

RESERVE STUDY

HUNT CLUB HOMEOWNERS ASSOCIATION

Avon Lake, Ohio

Study Completed By:

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EXECUTIVE SUMMARY

At the request of the Hunt Club Homeowner's Association Board, J. R. Johnson Engineering has conducted a Reserve Study for the Hunt Club Homeowner's Association located in Avon Lake, Ohio. The results of our study are identified in this report. We conducted our visual, noninvasive inspection for this study on June 29, 2010. This Reserve Study is meant to be utilized as a budget-planning tool, in order to help identify the current status of the Association's Reserve Fund. It will also help to guarantee that the Reserve Funding Plan will divide the anticipated future major common area expenditures in a fair and equitable manner.

This Reserve Study consists of two parts:

Physical Analysis:

- Component Inventory
- Condition Assessment
- Estimated and Remaining Useful Lives and Replacement Cost

Financial Analysis:

- Fund Status
- Funding Plan

The Hunt Club Homeowner's Association consists of 201 units in 201 buildings. The buildings were built between 2003 and 2009. There are eighteen Reserve Components that will possibly need to be repaired or replaced over the next 30 years. According to the Association's Management the projected Reserve Fund Balance, as of December 2010 is \$31,240. If the Association were to continue to fund Reserves at its 2010 budgeted amount of \$9,719, the Reserve Fund would potentially incur a shortage by 2036. This Reserve Study's funding goal is to keep the Reserve Fund Balance above an adequate threshold.

Capital repairs and replacements can be funded using any combination of the following:

- A) Increasing the operating budget or imposing special assessments,
- B) Borrowing capital through Loans for major repairs, or
- C) Imposing level monthly reserve contributions with an annual increase to cover inflation.

EXECUTIVE SUMMARY (CON'T)

We do not recommend the use of special assessments or loans unless extenuating circumstances dictate the need. Note that loans can provide another means of funding a replacement. However, the cost of the interest being charged creates a higher cost to the Association than if they had established a Reserve Fund prior to the actual replacement expense being incurred. By using accumulated reserves to pay for replacements, the Association can collect interest on the Reserve Fund Balance. This will allow them to avoid paying interest on a loan, therefore, lowering the amount of Reserve Fund Contributions.

We are recommending that the Association utilize the third method, which is Level Monthly Reserve Assessments with annual adjustments for inflation. This method equally distributes the cost of repairs or replacements of weathering and aging common elements to all of the homeowners. This method also helps to ensure that the property remains in acceptable condition and enhances the resale value of the homes.

This Reserve Study utilizes the Cash Flow Method to determine the appropriate Reserve Funding Plan. The Reserve Funding Plan calculates the adequate Reserve Contributions required through a 30-year Cash Flow Analysis, which takes into account the current Reserve Funds, future interest earnings, inflation and planned Reserve Expenditures.

The Reserve Expenditures take into account local costs of replacement, both current and future, forecasted interest earned, the average annual fund balances and anticipated inflation. Sources that were used to determine local costs of replacement include our historical costs and published sources, (i.e., R.S. Means, National Renovation and Insurance Repair Estimator and National Construction Estimator Software).

The Hunt Club Homeowner's Association has budgeted \$9,719 for Reserve Contributions in 2010. We recommend that the Hunt Club Homeowner's Association adopt a reserve budget of \$19,330 in 2011. We also recommend an annual Reserve Contribution increase of 5% in order to stay ahead of inflation. The recommended year 2011 Reserve Contribution of \$19,330 is a \$9,611 increase from the previously budgeted amount. The proposed increase of \$9,611 equals an average monthly increase of \$3.98 per unit owner. By adopting this increase contributions will grow to create an adequate Reserve Fund to cover future major Reserve Expenditures as shown in Exhibit B "*Tables.*" Exhibit B "*Tables*" Funding Balance Sheet shows the recommended annual Reserve Contributions and projected year-end balances.

Reserve Studies should be updated every two to three years in order to account for the numerous variables that can affect Reserve Contributions. In addition, construction costs and technology as well as inflation and interest rates can change affecting Reserve Contributions either positively or negatively. Therefore, in order to ensure adequate Reserve Funds and avoid Excessive Reserve Funds this Reserve Study should be updated every two to three years.

Based on our investigation and analysis as shown in this report, we recommend the following Reserve Funding Plan to offset the projected future expenses related to the Reserve Components over the next 30 years.

EXECUTIVE SUMMARY (CON'T)

The Board should continue to review the Reserve Components regularly. The Board should have the Reserve Study updated every two to three years in order to guarantee a viable funding plan, since a Reserve Study only captures a specific period in time. Numerous variables can change after the study is completed that may result in overfunding or underfunding. Some examples of these variables include projects that are performed prior to or after their scheduled timeframes, changes in construction inflation rates or changes in the return on investment on accumulated reserves. Keep in mind that we did not investigate any liabilities against the existing property.

NARRATIVE

At the request of the Hunt Club Homeowner's Association Board, we have conducted the following Reserve Study. We completed our visual, noninvasive, inspection on June 29, 2010.

