

FULL RESERVE STUDY

Grand Panama Beach Resort Condominium Association, Inc.



Panama City Beach, Florida

October 27, 2017



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Grand Panama Beach Resort Condominium Association, Inc.
Panama City Beach, Florida

Dear Board of Directors of Grand Panama Beach Resort Condominium Association, Inc.:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of Grand Panama Beach Resort Condominium Association, Inc. in Panama City Beach, Florida and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, October 27, 2017.

This *Full Reserve Study* exceeds the Association of Professional Reserve Analysts (APRA) standards fulfilling the requirements of a "Level I Full Reserve Study."

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. We recommend the Board budget for an Update to this Reserve Study in two years. We look forward to continuing to help Grand Panama Beach Resort Condominium Association, Inc. plan for a successful future.

As part of our long-term thinking and everyday commitment to our clients, we are available to answer any questions you may have regarding this study.

Respectfully submitted on February 12, 2018 by

Reserve Advisors, Inc.

Visual Inspection and Report by: Jeffrey B. Dow, RS
Review by: Alan M. Ebert, PRA¹, RS², Director of Quality Assurance



¹ PRA (Professional Reserve Analyst) is the professional designation of the Association of Professional Reserve Analysts. Learn more about APRA at <http://www.apra-usa.com>.

² RS (Reserve Specialist) is the reserve provider professional designation of the Community Associations Institute (CAI) representing America's more than 300,000 condominium, cooperative and homeowners associations.



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1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Grand Panama Beach Resort Condominium Association, Inc. (Grand Panama Beach Resort)

Location: Panama City Beach, Florida

Reference: 110761

Property Basics: Grand Panama Beach Resort Condominium Association, Inc. is a condominium style development of 300 units in two buildings. The buildings were built from 2005 to 2007.

Reserve Components Identified: 57 Reserve Components.

Inspection Date: October 27, 2017.

Funding Goal: The Funding Goal of this Reserve Study is to maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures. Our recommended Funding Plan recognizes this threshold funding year in 2042 due to coating applications to the building exteriors and replacement of balcony railings.

Cash Flow Method: We use the Cash Flow Method to compute the Reserve Funding Plan. This method offsets future variable Reserve Expenditures with existing and future stable levels of reserve funding. Our application of this method also considers:

- Current and future local costs of replacement
- 0.0% annual rate of return on invested reserves
- 0.0% future Inflation Rate for estimating Future Replacement Costs

We exclude interest and inflation from our analysis due to recent interpretations of the Florida Administrative code by the Division of Condominiums, Timeshares and Mobile Homes. The Division has opined that any increase in reserve contributions over the length of a cash flow analysis would be considered "balloon payments" and prohibited by the Fla. Admin. Code, Rule 61B-22.0005(3)(b). Nothing in the Code purports to define "balloon payments" in a manner inconsistent with the general understanding of the word, which contemplates a series of smaller payments followed by a significantly larger lump-sum payment. However, the Division maintains their opinion and has cited Associations for non-compliance due to this issue. To obtain more information on the Division's position, please contact Chief of the Bureau of Compliance, Patrick Flynn (850.717.1471, patrick.flynn@myfloridalicense.com). In order to ensure compliance, the funding plan, contributions and expenditure projections shown in this study exclude any increases due to inflation or adjustments for interest.

Please contact us if you would like us to prepare an alternate funding plan inclusive of these variables for your consideration. However, please note that a cash flow funding plan with any future increases in contributions would not comply with Fla. Admin. Code based on the Division's recent interpretations.

Sources for Local Costs of Replacement: Our proprietary database, historical costs and published sources, i.e., R.S. Means, Incorporated.

Cash Status of Reserve Fund:

- \$919,433 as of January 24, 2018
- The Association did not budget for Reserve Contributions in 2017

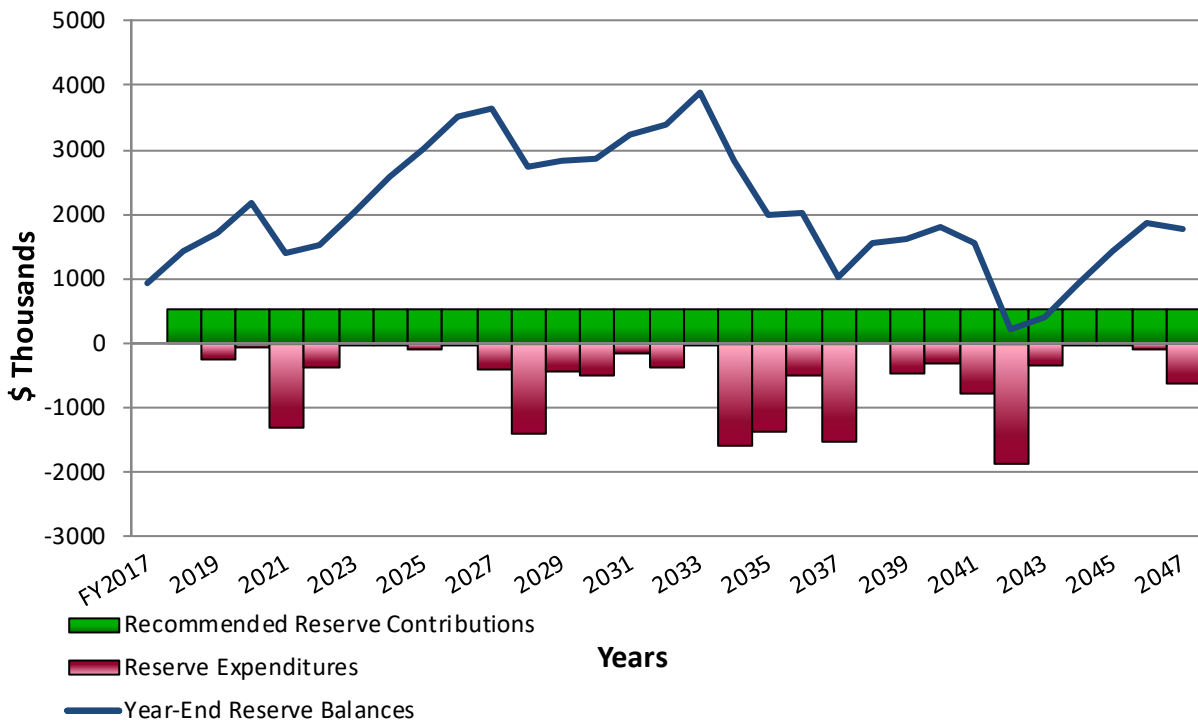
Recommended Reserve Funding: We recommend the following in order to achieve a stable and equitable Funding Plan:

- Stable contributions of \$526,000 from 2018 through 2047
- 2018 Reserve Contribution of \$526,000 is equivalent to an average monthly contribution of \$146.11 per homeowner

Grand Panama Beach Resort

Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2018	526,000	1,445,433	2028	526,000	2,740,629	2038	526,000	1,539,732
2019	526,000	1,718,700	2029	526,000	2,823,868	2039	526,000	1,609,521
2020	526,000	2,174,099	2030	526,000	2,853,002	2040	526,000	1,816,490
2021	526,000	1,388,549	2031	526,000	3,228,990	2041	526,000	1,568,240
2022	526,000	1,534,651	2032	526,000	3,396,600	2042	526,000	219,350
2023	526,000	2,051,799	2033	526,000	3,887,600	2043	526,000	407,778
2024	526,000	2,570,299	2034	526,000	2,838,500	2044	526,000	919,278
2025	526,000	3,011,923	2035	526,000	1,987,722	2045	526,000	1,428,502
2026	526,000	3,502,923	2036	526,000	2,006,682	2046	526,000	1,859,502
2027	526,000	3,627,339	2037	526,000	1,013,732	2047	526,000	1,777,918



2.RESERVE STUDY REPORT

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of

Grand Panama Beach Resort Condominium Association, Inc.

