year Contribution gives the total Start Year balance.

COMPONENT: See "Reserve Component"

COMPONENT REPLACEMENT COST: The cost of replacing, repairing, or restoring a Reserve Component to its original functional condition during a particular year. The Current Component Replacement Cost would be the cost to replace, repair, or restore the component at the current cost at the time of the Start Year. The Component Replacement Cost is sometimes referred to as Replacement Cost or Component Cost. For estimating purposes, a Replacement Cost must assume an underlying repair and/or replacement methodology. Any recommendations, stated or assumed, are given for the sole purpose of communicating estimated budget values, and are not meant as actual remedy recommendations. All final property remedies and/or repairs are the responsibility of the Association.

The actual life expectancy and replacement costs of various components, particularly those with a longer life expectancy, may vary based on long-term performance variables. Some components may lend themselves to on-going repair and/or partial replacement, rather than full replacement at the end of their expected life cycle. When combined with input from qualified professionals, this type of approach can reduce capital outlay spikes and possibly reduce further component degradation.

EXCLUDED COMPONENTS: We have excluded components that are too small to be considered a capital expense, and that are typically included in an operational budget. Items such as these usually have an estimated cost of less than $5,000 on small properties and approximately $10,000 on larger properties. This minimum cost amount does not pertain to Immediate Cost items, which include life safety issues, code issues, or a condition, if left undone, that could cause significant future property damage. We have also excluded components, which are deemed to have an extremely long useful life, one that may equal or exceed the useful life of the property itself, if properly maintained. Excluded components typically include the building structure, the exterior wall system, electrical system wiring, and plumbing system piping.

COMPONENT LIFE EXPECTANCY AND REPLACEMENT COSTS: The actual life expectancy and replacement costs of various components, particularly those with a longer life expectancy, may vary based on long-term performance variables. Some components may lend themselves to on-going repair and/or partial replacement, rather than full replacement at the end of their expected life cycle. When combined with input from qualified professionals, this type of approach can reduce capital outlay spikes and possibly reduce further component degradation.

COMPONENT INVENTORY: The task of selecting and quantifying the Reserve Components. This task can be accomplished through on-site visual observations, the review of Association design and organizational documents, a review of established Association precedents, and a discussion with the appropriate representative(s) of the Association or Cooperative.

CONDITION ASSESSMENT: The task of evaluating the current condition of the component based on observed or reported characteristics.

CONTRIBUTIONS: The monetary additions to the Reserve Balance from the unit owners. Contributions can be annual or single.

CURRENT COMPONENT REPLACEMENT COST: See "Component Replacement Cost"

DEFICIT: An actual (or projected) Reserve Balance less than the specified Threshold Funding Amount. Any value above the Threshold Funding Amount would be considered a Surplus.

EFFECTIVE AGE: The 'adjusted' difference between Useful Life and Remaining Useful Life. Effective Age is not always equivalent to chronological age since some components age irregularly. Many times, the actual chronological age is 'adjusted' for issues such as maintenance, initial quality, and environment. It is used primarily in computations.

EXPENDITURES: The outlay expense for each component or the aggregate expense for all Component Replacement Costs.

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

FULL FUNDING METHOD: The funding method calculation needed to create the Fully Funded Balance.

FULLY FUNDED: 100% Funded. When the actual (or projected) Reserve balance is equal to the Fully Funded Balance.

FULLY FUNDED BALANCE (FFB): Total Accrued Depreciation. 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 Component Replacement Cost. This number is calculated for each component, and then is summed together for an Association total. Two formulae can be utilized, depending on the provider's sensitivity to interest and inflation effects. Note: Both yield identical results when interest and inflation are equivalent.