Replacement Reserves are the amounts of money required to make future repairs or replacements of Reserve Components before the entire facility or project wears out. One of the best ways to protect the property's value and marketability is to reserve funds for future repair and replacement of Reserve Components.

A 30-year Cash Flow Analysis is used in this study to identify the necessary Reserve Funding Plan required. National standards require a Reserve Component to have a "Predictable Remaining Useful Life." Beyond thirty years the accuracy of estimates deteriorates drastically due to large variances in construction inflation and component lifecycles.

REPORT OUTLINE

Our report includes the following:

- Executive Summary
- Narrative
- Supplementary Information
- Definitions and Exhibits

The Executive Summary identifies the property, financial considerations, recommended Reserve Funding and Reserve Funding projections.

The Narrative describes the extent of the investigation and includes the following sections:

- Report Outline
- Means and Methods
- Classification of Reserve Components
- Component Assessment
- Exhibit Descriptions

REPORT OUTLINE (CON'T)

The Definitions contains terms and definitions used throughout this Reserve Study and the industry.

The Exhibits A, B and C contain important information that is related to our analysis:

Exhibit A: *"Photographs"* document the conditions of various Reserve Components as of the date of our visual inspection, June 29, 2010. The Component Assessment contains references to these photographs.

Exhibit B: *"Tables"* contains two tables. The "Component Replacement Table" includes an inventory of Reserve Components, Reserve Expenditures, future cost estimates and a replacement schedule covering the next 30 years. The "Funding Balance Sheet" table includes annual reserve deposits, interest earned, expenditures, year-end balance, cumulative expenditures and cumulative receipts.

Exhibit C: *"Graphs"* Contains the following three graphs:
The graph titled "Current Association Funding" compares the Associations current funding methods, cumulative receipts and year-end balances against cumulative expenditures.

The second graph titled "Proposed Funding Method" compares the proposed funding method cumulative receipts and year-end balances against cumulative expenditures.

The third graph titled "Funding Method Comparison" compares the cumulative receipts of the current and proposed funding methods against the projected cumulative expenditures.

MEANS AND METHODS

In this report, the following factors were used for our analysis:

- In order to compute the 30-year Reserve Funding Plan the Cash Flow Method was used.
- The identification of each Reserve Component along with the anticipated year of replacement as shown in Exhibit B: *"Tables"*.
- Local equipment, material and labor costs.
- Both current and future Reserve Component replacement costs.
- Reserve Component removal costs as part of the cost of replacement.
- Historical data and local economic conditions are considered in estimating future inflation rates for construction costs in Avon Lake, Ohio at an annual inflation rate of 4.0%.
- How the current and past maintenance practices of the Hunt Club Homeowner's Association effects the remaining useful life of the major common area expenditures.

MEANS AND METHODS (CON'T)

- Necessary operating budget expenses have not been included in the Funding Plan. It is our understanding that unless specifically noted, the costs for ongoing normal maintenance of Reserve Components or property elements are included in the future operating budgets. The Hunt Club Homeowner's Association should continue to include these costs of maintenance in the operating budget.
- Since this study does not include providing financial or investment advice we assumed that the Association should be able to achieve a 2% return on their investment of the yearly reserve balance. We recommend that the Association seek the advice of a financial and investment advisor.

CLASSIFICATION OF RESERVE COMPONENTS

Our investigation included Reserve Components as described in the Associations Declaration. We segregated the property elements based on the responsibility for repair and replacement.

We recommend that the Board review the Reserve Components on an annual basis in order to confirm whether the Components should be funded through the Reserve Fund or through the Operating and Maintenance Budget.

There are eighteen Reserve Components that have been determined to require Reserve Expenditures over the next 30 years. In Exhibit B: "*Tables*", the "Component Replacement Table" identifies the components as follows:

Hunt Club Common Elements

- Concrete Roads
- Concrete Parking Areas
- Concrete Sidewalks
- Vinyl Fence
- Large Mail Gazebos
- Small Mail Gazebos
- Mailboxes
- Light Poles
- Signs
- Entrance Sign
- Ground Lights
- Brick Pillars with Fence
- Prick Pillars
- Benches
- Gravel Area
- Sprinkler System
- Retention Basin
- Landscaping

CLASSIFICATION OF RESERVE COMPONENTS (CON'T)

In addition, to the above listed Reserve Components, we have identified the following Long-Lived Property Elements, which do not have "Predictable Remaining Useful Life" expectancies:

- Sewer and Water Pipes

Long-Lived Property Elements (with unpredictable remaining useful lives) occasionally need to be repaired due to unforeseen circumstances, defective construction or deterioration from normal use. These typically infrequent repairs should be funded through the Association's Operating Budget in order to avoid constantly adjusting Reserve Contributions.

Certain Reserve Components require money from the Operating Budget for ongoing maintenance. Reserve Components requiring Operating Budget money for ongoing maintenance are listed below. The following items should be included in the Hunt Club Operating Budget and have not been included in the Reserve Study.

- General Maintenance to Reserve Components
- Landscaping Maintenance, Mowing and Mulching
- Minor Paving Repairs
- Miscellaneous repairs that are typically funded through the operating budget.