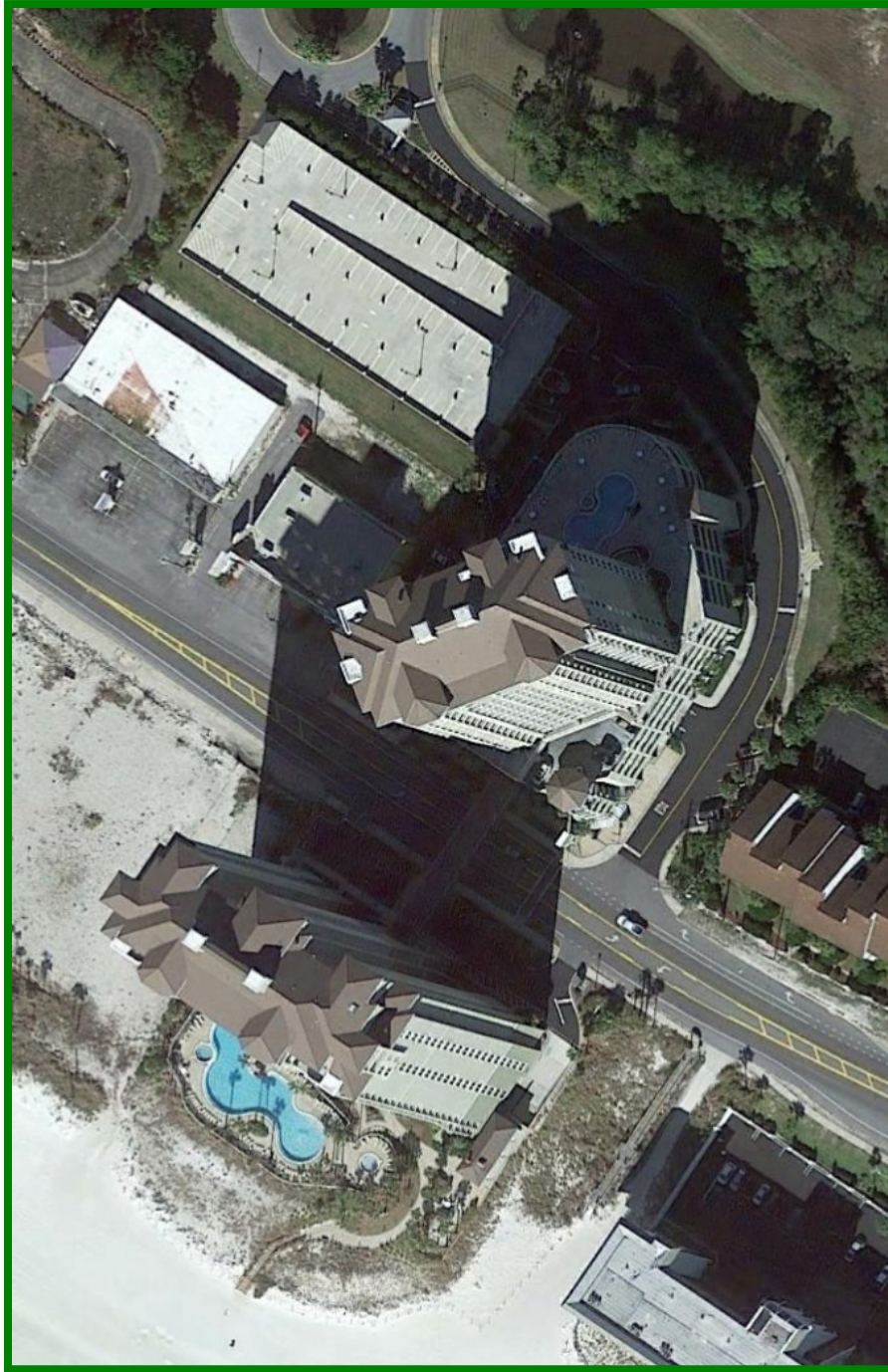
Panama City Beach, Florida

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, October 27, 2017.

We present our findings and recommendations in the following report sections and spreadsheets:

- **Identification of Property** - Segregates all property into several areas of responsibility for repair or replacement
- **Reserve Expenditures** - Identifies reserve components and related quantities, useful lives, remaining useful lives and future reserve expenditures during the next 30 years
- **Reserve Funding Plan** - Presents the recommended Reserve Contributions and year-end Reserve Balances for the next 30 years
- **Reserve Component Detail** - Describes the reserve components, includes photographic documentation of the condition of various property elements, describes our recommendations for repairs or replacement, and includes detailed solutions and procedures for replacements for the benefit of current and future board members
- **Methodology** - Lists the national standards, methods and procedures used to develop the Reserve Study
- **Definitions** - Contains definitions of terms used in the Reserve Study, consistent with national standards
- **Professional Service Conditions** - Describes Assumptions and Professional Service Conditions
- **Credentials and Resources**

IDENTIFICATION OF PROPERTY



Our investigation includes Reserve Components or property elements as set forth in your Declaration. The Expenditure tables in Section 3 list the elements contained in this study. Our analysis begins by segregating the property elements into several areas of responsibility for repair and replacement.

Our process of identification helps assure that future boards and the management team understand whether reserves, the operating budget or Homeowners

fund certain replacements and assists in preparation of the annual budget. We derive these segregated classes of property from our review of the information provided by the Association and through conversations with Management. These classes of property include:

- Reserve Components
- Long-Lived Property Elements
- Operating Budget Funded Repairs and Replacements
- Property Maintained by Homeowners
- Property Maintained by Others

We advise the Board conduct an annual review of these classes of property to confirm its policy concerning the manner of funding, i.e., from reserves or the operating budget. The Reserve Study identifies Reserve Components as set forth in your Declaration or which were identified as part of your request for proposed services. Reserve Components are defined by CAI as property elements with:

- Grand Panama Beach Resort responsibility
- Limited useful life expectancies
- Predictable remaining useful life expectancies
- Replacement cost above a minimum threshold

Long-Lived Property Elements may not have predictable Remaining Useful Lives or their replacement may occur beyond the 30-year scope of the study. The operating budget should fund infrequent repairs. Funding untimely or unexpected replacements from reserves will necessitate increases to Reserve Contributions. Periodic updates of this Reserve Study will help determine the merits of adjusting the Reserve Funding Plan. We identify the following Long-Lived Property Elements as excluded from reserve funding at this time.

- Electrical Systems, Common
- Fire Suppression Systems
- Foundations
- Pipes, Interior Building, Domestic Water, Sanitary Waste, Vent, Sprinkler and Fire Standpipes, Common
- Pipes, Subsurface Utilities
- Pool Structures
- Pumps, Fire Suppression, 125-HP
- Railings, Aluminum, Stairwells
- Structural Frames
- Trash Chutes
- Valves, Large Diameter
- Walls, Fiber Cement Siding, Gate House

The operating budget provides money for the repair and replacement of certain Reserve Components. The Association may develop independent criteria for use of operating and reserve funds. For purposes of calculating appropriate Reserve

Contributions, we identify the following list of Operating Budget Funded Repairs and Replacements:

- General Maintenance to the Common Elements
- Expenditures less than \$5,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Catch Basins, Interim Capital Repairs
- Compressors
- Concrete Sidewalks, Partial Replacements
- Fence, Chain Link, Separate Garage Structure
- Gate House, Interior, Finishes and Fixtures
- Gutters and Downspouts
- Landscape
- Life Safety System Devices, Interim Replacements
- Light Fixtures, Bollards, Paint Finishes
- Paint Finishes, Touch Up
- Pool Shower
- Pumps Less Than Five-HP (horsepower)
- Serving Doors, Tiki Bar, Interim Repairs and Replacements
- Signage, Street and Traffic
- Stairwells, Finishes and Fixtures
- Storage and Mechanical Areas, Finishes and Fixtures
- Storage Tanks, Water
- Sump Pumps
- Trash Chute Doors, Interim Replacements
- Valves, Small Diameter (We assume replacement as needed in lieu of an aggregate replacement of all of the small diameter valves as a single event.)
- Walls, Stone Veneer, Gate House
- Water Heaters, Common
- Other Repairs normally funded through the Operating Budget

Certain items have been designated as the responsibility of the homeowners to repair or replace at their cost. Property Maintained by Homeowners, including items billed back to Homeowners, relates to unit:

- Electrical Systems (Including Circuit Protection Panels)
- Heating, Ventilating and Air Conditioning (HVAC) Units
- Interiors
- Pipes (Within Units)
- Windows and Doors (Includes Storage Unit Doors)

Certain items have been designated as the responsibility of others to repair or replace. Property Maintained by Others relates to:

- Light Poles and Fixtures, Street (Leased)

3. RESERVE EXPENDITURES and FUNDING PLAN

The tables following this introduction present:

Reserve Expenditures

- Line item numbers
- Total quantities
- Quantities replaced per phase (in a single year)
- Reserve component inventory
- Estimated first year of event (i.e., replacement, application, etc.)
- Life analysis showing
 - useful life
 - remaining useful life
- Unit cost of replacement
- 2017 local cost of replacement
- Total aggregate costs of replacement anticipated during the next 30 years
- Schedule of estimated costs for each reserve component

Reserve Funding Plan

- Reserves at the beginning of each year
- Total recommended reserve contributions
- Estimated interest earned from invested reserves
- Anticipated expenditures by year
- Anticipated reserves at year end

Financial statements prepared by your association, by you or others might rely in part on information contained in this section. For your convenience, we have provided an electronic data file containing the tables of ***Reserve Expenditures*** and ***Reserve Funding Plan***.