FFB = Current Cost X Effective Age / Useful Life
or
FFB = (Current Cost X Effective Age / Useful Life) + [(Current Cost X Effective Age / Useful Life) / (1 + Interest Rate) ^ Remaining Life] - [(Current Cost X Effective Age / Useful Life) / (1 + Inflation Rate) ^ Remaining Life]

FUNDING GOALS: Independent of methodology utilized, the following represent the basic categories of Funding Plan goals:

Baseline Funding: Establishing a Funding Plan based on keeping the Reserve cash balance above zero.

Full Funding: Setting a Funding Plan based on attaining and maintaining Reserves at or near 100% funded.

Statutory Funding: Establishing a Funding Plan based on only setting aside the specific minimum amount of Reserves required by local statutes.

Threshold Funding: Establishing a Funding Plan based on keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than "Fully Funding."

FUNDING HORIZON: The duration in years represented in the Funding Plan. The Funding Horizon in this study is 30-years, using calculations based on a 60-year period.

FUNDING PLAN: An Association's 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

IMMEDIATE COSTS: A cost requiring implementation within a short timeframe (prior to a future budgeting cycle). Immediate items usually meet one or more of the following conditions: (1) items that have fully exceeded their useful lives, and if left undone, could cause future damage, (2) code or life safety issues, (3) unsafe conditions, (4) developer warranty items, or (5) construction defects. Immediate Costs are not included in any Funding Method calculations.

INTEREST, INFLATION AND TAXES: This Study utilizes an after-tax interest rate for the reserve balance on deposit. The Study also applies a specific inflation rate to all projected expenditures.

LIFE AND VALUATION ESTIMATES: The task of estimating Useful Life, Remaining Useful Life, and Repair or Component Replacement Costs for the Reserve Components.

PERCENT FUNDED: The ratio of yearly balances of a specific Funding Plan to the Fully Funded 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.

RESERVE ANALYSIS START YEAR: The first full year of contributions and expenditures, and the start of the Funding Horizon.

REMAINING USEFUL LIFE (RUL): The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Component replacements anticipated to occur in the initial year are considered to have a "zero" Remaining Useful Life. Items may not last as long as projected or may exceed their estimated lives. Influences such as weather, catastrophe, improper maintenance, physical abuse, or abnormal use can affect these lives and/or Component Replacement Costs. When such occurrences happen, another inspection should be made and a new revised study prepared. Also known as Remaining Life (RL).

RESERVE BALANCE: Actual or projected funds as of a particular point in time that the association has identified for use to defray the future repair or replacement of those components which the Association is obligated to maintain. Also known as Reserves, Reserve Accounts, and Cash Reserves.

RESERVE COMPONENT: The individual line items in the Reserve Study developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Reserve Components typically are: 1) common elements with Association responsibility, 2) with limited Useful Life expectancies, 3) predictable Remaining Useful Life expectancies, 4) above a minimum threshold cost, and 5) required by local codes. Also known as Component.

RESERVE PROVIDER: An individual that prepares Reserve Studies.

RESERVE STUDY: A budget planning tool which 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.

RESERVE STUDY UPDATES: The Cash Flow Method allows for a smaller ongoing reserve balance than the Component Method and has less ability to respond to unforeseen cost/income fluctuations, or unanticipated replacement cost escalations. The Cash Flow Method values should be reviewed annually against actual current contributions and expenditures and should be fully updated every three to five years with an Update, With-

Site-Visit/On-Site Review. With this update, the components are re-evaluated, and new replacement costs, useful lives, and remaining lives are estimated. A financial analysis similar to this study is then conducted.

SPECIAL ASSESSMENT: A Contribution levied on the members of an Association in addition to the regular annual Contributions. Special Assessments are often regulated by governing documents or local statutes. The year that the Assessment occurs is called the Assessment Year.

STEP INCREASE: The percent increase, from one year to the next, of the Unit Contribution (Annual and monthly). Allowing contributions to rise at a rate independent of inflation, serves to offset the impact of inflation, and allows flexibility for contributions to increase with the age of a property, and thus may lower the initial contribution rate.