COMPONENT ASSESSMENT

The Component Assessment portion of this Reserve Study describes each Reserve Component. These explanations provide descriptions of the Reserve Component, highlight certain conditions and problems, and cite the expected year or years of replacement.

Concrete Roads - Horseshoe Way, Derby Way, Jockey Circle and Canter Court were included in the study. The existing Concrete Roads appear to be in good condition as shown in Exhibit A: "*Photographs*". These components are not typically completely replaced at one time, but rather on an as needed basis. Therefore, we have projected these components to be replaced on a cyclical basis of 12% every five years or 72% over 30 years. The replacements are projected to begin in 2031. This will allow for partial replacement of the components on an as needed basis to repair damage caused by snow removal, freeze thaw cycles, etc.

Concrete Parking Areas - The existing Concrete Parking Areas appear to be in good condition as shown in Exhibit A: "*Photographs*". These components are not typically completely replaced at one time, but rather on an as needed basis. Therefore, we have projected these components to be replaced on a cyclical basis of 12% every five years or 72% over 30 years. The replacements are projected to begin in 2031. This will allow for partial replacement of the components on an as needed basis to repair damage caused by snow removal, freeze thaw cycles, etc.

COMPONENT ASSESSMENT (CON'T)

Concrete Sidewalks - The existing Concrete Sidewalks appear to be in good condition as shown in Exhibit A: "*Photographs*". These components are not typically completely replaced at one time, but rather on an as needed basis. Therefore, we have projected these components to be replaced on a cyclical basis of 12% every five years or 72% over 30 years. The replacements are projected to begin in 2031. This will allow for partial replacement of the components on an as needed basis to repair damage caused by snow removal, freeze thaw cycles, etc.

Vinyl Fence - The Vinyl Fence appears to be in good condition, as shown in Exhibit A: "*Photographs*". Vinyl Fence has a useful life of up to 40 years. Therefore based on its current condition we recommend that the Hunt Club Homeowner's Association plan to replace the Vinyl Fence in 2046.

Large Mail Gazebos - The Large Mail Gazebos appear to be in good condition, as shown in Exhibit A: "*Photographs*". Large Mail Gazebos have a useful life of up to 30 years. Therefore based on their current condition we recommend that the Hunt Club Homeowner's Association plan to replace the Large Mail Gazebos in 2036.

Small Mail Gazebos - The Small Mail Gazebos appear to be in good condition, as shown in Exhibit A: "*Photographs*". Small Mail Gazebos have a useful life of up to 30 years. Therefore based on their current condition we recommend that the Hunt Club Homeowner's Association plan to replace the Small Mail Gazebos in 2036.

Mailboxes - The Mailboxes appear to be in good condition, as shown in Exhibit A: "*Photographs*". Mailboxes have a useful life of up to 20 years. Therefore based on their current condition we recommend that the Hunt Club Homeowner's Association plan to replace the Mailboxes in 2026.

Light Poles - The Light Poles appear to be in good condition, as shown in Exhibit A: "*Photographs*". Light Poles have a useful life of up to 20 years. Therefore based on their current condition we recommend that the Hunt Club Homeowner's Association plan to replace the Light Poles in 2026.

Parking Signs - The Parking Signs appear to be in good condition, as shown in Exhibit A: "*Photographs*". Parking Signs have a useful life of up to 20 years. Therefore based on their current condition, we recommend that the Hunt Club Homeowner's Association plan to replace the Parking Signs in 2026.

Entrance Sign - The Entrance Sign appears to be in good condition, as shown in Exhibit A: "*Photographs*". Entrance Signs have a useful life of up to 20 years. Therefore based on its current condition we recommend that the Hunt Club Homeowner's Association plan to replace the Entrance Sign in 2026.

Ground Lights - The Ground Lights appear to be in good condition, as shown in Exhibit A: "*Photographs*". Ground Lights have a useful life of up to 20 years. Therefore based on their current condition we recommend that the Hunt Club Homeowner's Association plan to replace the Ground Lights in 2026.

COMPONENT ASSESSMENT (CON'T)

Brick Pillars with Fence - The Brick Pillars with Fence appear to be in good condition, as shown in Exhibit A: "*Photographs*". These components are not typically completely repointed at one time, but rather on an as needed basis. Therefore, we have projected these components to be repointed/repared on a cyclical basis of 20% every five years or 100% over 25 years. The repointing is projected to begin in 2031.

Brick Pillars - The Brick Pillars appear to be in good condition, as shown in Exhibit A: "*Photographs*". These components are not typically completely repointed at one time, but rather on an as needed basis. Therefore, we have projected these components to be repointed/repared on a cyclical basis of 20% every five years or 100% over 25 years. The repointing is projected to begin in 2031.

Benches - The Benches appear to be in good condition, as shown in Exhibit A: "*Photographs*". Benches have a useful life of up to 20 years. Therefore based on their current condition we recommend that the Hunt Club Homeowner's Association plan to replace the Benches in 2026.

Gravel Area - The Gravel Area appears to be in good condition, as shown in Exhibit A: "*Photographs*". Gravel Areas have a useful life of approximately 5 years. Therefore based on its current condition we recommend that the Hunt Club Homeowner's Association plan to replace the Gravel Area in 2013.