RESERVE EXPENDITURES

Grand Panama Beach Resort
Condominium Association, Inc.
Panama City Beach, Florida

Explanatory Notes:

- 1) 0.0% is the estimated Inflation Rate; see Exeuctive Summary for details.
2) FY2017 is Fiscal Year beginning January 1, 2017 and ending December 31, 2017.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$			30-Year Total	RUL = 0 FY2017	1 2018	2 2019	3 2020	4 2021	5 2022	6 2023	7 2024	8 2025	9 2026	10 2027	11 2028	12 2029	13 2030	14 2031	15 2032
						Useful	Remaining	Unit (2017)	Per Phase (2017)	Total (2017)																	
Exterior Building Elements																											
1.020	990	990	Square Feet	Awnings, Aluminum	2035	to 30	18	40.00	39,600	39,600	39,600																
1.060	44,600	44,600	Square Feet	Balconies, Concrete, Repairs and Waterproof Coating Applications	2021	6 to 8	4	8.75	390,250	390,250	1,561,000				390,250							390,250					
1.105	8,250	8,250	Linear Feet	Balconies and Breezeways, Railings, Aluminum	2042	to 40	25	66.00	544,500	544,500	544,500																
1.180	430	86	Each	Doors, Metal, Common, Phased (Includes Overhead Doors)	2027	to 25	10 to 14	1,060.00	91,160	455,800	546,960										91,160	91,160	91,160	91,160	91,160		
1.211	5,440	5,440	Square Yards	Floor Coverings, Carpet, Breezeways (Includes Waterproof Coatings)	2022	6 to 8	5	48.00	261,120	261,120	1,044,480					261,120							261,120				
1.241	3,760	3,760	Square Feet	Floor Coverings, Tile, Breezeways and Lobbies	2036	to 30	19	12.00	45,120	45,120	45,120																
1.260	1,600	1,600	Each	Light Fixtures	2036	to 30	19	110.00	176,000	176,000	176,000																
1.361	1	1	Allowance	Pergolas, Aluminum	2037	to 30	20	11,200.00	11,200	11,200	11,200																
1.460	365	365	Squares	Roofs, Metal	2037	to 30	20	3,100.00	1,131,500	1,131,500	1,131,500																
1.530	17	17	Squares	Roofs, Thermoplastic	2027	15 to 20	10	3,500.00	59,500	59,500	119,000										59,500						
1.621	1	1	Allowance	Skywalk, Metal Components, Paint Finishes	2019	4 to 6	2	7,500.00	7,500	7,500	45,000			7,500				7,500					7,500				
1.860	503,500	503,500	Square Feet	Walls, Stucco, Paint Finishes and Capital Repairs	2021	6 to 8	4	1.80	906,300	906,300	3,625,200				906,300							906,300					
1.961	13,700	13,700	Square Feet	Waterproof Membrane and Concrete Structure Repairs, Plaza Deck	2041	25 to 35	24	47.50	650,750	650,750	650,750																
1.980	2,575	2,575	Square Feet	Windows and Doors, Aluminum Frames, Common	2047	to 40	30	80.00	206,000	206,000	206,000																
Interior Building Elements																											
2.100	6	6	Each	Elevator Cab Finishes	2027	to 20	10	15,000.00	90,000	90,000	180,000										90,000						
2.155	3	1	Allowance	Exercise Equipment, Cardiovascular, Phased	2019	5 to 10	2 to 8	13,500.00	13,500	40,500	135,000			13,500		13,500		13,500		13,500			13,500			13,500	
2.165	1	1	Allowance	Exercise Equipment, Strength Training	2022	to 15	5	16,000.00	16,000	16,000	32,000						16,000										
2.180	1	1	Allowance	Exercise Room, Renovation, Complete	2037	to 30	20	29,000.00	29,000	29,000	29,000																
2.181	1	1	Allowance	Exercise Room, Renovation, Partial	2022	to 15	5	11,000.00	11,000	11,000	11,000					11,000											
2.600	1	1	Allowance	Lobby and Meeting Room, Renovation, Complete	2037	to 30	20	125,000.00	125,000	125,000	125,000																
2.601	1	1	Allowance	Lobby and Meeting Room, Renovation, Partial	2022	to 15	5	25,000.00	25,000	25,000	25,000						25,000										
2.700	10	10	Each	Mailbox Stations	2037	to 30	20	1,975.00	19,750	19,750	19,750																
2.900	2	2	Each	Rest Rooms, Tiki Bar, Renovation	2032	to 25	15	15,500.00	31,000	31,000	31,000																31,000
Building Services Elements																											
3.070	7	2	Each	Air Handling and Condensing Units, Split Systems, Phased	2020	10 to 15	3 to 13	7,200.00	16,776	50,400	100,656				16,776			16,776					16,776				
3.091	1	1	Allowance	Audio System, Speakers	2021	10 to 15	4	15,000.00	15,000	15,000	30,000				15,000												
3.360	6	6	Each	Elevators, Traction, Controls and Equipment	2034	to 30	17	250,000.00	1,500,000	1,500,000	1,500,000																
3.440	2	2	Each	Generators, Emergency, 400-kW (Includes Transfer Switches)	2039	25 to 35	22	170,000.00	340,000	340,000	340,000																
3.555	2	2	Each	Life Safety System, Control Panels	2022	to 15	5	10,000.00	20,000	20,000	40,000					20,000											
3.560	1	1	Allowance	Life Safety System, Emergency Devices	2032	to 25	15	151,000.00	151,000	151,000	151,000															151,000	
3.700	2	1	Systems	Pumps and Controls, Domestic Water Booster, Phased	2026	to 20	9 to 10	35,000.00	35,000	70,000	140,000									35,000	35,000						
3.820	1	1	Allowance	Security System	2020	10 to 15	3	35,000.00	35,000	35,000	105,000				35,000												
3.900	2	2	Each	Trash Compactors	2032	to 25	15	15,500.00	31,000	31,000	31,000																31,000

RESERVE EXPENDITURES

Grand Panama Beach Resort
Condominium Association, Inc.
Panama City Beach, Florida