SURPLUS: An actual (or projected) Reserve Balance greater than the Fully Funded Balance. See "Deficit."

THRESHOLD FUNDING AMOUNT: The minimum allowable reserve balance (starting at year two and adjusted for inflation), expressed as a percentage of the total accumulated reserve expenditures (years one through 30 only). This value is used in the Cash Flow Funding Method.

UNIT CONTRIBUTION: The total, annual, or monthly contribution by a Unit owner to the collective reserve balance.

USEFUL LIFE (UL): Total Useful Life or Depreciable Life. The estimated time, in years, that a Reserve Component can be expected to serve its intended function if properly constructed in its present application or installation.

CREDENTIALS

Rex Rouis is a principal in the firm of AssociationAnalysis, LLC. Rex has over thirty years of experience in the practice of architecture, assisting developers with all phases of the real estate development process, fourteen years of which supporting institutional property ownership. He has been involved in all aspects of the real estate process, including equity acquisition, debt placement, transaction due diligence, project development, property management, and capital budget review, on properties and portfolios ranging from $5 million to $500 million. Rex was a member of the American Institute of Architects (AIA) for many years, and has served in various capacities, including Chapter President. Mr. Rouis resides in Atlanta, Georgia.

Mr. Rouis has provided reserve analysis, consulting, and due-diligence services on residential and commercial properties, totaling over 50,000 condominium and homeowner association units.

LIMITATIONS

This Full Reserve Study, is prepared to adhere to the guidelines of the National Reserve Study Standards of the Community Associations Institute, and conforms to the Community Associations Institute Professional Reserve Specialist Code of Ethics. The following warranty is in lieu of all other warranties, either expressed or implied. While AssociationAnalysis, LLC has made every reasonable effort to properly evaluate the Property conditions within the contracted scope of services, it should be recognized that this investigation is limited in several important respects including, but not limited to the following issues.

Our findings and conclusions are based on an observation of the visible and apparent condition of the structure and its components on the date of the inspection. An observation of this nature will not reveal every concern that exists, or could ever exist, but only those items observed as of that date. Some of our conclusions were based on information provided by others including representatives of the Client, the Association, the Property manager, on-site employees, contractors servicing the Property, and local municipal officials. For the purposes of this report, we have assumed this information to be complete and correct unless otherwise noted. AssociationAnalysis, LLC assumes no liability for incorrect information provided by others. Information regarding financial, physical, quantity or historical issues is assumed to be correct and accurate, and no attempt was made to audit the information or to verify compliance with condominium covenants.

The observations include only those areas that were readily accessible without opening or dismantling any secured components or areas. The scope did not include invasive investigation, component sampling, laboratory analysis, or engineering evaluations of the structural system, mechanical systems, electrical systems, or other systems. The observation did not include the review or confirmation of design assumptions, nor does it include the determination of compliance to any code, governmental or local. The observation did not include the testing for the presence or absence of radon, safety glass, lead paint, termites, or any hazardous substance, including but not limited to toxins, carcinogens, noise, contaminants in soil, water, and air, and does not offer an opinion on the manufacture's specifications for any component or system.

Our cost estimates represent a preliminary opinion only and are neither a quote nor a warranty or representation as to the actual costs that may be incurred. These estimates are based on typical cost data that may not fully characterize the scope of the underlying Property conditions, and are further limited by maintenance practices, cost fluctuations, future changes in technology, and future regulatory actions. These estimates do not address the cost impact of the possible presence of asbestos-containing materials (ACM) on renovation or demolition activities. AssociationAnalysis, LLC shall not be liable to the Client, Association, Association member, or any other party for any costs or expenses that may be incurred in the excess of these estimates, for any losses that may be incurred as a result of these estimates being different from the actual costs, nor for any damages whatsoever in connection with these estimates.

Rex Rouis
Principal - AssociationAnalysis, LLC

END OF APPENDIX