Sprinkler System - The Sprinkler System appears to be in good condition. Sprinkler Systems are not typically completely replaced at one time, but rather repaired on an as needed basis. Therefore, we have projected an allowance every three years for component replacement on an as needed basis. The replacements are projected to begin in 2012. This will allow for partial replacement of the system on an as needed basis.

Retention Basin - The Retention Basin appears to be in good condition, as shown in Exhibit A: "*Photographs*". Retention Basins have a useful life of approximately 15 years, due to sediment build up. Therefore based on its current condition we recommend that the Hunt Club Homeowner's Association plan to dredge the Retention Basin in 2021.

Landscaping - The Landscaping appears to be in good overall condition, as shown in Exhibit A: "*Photographs*". Landscaping is not typically completely replaced at one time, but rather on an as needed basis. Therefore, we have projected these components to be replaced on a cyclical basis of one tree or shrub every three years. The replacements are projected to begin in 2012. This will allow for partial replacement of the components on an as needed basis to replace dead or dying plants.

A Reserve Study Update should be performed every two to three years. A Reserve Study only captures a snapshot in time and can not take all of the constantly changing variables into account, which is why periodic updates are necessary. The following is a list of variables that can affect the accuracy of a Reserve Study.

- Replacements or repairs that are performed either prior to or after there projected time frame.
- Changes in construction inflation rates.

COMPONENT ASSESSMENT (CON'T)

- Advancement in construction technology.
- Changes in the Associations return on investment of Reserves.
- Adding or deleting components that are funded through Reserves.
- Changes in routine maintenance procedures.

By performing periodic updates changes in these variables are taken into account, and adjustments are made in the updated Reserve Study. By budgeting for future Reserve Studies the Board shows that it is planning on continuing to fulfill its financial responsibility to maintain commonly owned property and to appropriately fund reserves.

EXHIBIT DESCRIPTIONS

Exhibit A: "*Photographs*" documents the conditions of various property components as of the date of our visual inspection, June 29, 2010. References to these photographs are made throughout the Reserve Study.

Exhibit B: "*Tables*" contains two tables. The first table The "*Component Replacement Table*", includes an inventory of the Reserve Components, Reserve Expenditures, estimates of future costs and anticipated replacement times during the next 30 years. It includes a 4.0% annual percentage rate of inflation. The table arranges the following information in columns:

- For reference purposes item numbers have been provided.
- Reserve Component describes each component.
- Useful Life shows each component's typical useful life.
- Remaining Useful Life shows the remaining useful life of each component.
- Columns 2011-2041 show the years of replacement and estimated cost of replacement adjusted for inflation.

The second table of data in Exhibit B: "*Tables*" is the Reserve Funding Plan. This table includes the Association's current funding plan, and the proposed Cashflow model. Each of which assumes a 2% return on reserve investments, 4% inflation and a 5% yearly increase in Reserve Contributions. The table arranges the following list in rows for both the current funding plan and the proposed funding plan (Cash Flow Method).

- Starting Balance of Reserves.
- Annual Deposit into the Reserve Fund.
- Projected Interest earned on Reserves.
- Expenditures which are planned.

EXHIBIT DESCRIPTIONS (CON'T)

- Planned Year-end balance of the Reserve Fund.
- Cumulative Expenditures
- Cumulative Receipts

Exhibit C: "*Graphs*" contains three graphs based on the numerical data found in the Reserve Funding Plan. The graphs illustrate our recommendations and observations pertaining to reserve balances, recommended annual Reserve Contributions and Reserve Expenditures during the next 30 years.

The graph titled "Current Association Funding" compares the Associations current funding methods, cumulative receipts and year-end balances against cumulative expenditures.

The second graph titled "Proposed Funding Method" compares the proposed funding method cumulative receipts and year-end balances against cumulative expenditures.

The third graph titled "Funding Method Comparison" compares the cumulative receipts of the current and proposed funding methods against the projected cumulative expenditures.

DEFINITIONS

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

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

Funding Goal - The stated purpose of this Reserve Study to determine the adequate, not excessive, future annual, reasonable *Reserve Contributions* to fund future *Reserve Expenditures*.

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

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

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

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

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

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

Reserve Expenditure - *Future Cost of Replacement of & Reserve Component*

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

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

DEFINITIONS (CON'T)

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

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

Definitions are derived from the standards set forth by the Community Associations Institute (CAI) representing America's 250,000 condominium and homeowners associations and cooperatives, and the Association of Professional Reserve Analysts, setting the standards of care for reserve study practitioners.