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$				16 2033	17 2034	18 2035	19 2036	20 2037	21 2038	22 2039	23 2040	24 2041	25 2042	26 2043	27 2044	28 2045	29 2046	30 2047	
						Useful	Remaining	Unit (2017)	Per Phase (2017)	Total (2017)	30-Year Total																
Exterior Building Elements																											
1.020	990	990	Square Feet	Awnings, Aluminum	2035	to 30	18	40.00	39,600	39,600	39,600			39,600													
1.060	44,600	44,600	Square Feet	Balconies, Concrete, Repairs and Waterproof Coating Applications	2021	6 to 8	4	8.75	390,250	390,250	1,561,000			390,250							390,250						
1.105	8,250	8,250	Linear Feet	Balconies and Breezeways, Railings, Aluminum	2042	to 40	25	66.00	544,500	544,500	544,500										544,500						
1.180	430	86	Each	Doors, Metal, Common, Phased (Includes Overhead Doors)	2027	to 25	10 to 14	1,060.00	91,160	455,800	546,960															91,160	
1.211	5,440	5,440	Square Yards	Floor Coverings, Carpet, Breezeways (Includes Waterproof Coatings)	2022	6 to 8	5	48.00	261,120	261,120	1,044,480				261,120						261,120						
1.241	3,760	3,760	Square Feet	Floor Coverings, Tile, Breezeways and Lobbies	2036	to 30	19	12.00	45,120	45,120	45,120				45,120												
1.260	1,600	1,600	Each	Light Fixtures	2036	to 30	19	110.00	176,000	176,000	176,000				176,000												
1.361	1	1	Allowance	Pergolas, Aluminum	2037	to 30	20	11,200.00	11,200	11,200	11,200					11,200											
1.460	365	365	Squares	Roofs, Metal	2037	to 30	20	3,100.00	1,131,500	1,131,500	1,131,500					1,131,500											
1.530	17	17	Squares	Roofs, Thermoplastic	2027	15 to 20	10	3,500.00	59,500	59,500	119,000															59,500	
1.621	1	1	Allowance	Skywalk, Metal Components, Paint Finishes	2019	4 to 6	2	7,500.00	7,500	7,500	45,000		7,500				7,500					7,500					
1.860	503,500	503,500	Square Feet	Walls, Stucco, Paint Finishes and Capital Repairs	2021	6 to 8	4	1.80	906,300	906,300	3,625,200			906,300							906,300						
1.961	13,700	13,700	Square Feet	Waterproof Membrane and Concrete Structure Repairs, Plaza Deck	2041	25 to 35	24	47.50	650,750	650,750	650,750								650,750								
1.980	2,575	2,575	Square Feet	Windows and Doors, Aluminum Frames, Common	2047	to 40	30	80.00	206,000	206,000	206,000															206,000	
Interior Building Elements																											
2.100	6	6	Each	Elevator Cab Finishes	2027	to 20	10	15,000.00	90,000	90,000	180,000															90,000	
2.155	3	1	Allowance	Exercise Equipment, Cardiovascular, Phased	2019	5 to 10	2 to 8	13,500.00	13,500	40,500	135,000		13,500			13,500		13,500			13,500				13,500		
2.165	1	1	Allowance	Exercise Equipment, Strength Training	2022	to 15	5	16,000.00	16,000	16,000	32,000					16,000											
2.180	1	1	Allowance	Exercise Room, Renovation, Complete	2037	to 30	20	29,000.00	29,000	29,000	29,000					29,000											
2.181	1	1	Allowance	Exercise Room, Renovation, Partial	2022	to 15	5	11,000.00	11,000	11,000	11,000																
2.600	1	1	Allowance	Lobby and Meeting Room, Renovation, Complete	2037	to 30	20	125,000.00	125,000	125,000	125,000					125,000											
2.601	1	1	Allowance	Lobby and Meeting Room, Renovation, Partial	2022	to 15	5	25,000.00	25,000	25,000	25,000																
2.700	10	10	Each	Mailbox Stations	2037	to 30	20	1,975.00	19,750	19,750	19,750					19,750											
2.900	2	2	Each	Rest Rooms, Tiki Bar, Renovation	2032	to 25	15	15,500.00	31,000	31,000	31,000																
Building Services Elements																											
3.070	7	2	Each	Air Handling and Condensing Units, Split Systems, Phased	2020	10 to 15	3 to 13	7,200.00	16,776	50,400	100,656			16,776				16,776				16,776					
3.091	1	1	Allowance	Audio System, Speakers	2021	10 to 15	4	15,000.00	15,000	15,000	30,000			15,000													
3.360	6	6	Each	Elevators, Traction, Controls and Equipment	2034	to 30	17	250,000.00	1,500,000	1,500,000	1,500,000		1,500,000														
3.440	2	2	Each	Generators, Emergency, 400-kW (Includes Transfer Switches)	2039	25 to 35	22	170,000.00	340,000	340,000	340,000							340,000									
3.555	2	2	Each	Life Safety System, Control Panels	2022	to 15	5	10,000.00	20,000	20,000	40,000					20,000											
3.560	1	1	Allowance	Life Safety System, Emergency Devices	2032	to 25	15	151,000.00	151,000	151,000	151,000																
3.700	2	1	Systems	Pumps and Controls, Domestic Water Booster, Phased	2026	to 20	9 to 10	35,000.00	35,000	70,000	140,000													35,000	35,000		
3.820	1	1	Allowance	Security System	2020	10 to 15	3	35,000.00	35,000	35,000	105,000	35,000													35,000		
3.900	2	2	Each	Trash Compactors	2032	to 25	15	15,500.00	31,000	31,000	31,000																

RESERVE EXPENDITURES

Grand Panama Beach Resort
Condominium Association, Inc.
Panama City Beach, Florida

Explanatory Notes:

- 1) 0.0% is the estimated Inflation Rate; see Exeuctive Summary for details.
2) FY2017 is Fiscal Year beginning January 1, 2017 and ending December 31, 2017.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$				RUL = 0 FY2017	1 2018	2 2019	3 2020	4 2021	5 2022	6 2023	7 2024	8 2025	9 2026	10 2027	11 2028	12 2029	13 2030	14 2031	15 2032
						Useful	Remaining	Unit (2017)	Per Phase (2017)	Total (2017)	30-Year Total																
Property Site Elements																											
4.020	4,215	4,215	Square Yards	Asphalt Pavement, Crack Repair, Patch, Seal Coat and Striping	2019	3 to 5	2	2.10	8,852	8,852	53,112			8,852			8,852									8,852	
4.040	4,215	4,215	Square Yards	Asphalt Pavement, Mill and Overlay	2027	15 to 20	10	13.25	55,849	55,849	111,698										55,849						
4.110	2,725	275	Linear Feet	Concrete Curbs and Gutters, Partial	2027	to 65	10 to 30+	33.00	9,075	89,925	18,150										9,075						
4.171	430	430	Square Feet	Dune Walkover, Wood, Decking and Railings	2022	15 to 20	5	19.25	8,278	8,278	8,278					8,278											
4.172	430	430	Square Feet	Dune Walkover, Wood, Complete Replacement	2039	to 35	22	39.25	16,878	16,878	16,878																
4.200	215	215	Linear Feet	Fences, Aluminum	2020	to 25	3	55.00	11,825	11,825	23,650				11,825												
4.285	620	620	Linear Feet	Fence, Wood	2036	15 to 20	19	40.00	24,800	24,800	24,800																
4.320	2	2	Each	Gate Operators, Swing-Arm	2020	10 to 15	3	3,500.00	7,000	7,000	21,000				7,000											7,000	
4.745	940	940	Square Feet	Retaining Walls, Masonry	2042	to 35	25	36.00	33,840	33,840	33,840																
4.800	1	1	Allowance	Signage, Property Identification	2031	20 to 25	14	25,000.00	25,000	25,000	25,000														25,000		
4.820	1	1	Allowance	Site Furniture, Entrances and Grill Area	2022	to 15	5	13,500.00	13,500	13,500	27,000					13,500											
Ground-Level Pool Elements																											
5.201	13,000	13,000	Square Feet	Deck, Pavers (Includes Entrance Areas)	2032	to 30	15	9.00	117,000	117,000	117,000															117,000	
5.401	465	465	Linear Feet	Fence, Aluminum	2032	to 30	15	46.00	21,390	21,390	21,390															21,390	
5.501	1	1	Allowance	Furniture	2025	8 to 10	8	26,000.00	26,000	26,000	78,000						26,000										
5.561	61	61	Each	Light Fixtures, Bollards	2027	to 20	10	1,000.00	61,000	61,000	122,000										61,000						
5.601	5	1	Allowance	Mechanical Equipment, Both Pools, Phased	2019	to 15	2 to 14	11,500.00	11,500	57,500	115,000			11,500		11,500		11,500			11,500				11,500		
5.801	3,700	3,700	Square Feet	Pool Finishes, Plaster and Tile	2019	8 to 12	2	15.75	58,275	58,275	174,825			58,275							58,275						
Plaza Deck Pool Elements																											
6.500	1	1	Allowance	Furniture	2025	8 to 10	8	16,600.00	16,600	16,600	49,800							16,600									
6.801	1,475	1,475	Square Feet	Pool Finishes, Plaster and Tile	2019	8 to 12	2	16.75	24,706	24,706	74,118			24,706							24,706						
Garage Elements																											
7.300	115,000	115,000	Square Feet	Concrete, Elevated Floors, Inspections and Capital Repairs	2030	10 to 15	13	2.15	247,250	247,250	494,500													247,250			
7.360	45,500	1,515	Square Feet	Concrete, On-Grade (Includes Driveway), Partial	2030	to 90	13 to 30+	12.00	18,180	546,000	36,360													18,180			
7.460	1	1	Allowance	Exhaust System, Fans, Louvers and Automation System	2037	to 30	20	50,000.00	50,000	50,000	50,000																
7.600	200	200	Each	Light Fixtures	2037	to 30	20	285.00	57,000	57,000	57,000																
7.631	6	6	Each	Light Poles and Fixtures, Separate Garage Structure, Top Level	2037	to 30	20	3,500.00	21,000	21,000	21,000																
7.800	26,000	26,000	Square Feet	Traffic Coating, Elevated Floor, Separate Garage Structure, Proposed	2019	10 to 15	2	4.75	123,500	123,500	370,500			123,500										123,500			
		1	Allowance	Reserve Study Update with Site Visit	2019	2	2	4,900.00	4,900	4,900	4,900			4,900													
Anticipated Expenditures, By Year											\$14,921,515	0	0	252,733	70,601	1,311,550	379,898	8,852	7,500	84,376	35,000	401,584	1,412,710	442,761	496,866	150,012	358,390