**EXHIBIT B: TABLES
FUNDING BALANCE SHEET**

RESERVE COMPONENT	Useful Life	Remaining Useful Life	2011	2012	2013	2014	2015	2016	2017	2018	2019
1 HORSESHOE WAY	25-30	21									
2 DERBY WAY	25-30	21									
3 JOCKEY CIRCLE	25-30	21									
4 CANTER COURT	25-30	21									
5 CONCRETE PARKING AREAS	25-30	21									
6 CONCRETE SIDEWALKS	25-30	21									
7 VINYL FENCE	40	36									
8 LARGE MAIL GAZEBOS	30	26									
9 SMALL MAIL GAZEBOS	30	26									
10 MAILBOXES	20	16									
11 LIGHT POLES	20	16									
12 PARKING SIGNS	20	16									
13 ENTRANCE SIGN	20	16									
14 GROUND LIGHTS	20	16									
15 BRICK PILLARS WITH FENCE	25-30	21									
16 BRICK PILLARS	25-30	21									
17 BENCHES	20	16									
18 GRAVEL AREA	5	3			\$1,134					\$1,380	
19 SPRINKLER SYSTEM	3	2		\$1,248			\$1,404			\$1,579	
20 RETENTION BASIN	15	11									
21 LANDSCAPING	3	2		\$652			\$734			\$825	

**EXHIBIT B: TABLES
FUNDING BALANCE SHEET**

RESERVE COMPONENT	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
1 HORSESHOE WAY												\$104,319
2 DERBY WAY												\$25,548
3 JOCKEY CIRCLE												\$42,440
4 CANTER COURT												\$54,520
5 CONCRETE PARKING AREAS												\$6,139
6 CONCRETE SIDEWALKS												\$12,128
7 VINYL FENCE												
8 LARGE MAIL GAZEBOS												
9 SMALL MAIL GAZEBOS												
10 MAILBOXES							\$30,490					
11 LIGHT POLES							\$40,195					
12 PARKING SIGNS							\$3,809					
13 ENTRANCE SIGN							\$2,882					
14 GROUND LIGHTS							\$422					
15 BRICK PILLARS WITH FENCE												\$1,012
16 BRICK PILLARS												\$1,417
17 BENCHES							\$2,404					
18 GRAVEL AREA				\$1,679					\$2,042			
19 SPRINKLER SYSTEM		\$1,776			\$1,998			\$2,248			\$2,528	
20 RETENTION BASIN		\$46,835										
21 LANDSCAPING		\$928			\$1,044			\$1,174			\$1,321	

**EXHIBIT B: TABLES
FUNDING BALANCE SHEET**

RESERVE COMPONENT	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
1 HORSESHOE WAY					\$126,920					\$154,418
2 DERBY WAY					\$31,082					\$37,817
3 JOCKEY CIRCLE					\$51,635					\$62,822
4 CANTER COURT					\$66,332					\$80,703
5 CONCRETE PARKING AREAS					\$7,470					\$9,088
6 CONCRETE SIDEWALKS					\$14,756					\$17,953
7 VINYL FENCE										
8 LARGE MAIL GAZEBOS					\$40,851					
9 SMALL MAIL GAZEBOS					\$45,213					
10 MAILBOXES										
11 LIGHT POLES										
12 PARKING SIGNS										
13 ENTRANCE SIGN										
14 GROUND LIGHTS										
15 BRICK PILLARS WITH FENCE					\$1,232					\$1,498
16 BRICK PILLARS					\$1,724					\$2,098
17 BENCHES										
18 GRAVEL AREA		\$2,485					\$3,023			
19 SPRINKLER SYSTEM		\$2,844			\$3,199			\$3,598		
20 RETENTION BASIN					\$84,347					
21 LANDSCAPING		\$1,486			\$1,671			\$1,880		

**EXHIBIT B: TABLES
FUNDING BALANCE SHEET**

Inflation		4.00%												
Proposed Interest		2.00%												
Minimum Threshold Percentage		1.50%												
Proposed Yearly Contribution Increase		5.00%												
Current Interest		2.00%												
Current Yearly Contribution Increase		5.00%												
			Yearly Balance											
	Yearly Percentage Increase		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Historical Funding														
Starting Balance			\$31,240											
Annual Deposit	5.00%		\$9,719	\$10,205	\$10,715	\$11,251	\$11,814	\$12,404	\$13,024	\$13,676	\$14,359	\$15,077	\$15,831	\$16,623
Interest on Reserves	2.00%		\$0	\$819	\$1,002	\$1,213	\$1,463	\$1,685	\$1,967	\$2,267	\$2,510	\$2,848	\$3,206	\$2,596
Expenditures			\$0	\$1,900	\$1,134	\$0	\$2,137	\$0	\$0	\$3,784	\$0	\$0	\$49,539	\$0
Year End Balance			\$40,959	\$50,083	\$60,666	\$73,130	\$84,269	\$98,359	\$113,350	\$125,509	\$142,379	\$160,304	\$129,802	\$149,021
Cumulative Expenditures			\$0	\$1,900	\$3,034	\$3,034	\$5,171	\$5,171	\$5,171	\$8,955	\$8,955	\$8,955	\$58,495	\$58,495
Cumulative Receipts			\$40,959	\$51,983	\$63,700	\$76,164	\$89,440	\$103,530	\$118,522	\$134,464	\$151,334	\$169,259	\$188,296	\$207,515
Cash Flow Method														
Starting Balance			\$31,240											
Annual Deposit	5.00%		\$19,330	\$20,296	\$21,311	\$22,377	\$23,496	\$24,670	\$25,904	\$27,199	\$28,559	\$29,987	\$31,486	\$33,061
Interest on Reserves	2.00%		\$625	\$1,024	\$1,412	\$1,844	\$2,328	\$2,802	\$3,352	\$3,937	\$4,484	\$5,145	\$5,847	\$5,603
Expenditures			\$0	\$1,900	\$1,134	\$0	\$2,137	\$0	\$0	\$3,784	\$0	\$0	\$49,539	\$0
Year End Balance			\$51,194	\$70,614	\$92,204	\$116,425	\$140,111	\$167,584	\$196,840	\$224,191	\$257,234	\$292,366	\$280,160	\$318,824
Minimum Funding Level	1.50%		\$15,876	\$16,114	\$16,356	\$16,601	\$16,850	\$17,103	\$17,360	\$17,620	\$17,884	\$18,153	\$18,425	\$18,701
Cumulative Expenditures			\$0	\$1,900	\$3,034	\$3,034	\$5,171	\$5,171	\$5,171	\$8,955	\$8,955	\$8,955	\$58,495	\$58,495
Cumulative Receipts			\$51,194	\$72,515	\$95,238	\$119,459	\$145,283	\$172,755	\$202,011	\$233,147	\$266,190	\$301,321	\$338,655	\$377,319
Inflation		4.00%												
Average Yearly Expenditure		\$29,733	\$29,733	\$29,733	\$29,733	\$29,733	\$29,733	\$29,733	\$29,733	\$29,733	\$29,733	\$29,733	\$29,733	\$29,733

Proposed Monthly Contribution Per Unit Owner: \$8.01

Confidential

**EXHIBIT B: TABLES
FUNDING BALANCE SHEET**

Inflation		4.00%											
Proposed Interest		2.00%											
Minimum Threshold Percentage		1.50%											
Proposed Yearly Contribution Increase		5.00%											
Current Interest		2.00%											
Current Yearly Contribution Increase		5.00%											
	Yearly Percentage Increase		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Historical Funding													
Starting Balance													
Annual Deposit	5.00%		\$17,454	\$18,327	\$19,243	\$20,205	\$21,216	\$22,276	\$23,390	\$24,560	\$25,788	\$27,077	\$28,431
Interest on Reserves	2.00%		\$2,980	\$3,356	\$3,728	\$4,188	\$3,072	\$3,489	\$3,963	\$4,510	\$5,015	\$680	\$1,236
Expenditures			\$1,679	\$3,042	\$0	\$80,202	\$3,422	\$2,042	\$0	\$3,849	\$247,524	\$0	\$6,815
Year End Balance			\$167,776	\$186,417	\$209,388	\$153,579	\$174,444	\$198,167	\$225,521	\$250,741	\$34,019	\$61,777	\$84,628
Cumulative Expenditures			\$60,174	\$63,216	\$63,216	\$143,417	\$146,839	\$148,882	\$148,882	\$152,731	\$400,255	\$400,255	\$407,070
Cumulative Receipts			\$227,950	\$249,632	\$272,604	\$296,997	\$321,284	\$347,049	\$374,402	\$403,472	\$434,275	\$462,032	\$491,698
Cash Flow Method													
Starting Balance													
Annual Deposit	5.00%		\$34,714	\$36,449	\$38,272	\$40,185	\$42,195	\$44,304	\$46,520	\$48,846	\$51,288	\$53,852	\$56,545
Interest on Reserves	2.00%		\$6,376	\$7,165	\$7,976	\$8,901	\$8,279	\$9,220	\$10,249	\$11,385	\$12,512	\$8,838	\$10,092
Expenditures			\$1,679	\$3,042	\$0	\$80,202	\$3,422	\$2,042	\$0	\$3,849	\$247,524	\$0	\$6,815
Year End Balance			\$358,236	\$398,808	\$445,056	\$413,940	\$460,992	\$512,474	\$569,243	\$625,624	\$441,900	\$504,590	\$564,412
Minimum Funding Level	1.50%		\$18,982	\$19,267	\$19,556	\$19,849	\$20,147	\$20,449	\$20,756	\$21,067	\$21,383	\$21,704	\$22,029
Cumulative Expenditures			\$60,174	\$63,216	\$63,216	\$143,417	\$146,839	\$148,882	\$148,882	\$152,731	\$400,255	\$400,255	\$407,070
Cumulative Receipts			\$418,409	\$462,023	\$508,271	\$557,358	\$607,831	\$661,355	\$718,125	\$778,355	\$842,155	\$904,846	\$971,482
Inflation		4.00%											
Average Yearly Expenditure		\$29,733	\$29,733	\$29,733	\$29,733	\$29,733	\$29,733	\$29,733	\$29,733	\$29,733	\$29,733	\$29,733	\$29,733