RESERVE EXPENDITURES

Grand Panama Beach Resort
Condominium Association, Inc.
Panama City Beach, Florida

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$				16 2033	17 2034	18 2035	19 2036	20 2037	21 2038	22 2039	23 2040	24 2041	25 2042	26 2043	27 2044	28 2045	29 2046	30 2047
						Useful	Remaining	Unit (2017)	Per Phase (2017)	Total (2017)	30-Year Total															
Property Site Elements																										
4.020	4,215	4,215	Square Yards	Asphalt Pavement, Crack Repair, Patch, Seal Coat and Striping	2019	3 to 5	2	2.10	8,852	8,852	53,112															
4.040	4,215	4,215	Square Yards	Asphalt Pavement, Mill and Overlay	2027	15 to 20	10	13.25	55,849	55,849	111,698														55,849	
4.110	2,725	275	Linear Feet	Concrete Curbs and Gutters, Partial	2027	to 65	10 to 30+	33.00	9,075	89,925	18,150														9,075	
4.171	430	430	Square Feet	Dune Walkover, Wood, Decking and Railings	2022	15 to 20	5	19.25	8,278	8,278	8,278															
4.172	430	430	Square Feet	Dune Walkover, Wood, Complete Replacement	2039	to 35	22	39.25	16,878	16,878	16,878														16,878	
4.200	215	215	Linear Feet	Fences, Aluminum	2020	to 25	3	55.00	11,825	11,825	23,650														11,825	
4.285	620	620	Linear Feet	Fence, Wood	2036	15 to 20	19	40.00	24,800	24,800	24,800														24,800	
4.320	2	2	Each	Gate Operators, Swing-Arm	2020	10 to 15	3	3,500.00	7,000	7,000	21,000														7,000	
4.745	940	940	Square Feet	Retaining Walls, Masonry	2042	to 35	25	36.00	33,840	33,840	33,840														33,840	
4.800	1	1	Allowance	Signage, Property Identification	2031	20 to 25	14	25,000.00	25,000	25,000	25,000															
4.820	1	1	Allowance	Site Furniture, Entrances and Grill Area	2022	to 15	5	13,500.00	13,500	13,500	27,000														13,500	
Ground-Level Pool Elements																										
5.201	13,000	13,000	Square Feet	Deck, Pavers (Includes Entrance Areas)	2032	to 30	15	9.00	117,000	117,000	117,000															
5.401	465	465	Linear Feet	Fence, Aluminum	2032	to 30	15	46.00	21,390	21,390	21,390															
5.501	1	1	Allowance	Furniture	2025	8 to 10	8	26,000.00	26,000	26,000	78,000														26,000	
5.561	61	61	Each	Light Fixtures, Bollards	2027	to 20	10	1,000.00	61,000	61,000	122,000														61,000	
5.601	5	1	Allowance	Mechanical Equipment, Both Pools, Phased	2019	to 15	2 to 14	11,500.00	11,500	57,500	115,000														11,500	
5.801	3,700	3,700	Square Feet	Pool Finishes, Plaster and Tile	2019	8 to 12	2	15.75	58,275	58,275	174,825														58,275	
Plaza Deck Pool Elements																										
6.500	1	1	Allowance	Furniture	2025	8 to 10	8	16,600.00	16,600	16,600	49,800														16,600	
6.801	1,475	1,475	Square Feet	Pool Finishes, Plaster and Tile	2019	8 to 12	2	16.75	24,706	24,706	74,118														24,706	
Garage Elements																										
7.300	115,000	115,000	Square Feet	Concrete, Elevated Floors, Inspections and Capital Repairs	2030	10 to 15	13	2.15	247,250	247,250	494,500														247,250	
7.360	45,500	1,515	Square Feet	Concrete, On-Grade (Includes Driveway), Partial	2030	to 90	13 to 30+	12.00	18,180	546,000	36,360														18,180	
7.460	1	1	Allowance	Exhaust System, Fans, Louvers and Automation System	2037	to 30	20	50,000.00	50,000	50,000	50,000														50,000	
7.600	200	200	Each	Light Fixtures	2037	to 30	20	285.00	57,000	57,000	57,000														57,000	
7.631	6	6	Each	Light Poles and Fixtures, Separate Garage Structure, Top Level	2037	to 30	20	3,500.00	21,000	21,000	21,000														21,000	
7.800	26,000	26,000	Square Feet	Traffic Coating, Elevated Floor, Separate Garage Structure, Proposed	2019	10 to 15	2	4.75	123,500	123,500	370,500														123,500	
		1	Allowance	Reserve Study Update with Site Visit	2019	2	2	4,900.00	4,900	4,900	4,900															
Anticipated Expenditures, By Year											\$14,921,515	35,000	1,575,100	1,376,778	507,040	1,518,950	0	456,211	319,031	774,250	1,874,890	337,572	14,500	16,776	95,000	607,584

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS Grand Panama Beach Resort Condominium Association, Inc. Panama City Beach, Florida																
Individual Reserve Budgets & Cash Flows for the Next 30 Years																
	FY2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Reserves at Beginning of Year (Note 1)	N/A	919,433	1,445,433	1,718,700	2,174,099	1,388,549	1,534,651	2,051,799	2,570,299	3,011,923	3,502,923	3,627,339	2,740,629	2,823,868	2,853,002	3,228,990
Total Recommended Reserve Contributions (Note 2)	N/A	526,000	526,000	526,000	526,000	526,000	526,000	526,000	526,000	526,000	526,000	526,000	526,000	526,000	526,000	526,000
Plus Estimated Interest Earned, During Year (Note 3)	N/A	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Anticipated Expenditures, By Year	N/A	0	(252,733)	(70,601)	(1,311,550)	(379,898)	(8,852)	(7,500)	(84,376)	(35,000)	(401,584)	(1,412,710)	(442,761)	(496,866)	(150,012)	(358,390)
Anticipated Reserves at Year End	\$919,433	\$1,445,433	\$1,718,700	\$2,174,099	\$1,388,549	\$1,534,651	\$2,051,799	\$2,570,299	\$3,011,923	\$3,502,923	\$3,627,339	\$2,740,629	\$2,823,868	\$2,853,002	\$3,228,990	\$3,396,600

(continued)																
Individual Reserve Budgets & Cash Flows for the Next 30 Years, Continued																
	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	
Reserves at Beginning of Year	3,396,600	3,887,600	2,838,500	1,987,722	2,006,682	1,013,732	1,539,732	1,609,521	1,816,490	1,568,240	219,350	407,778	919,278	1,428,502	1,859,502	
Total Recommended Reserve Contributions	526,000	526,000	526,000	526,000	526,000	526,000	526,000	526,000	526,000	526,000	526,000	526,000	526,000	526,000	526,000	
Plus Estimated Interest Earned, During Year	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Less Anticipated Expenditures, By Year	(35,000)	(1,575,100)	(1,376,778)	(507,040)	(1,518,950)	0	(456,211)	(319,031)	(774,250)	(1,874,890)	(337,572)	(14,500)	(16,776)	(95,000)	(607,584)	
Anticipated Reserves at Year End	\$3,887,600	\$2,838,500	\$1,987,722	\$2,006,682	\$1,013,732	\$1,539,732	\$1,609,521	\$1,816,490	\$1,568,240	\$219,350	\$407,778	\$919,278	\$1,428,502	\$1,859,502	\$1,777,918	
										(NOTE 5)					(NOTE 4)	

Explanatory Notes:

- 1) Year 2017 ending reserves are as of January 24, 2018; FY2017 starts January 1, 2017 and ends December 31, 2017.
- 2) 2018 is the first year of recommended contributions.
- 3) 0.0% is the estimated annual rate of return on invested reserves; see Executive Summary for details
- 4) Accumulated year 2047 ending reserves consider the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Year (reserve balance at critical point).