Proposed Monthly Contribution Per Unit Owner: \$8.01

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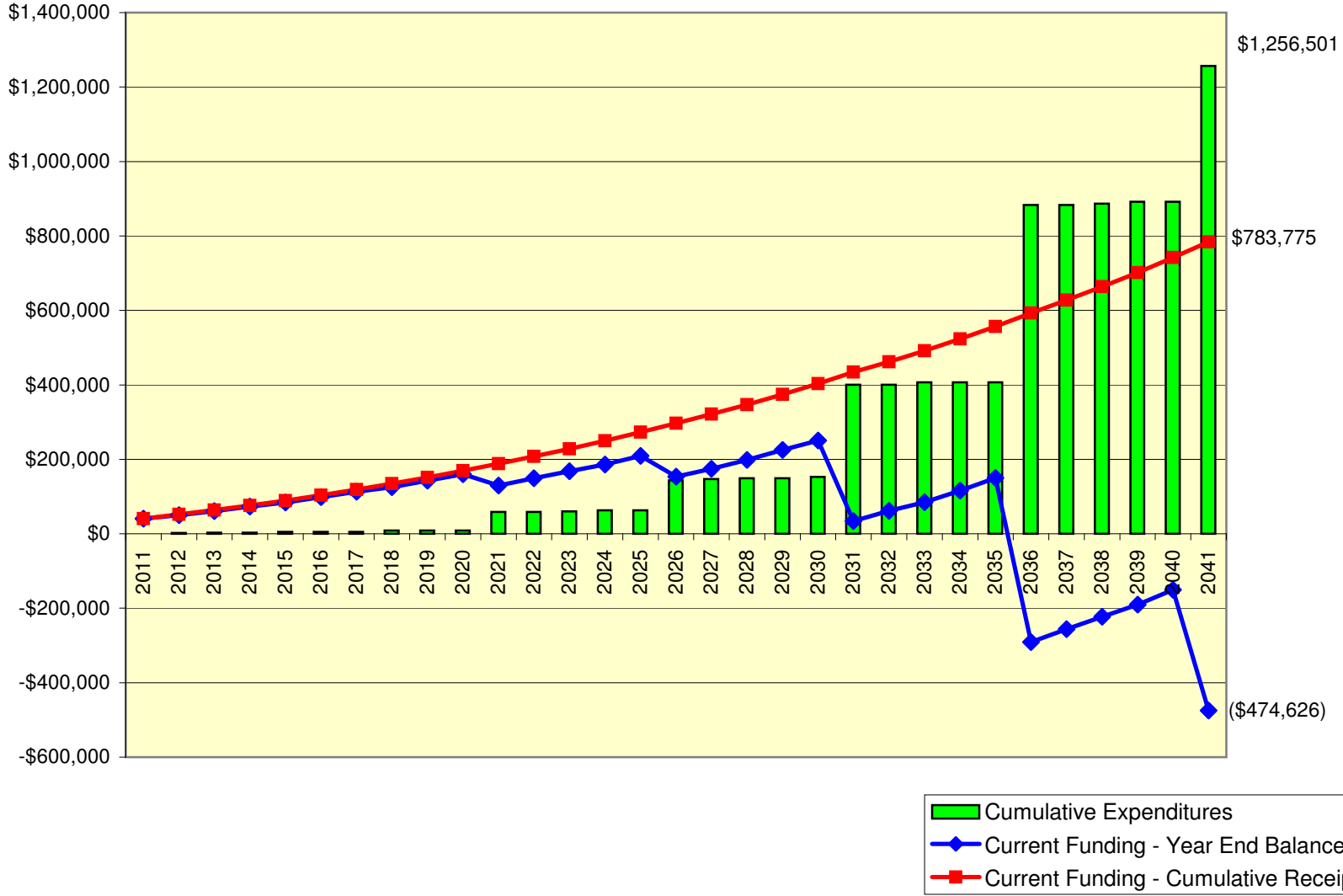
**EXHIBIT B: TABLES
FUNDING BALANCE SHEET**

Inflation	4.00%								
Proposed Interest	2.00%								
Minimum Threshold Percentage	1.50%								
Proposed Yearly Contribution Increase	5.00%								
Current Interest	2.00%								
Current Yearly Contribution Increase	5.00%								
	Yearly Percentage Increase	2034	2035	2036	2037	2038	2039	2040	2041
Historical Funding									
Starting Balance									
Annual Deposit	5.00%	\$29,852	\$31,345	\$32,912	\$34,558	\$36,286	\$38,100	\$40,005	\$42,005
Interest on Reserves	2.00%	\$1,693	\$2,323	\$2,997	\$0	\$0	\$0	\$0	\$0
Expenditures		\$0	\$0	\$476,433	\$0	\$3,023	\$5,479	\$0	\$366,397
Year End Balance		\$116,173	\$149,842	-\$290,682	-\$256,124	-\$222,862	-\$190,240	-\$150,235	-\$474,626
Cumulative Expenditures		\$407,070	\$407,070	\$883,503	\$883,503	\$886,526	\$892,005	\$892,005	\$1,256,501
Cumulative Receipts		\$523,243	\$556,912	\$592,821	\$627,379	\$663,664	\$701,764	\$741,769	\$783,775
Cash Flow Method									
Starting Balance									
Annual Deposit	5.00%	\$59,372	\$62,341	\$65,458	\$68,731	\$72,167	\$75,776	\$79,564	\$83,543
Interest on Reserves	2.00%	\$11,288	\$12,701	\$14,202	\$6,267	\$7,767	\$9,305	\$10,897	\$12,706
Expenditures		\$0	\$0	\$476,433	\$0	\$3,023	\$5,479	\$0	\$366,397
Year End Balance		\$635,073	\$710,115	\$313,343	\$388,340	\$465,251	\$544,853	\$635,314	\$365,167
Minimum Funding Level	1.50%	\$22,360	\$22,695	\$23,035	\$23,381	\$23,732	\$24,088	\$24,449	\$24,816
Cumulative Expenditures		\$407,070	\$407,070	\$883,503	\$883,503	\$886,526	\$892,005	\$892,005	\$1,256,501
Cumulative Receipts		\$1,042,143	\$1,117,185	\$1,196,845	\$1,271,843	\$1,351,777	\$1,436,857	\$1,527,319	\$1,623,568
Inflation	4.00%								
Average Yearly Expenditure	\$29,733	\$29,733	\$29,733	\$29,733	\$29,733	\$29,733	\$29,733	\$29,733	\$29,733