4. RESERVE COMPONENT DETAIL

The Reserve Component Detail of this *Full Reserve Study* includes *Enhanced Solutions and Procedures* for select significant components. This section describes the Reserve Components, documents specific problems and condition assessments, and may include detailed solutions and procedures for necessary capital repairs and replacements for the benefit of current and future board members. We advise the Board use this information to help define the scope and procedures for repair or replacement when soliciting bids or proposals from contractors. *However, the Report in whole or part is not and should not be used as a design specification or design engineering service.*

Exterior Building Elements



Exterior view of Tower 1



Exterior view of Tower 1



Exterior view of Tower 1



Exterior view of Tower 2 and garage



Exterior view of Tower 2



Exterior view of Tower 2



Exterior view garage structure at Tower 2



Overview of separate garage structure



Exterior view of gate house



Exterior view of tiki hut



Typical breezeway finishes and fixtures



Typical breezeway finishes and fixtures



Typical finishes and fixtures at breezeway
elevator lobby

Awnings, Aluminum

Line Item: 1.020

Quantity: Aluminum awnings at Tower 2 that comprise approximately 990 square feet

History: Original

Condition: Good overall



Aluminum awning at Tower 2 facade



Aluminum awning at Tower 2 facade

Useful Life: Up to 30 years

Priority/Criticality: Per Management discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Balconies, Concrete

Line Item: 1.060

Quantity: The Association maintains concrete balconies at Tower 1 and Tower 2 comprising approximately 44,600 square feet of horizontal surface area.

History: The Association applied waterproof coatings to the balconies approximately three years ago.

Condition: Good overall



**Concrete balconies and aluminum railings at
Tower 1**



**Concrete balconies and aluminum railings at
Tower 1**



**Concrete balconies and aluminum railings at
Tower 1**



**Concrete balconies and aluminum railings at
Tower 2**



**Concrete balconies and aluminum railings at
Tower 2**



**Concrete balconies and aluminum railings at
Tower 2**

Useful Life: Capital repairs including a close-up visual inspection, patching of delaminated concrete, routing and filling of cracked concrete, and waterproof coating applications every six- to eight-years.

Component Detail Notes: A waterproof coating application minimizes storm water penetration into the concrete and therefore minimizes future concrete deterioration. *Failure to maintain a waterproof coating on the balconies will result in increased concrete repairs and replacements as the balconies age.* Capital repairs may also include replacement of the caulked joint between the balcony and the building, and repair or replacement of the metal railings and railing fastener attachments as needed.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost includes the following activities per event:

- Partial depth replacement of up to one percent (1.0%) of the concrete topsides, edges and undersides
- Crack repairs as necessary
- Repairs to the railings as necessary
- Replacement of perimeter sealants as needed
- Application of a waterproof coating (Urethane based elastomeric)

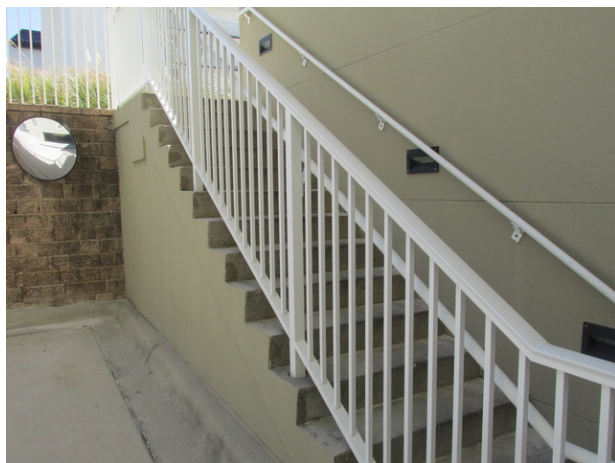
Balconies and Breezeways, Railings, Aluminum

Line Item: 1.105

Quantity: Approximately 8,250 linear feet. This quantity includes the railings at the retaining wall at the Tower 1 garage entrance and excludes the railings at the Tower 2 plaza deck. We include replacement of the railings at the Tower 2 plaza deck on Line Item 1.961.

History: Original

Condition: Good overall condition



Aluminum railing at stairway at Tower 1



Typical aluminum railing at breezeway

Useful Life: Up to 40 years

Component Detail Notes: The finish on these types of railings is maintenance free and should last the life of the railings.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Doors, Metal (Includes Overhead Doors)

Line Item: 1.180

Quantity: Approximately 430 common metal doors, including two metal overhead doors at Tower 2.

History: Original

Condition: Good overall



Overhead door at Tower 2

Useful Life: Up to 25 years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our estimate of unit cost includes an allowance for the replacement of the key card access points.

Floor Coverings, Carpet, Breezeways

Line Item: 1.211

Quantity: A total of 5,440 square yards at the breezeways (Contractor measurements will vary from the actual floor area due to standard roll lengths, patterns and installation waste). This quantity includes the carpet at the skywalk.

History: Management informs us that the Association has replaced the carpet since construction of the property.

Condition: Good overall condition with isolated water stains evident



Carpet floor coverings at breezeways



Carpet floor coverings at breezeways



Carpet floor coverings at breezeways



Carpet floor coverings at breezeways



Carpet floor coverings at breezeways



**Isolated water stains at carpet floor coverings
at breezeways**

Useful Life: Six- to eight-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our estimate of cost includes an allowance for waterproof coatings to the concrete in coordination with carpet replacement.

Floor Coverings, Tile, Breezeways and Lobbies

Line Item: 1.241

Quantity: 3,760 square feet at the breezeways and lobbies. This quantity excludes the tile at the main lobby at Tower 2 as we include replacement of this tile on Line Item 2.600.

History: Original

Condition: Good overall



Tile floor coverings at Tower 1 ground floor lobby



Tile floor coverings at Tower 1 ground floor



Tile floor coverings at Tower 1 ground floor



Tile floor coverings at Tower 2 6th floor breezeway



Tile floor coverings at Tower 2 6th floor breezeway



Tile floor coverings at Tower 1 garage lobby

Useful Life: Up to 30 years

Component Detail Notes: Replacement of tile is often based on discretionary redecorating prior to the tile reaching the end of its useful life. The Association should fund regrouting of the tiles through the operating budget if necessary

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

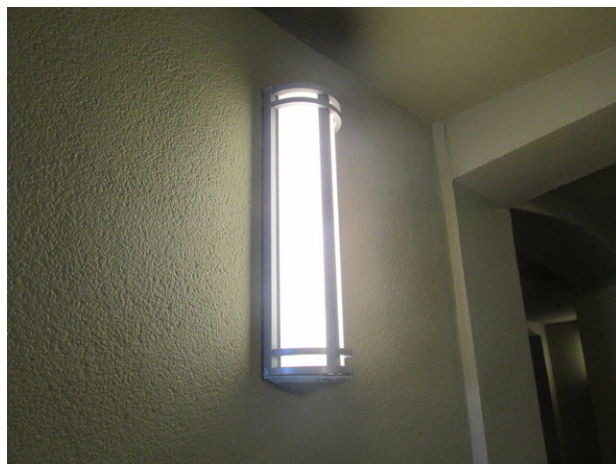
Light Fixtures

Line Item: 1.260

Quantity: Approximately 1,600 exterior wall- and ceiling-mounted light fixtures accent the breezeways, lobbies and facades of the two towers.

History: Original

Condition: Good overall



Typical wall-mounted breezeway light fixture



Typical wall-mounted breezeway light fixture



Typical ceiling-mounted breezeway light fixture



Light fixture at Tower 1 garage entrance

Useful Life: Up to 30 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Pergolas, Aluminum

Line Item: 1.361

Quantity: Two aluminum pergolas located at the front and rear of Tower 1

History: Original

Condition: Good overall



Aluminum pergola at rear of Tower 1



Aluminum pergola at front of Tower 1

Useful Life: Up to 30 years

Priority/Criticality: Per Management discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Roofs, Metal

Line Item: 1.460

Quantity: Approximately 365 *squares*¹. This quantity includes the metal roofs at both Towers 1 and 2, the metal roof at the skywalk, the metal roof at the tiki hut and the metal roofs at the separate garage structure.

History: Original

Condition: Good overall. Management does not report leaks.

¹ We quantify the roof area in squares where one square is equal to 100 square feet of surface area.



Metal roof at skywalk



Metal roof at skywalk



Metal roof at skywalk



Metal roof at Tower 2



Metal roof at Tower 2



Metal roof at Tower 2



Metal roof at Tower 1



Metal roof at stairwell at Tower 2

Useful Life: Up to 30 years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Roofs, Thermoplastic

Line Item: 1.530

Quantity: Approximately 17 squares at Towers 1 and 2.

History: Original

Condition: We were unable to inspect the flat portions of the roofs. Management does not report leaks.

Useful Life: 15- to 20-years

Component Detail Notes: The following characteristics define most thermoplastic roofs:

- Attachment to the roof deck is either fully adhered, mechanical or ballasted
- Membranes are commonly white and reinforced with polyester
- Seams are sealed with heat or chemical welding
- Sheet widths range from 6- to 12-feet wide
- Sheets are typically 40- to 100-mils thick
- Single ply (one layer)

Over time, exposure to ultraviolet light, heat and weather degrade the membrane. This degradation results in membrane damage from thermal expansion and contraction, adverse weather and pedestrian traffic. The aging process makes the membrane less pliable and more difficult to maintain. Ponding water on the roof can increase the effects of ultraviolet light on the membrane and contaminants in ponded water can cause the membrane to deteriorate prematurely. Thermoplastic roofs (especially TPO) are relatively new and their long term performance is not well defined.

Contractors can install a new thermoplastic roof in one of two ways: *tear-off* or an *overlay*. An *overlay* is the application of a new roof membrane over an existing roof. This method, although initially more economical, often covers up problems with the deck, flashing and saturated insulation. The *tear-off* method of replacement includes removal of the existing roofing, flashings and insulation, and installation of a new roofing system.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

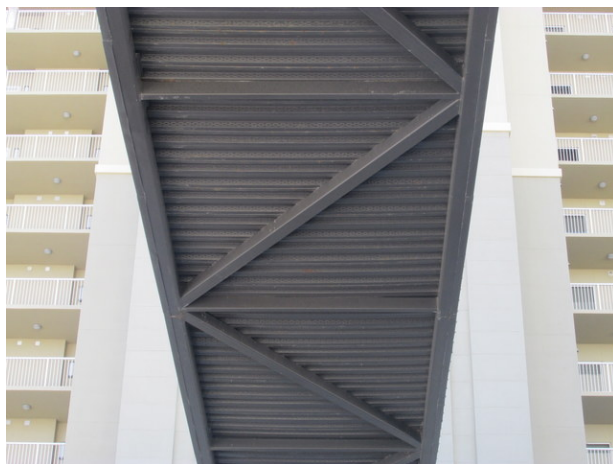
Skywalk, Metal Components, Paint Finishes

Line Item: 1.621

Quantity: Metal components at the underside of the skywalk that comprise approximately 1,600 square feet

History: The age of the paint finishes is unknown.

Condition: Good to fair overall with isolated finish deterioration evident.



Paint finishes at skywalk



Isolated deterioration of paint finishes at skywalk



Isolated deterioration of paint finishes at
skywalk

Useful Life: Four- to six-years

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Walls, Stucco

Line Item: 1.860

Quantity: Approximately 503,500 square feet of the building exteriors. This quantity includes the exteriors of both Towers 1 and 2, the tiki bar, the skywalk and the separate garage structure, and the interior lobby areas.

History: The Association applied finishes to the exterior stucco approximately three years ago.

Condition: Good overall



Exterior stucco finishes



Exterior stucco finishes



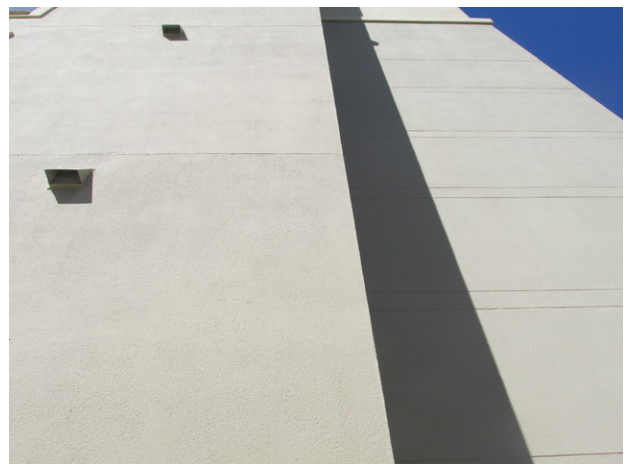
Exterior stucco finishes



Exterior stucco finishes



Exterior stucco finishes



Exterior stucco finishes



Exterior stucco finishes



Exterior stucco finishes



Exterior stucco finishes

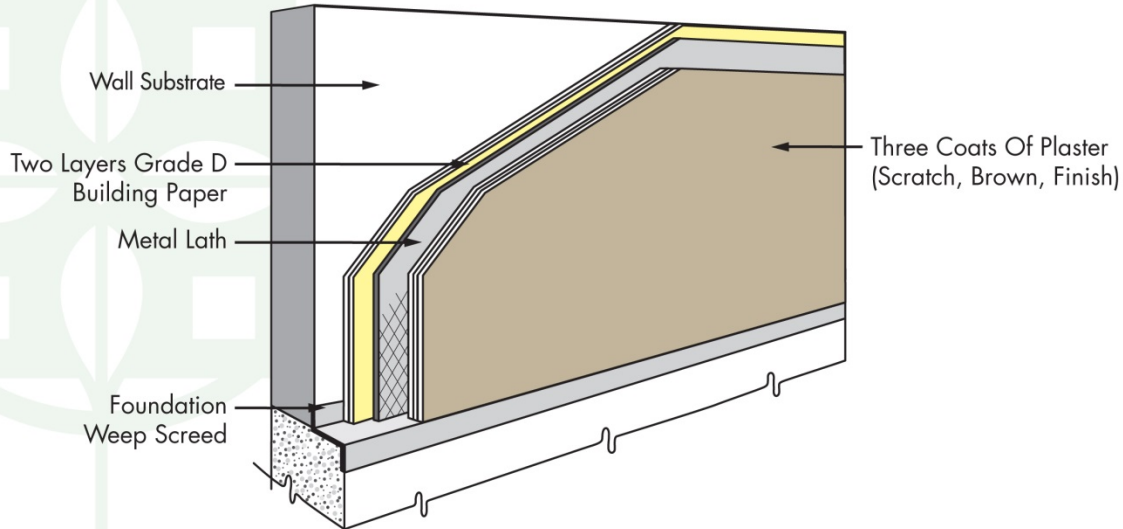


Exterior stucco finishes

Useful Life: We recommend inspections, repairs and paint finish applications every six- to eight-years.

Component Detail Notes: The following graphic details the typical components of a stucco wall system on frame construction although it may not reflect the actual configuration at Grand Panama Beach Resort:

STUCCO DETAIL



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Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We assume the following activities per event:

- Crack repairs as needed (Each paint product has the limited ability to cover and seal cracks but we recommend repair of all cracks which exceed the ability of the paint product to bridge.)
- Replacement of up to one percent (1%), of the stucco walls (The exact amount of area in need of replacement will be discretionary based on the actual future conditions and the desired appearance.)
- Replacement of up to fifty percent (50%) of the sealants in coordination with each paint finish application.