Proposed Monthly Contribution Per Unit Owner: \$8.01

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**EXHIBIT C: GRAPHS
CURRENT ASSOCIATION FUNDING**



**EXHIBIT C: GRAPHS
PROPOSED FUNDING METHOD**

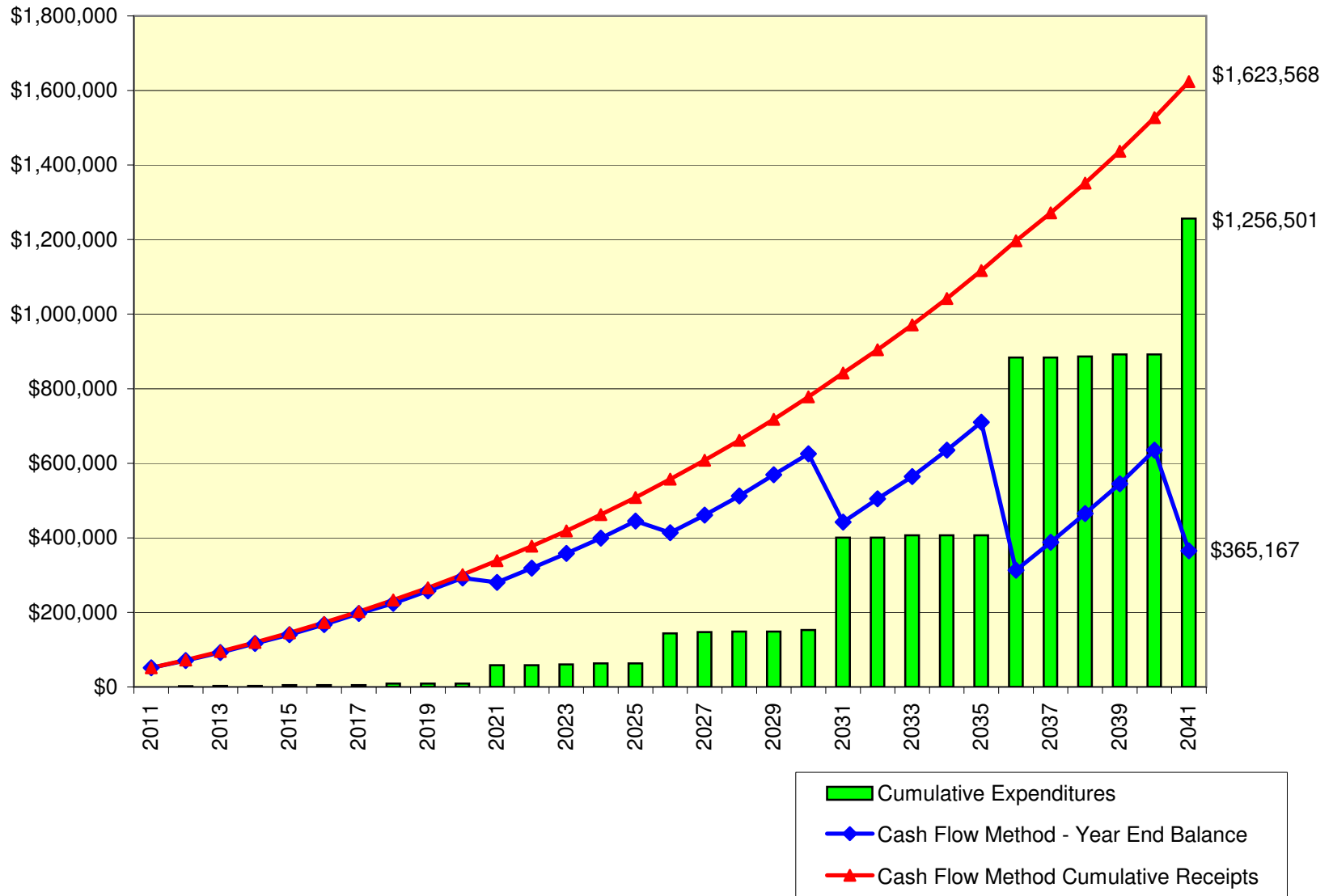


EXHIBIT C: GRAPHS FUNDING METHOD COMPARISON