Waterproof Membrane and Concrete Structure Repairs, Plaza Deck

Line Item: 1.961

Quantity: Approximately 13,700 square feet at the Tower 2 plaza deck.

History: The components of the plaza deck are original.

Condition: Good overall condition



Overview of plaza deck at Tower 2



Overview of plaza deck at Tower 2



Overview of plaza deck at Tower 2



Overview of plaza deck at Tower 2

Useful Life: 25- to 35-years

Component Detail Notes: Due to the non-invasive nature of our inspection, we are unable to determine the exact composition of the plaza deck. Based on our visual inspection, experience with similar construction and knowledge of replacement/capital repair projects of this type, we surmise the plaza deck comprises the following elements:

- Pavers
- Landscape planters
- Railings, Aluminum
- Electrical systems
- Perimeter flashing
- Underlying waterproof membrane atop the structure
- Elevated structural concrete

A waterproof membrane separates and protects the structure from the migration of storm water through the masonry pavers and landscaped planters. Masonry pavers

atop a pedestal system allow storm water to pass between the masonry units allowing storm water to come in contact with and wear the waterproof membrane. As the membrane ages and deteriorates, water infiltration through the structure and leaks into the space beneath will become more frequent and widespread. Deterioration of the concrete structure beneath the membrane is also probable due to membrane leaks and normal aging of the concrete. Grand Panama Beach Resort should fund isolated membrane repairs through the operating budget to maximize the useful life of the membrane.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost includes an allowance for capital repairs to the underlying concrete structure.

Windows and Doors, Aluminum Frames, Common

Line Item: 1.980

Quantity: Approximately 2,575 square feet

History: Original

Condition: Good condition

Useful Life: Up to 40 years

Component Detail Notes: Construction of the windows and doors at the clubhouse includes the following:

- Aluminum frames
- Dual pane glass
- Fixed windows
- Hinged doors

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Interior Building Elements

Elevator Cab Finishes

Line Item: 2.100

Quantity: Six elevators

History: Original

Condition: Good overall with the exception of the tile floor coverings. We note deterioration at the floor coverings. Management informs us that the Association plans to apply epoxy floor coverings at the cabs in 2018.



Elevator cab finishes



Elevator cab finishes



Deterioration at tile floor coverings at elevator cab



Deterioration at tile floor coverings at elevator cab

Useful Life: Up to 20 years

Component Detail Notes: The elevator cab finishes consist of:

- Tile floor coverings
- Stainless steel wall coverings
- Stainless steel ceilings with light fixtures

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Exercise Equipment

Line Items: 2.155 and 2.165

Quantity: The exercise room contains the following types of cardiovascular aerobic training equipment:

- Ellipticals (2)
- Stationary cycles (2)
- Televisions (2)
- Televisions, Equipment-Mounted (6)
- Treadmills (3)

The exercise room contains the following types of strength training equipment:

- Benches (4)
- Dumbbells
- Weight training machines (4)

Conditions: Good reported operational condition



Exercise equipment



Exercise equipment



Exercise equipment

Useful Life: The useful life of cardiovascular equipment is 5- to 10-years. The useful life of strength training equipment is up to 15 years.

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend Grand Panama Beach Resort anticipate replacement of up to thirty-three percent (33.3%) of the cardiovascular equipment per event.

Exercise Room

Line Items: 2.180 and 2.181

History: The finishes and fixtures are original.

Condition: Good overall condition



Exercise room finishes and fixtures



Floor coverings at exercise room



Rest room finishes and fixtures at exercise room

Useful Life: Complete interior renovations every 30 years. Partial interior renovations every 15 years.

Component Detail Notes: The exercise room interior finishes and fixtures include:

- Athletic mat floor coverings
- Tile floor and wall coverings at the rest rooms
- Paint finishes on the walls and portions of the ceilings
- Acoustical tile ceiling and grid
- Plumbing fixtures
- Light fixtures

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The complete renovation should include replacement of all the interior components listed above.

These partial renovations should include the following:

- Application of paint finish to all surfaces
- Replacement of the athletic mat floor coverings

Lobby and Meeting Room

Line Items: 2.600 and 2.601

History: The finishes and fixtures are original.

Condition: Good overall condition



Lobby finishes and fixtures



Lobby finishes and fixtures



Lobby finishes and fixtures



Reception desk at lobby



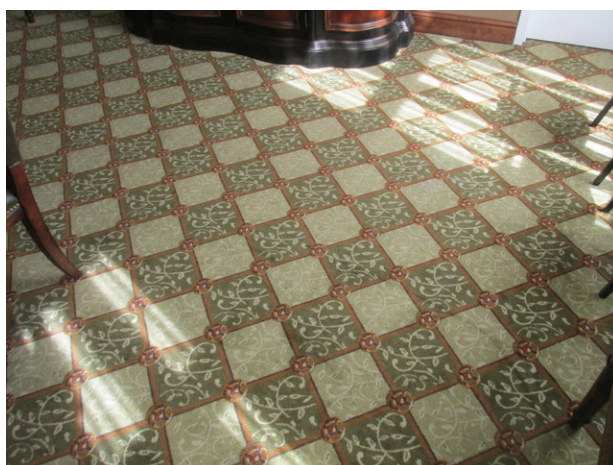
Rest room finishes and fixtures at lobby



Meeting room finishes and fixtures



Meeting room finishes and fixtures



Carpet floor coverings at meeting room

Useful Life: Complete interior renovations every 30 years. Partial interior renovations every 15 years.

Component Detail Notes: The lobby and meeting room interior finishes and fixtures include:

- Carpet floor coverings
- Tile floor and wall coverings
- Paint finishes on the walls and portions of the ceilings
- Acoustical tile ceiling and grid
- Cabinets and countertops
- Reception desk
- Plumbing fixtures
- Drinking fountains
- Light fixtures
- Furnishings

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The complete renovation should include replacement of all the interior components listed above.

These partial renovations should include the following:

- Application of paint finish to all surfaces
- Replacement of the carpet
- Replacement of up to fifty percent (50%) of the furnishings

Mailbox Stations

Line Item: 2.700

Quantity: A total of 10 mailbox stations at Towers 1 and 2

History: Original

Condition: Good overall



Mailbox stations at Tower 1



Mailbox stations at Tower 2

Useful Life: Up to 30 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Rest Rooms, Tiki Bar

Line Item: 2.900

Quantity: Two common area rest rooms located at the tiki bar at Tower 1

History: Components are original

Condition: Good overall



Rest room finishes and fixtures at tiki bar



Rest room finishes and fixtures at tiki bar

Useful Life: Renovations up to 25 years

Component Detail Notes: Components include:

- Tile floor and wall coverings
- Paint finishes on the walls and ceiling
- Light fixtures
- Plumbing fixtures
- Countertops
- Rest room partitions

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Building Services Elements

Air Handling and Condensing Units, Split Systems

Line Item: 3.070

Quantity: Seven *Carrier and Trane* split systems for the common areas at Towers 1 and 2

History: The systems range in age from three- to eight-years

Condition: Reported in satisfactory operational condition



Split system condensing units

Useful Life: 10- to 15-years

Component Detail Notes: A split system air conditioner consists of an outside condensing unit, an interior evaporator coil, refrigerant lines and an interior electric air handling unit. Each condensing unit has a cooling capacity ranging from 2- to 12.5-tons. The split systems use R-410A refrigerant.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The condensing unit may require replacement prior to replacement of the related interior forced air unit. For purposes of this Reserve Study, we assume coordination of replacement of the interior forced air unit, evaporator coil, refrigerant lines and exterior condensing unit. We include a phased replacement of the systems.

Audio System, Speakers

Line Item: 3.091

Quantity: Approximately 35 speakers

History: Original

Condition: Good operational condition

Useful Life: 10- to 15-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Elevators, Traction

Line Item: 3.360

Quantity: Six Otis traction elevators

History: The majority of the elevator system components are original.

Condition: Reported satisfactory and service interruptions are reportedly infrequent.



Elevator equipment

Useful Life: Up to 30 years however, the scarcity of parts, and the potential frequency and duration of service interruption makes controls replacement more desirable as the components age.

Component Detail Notes: The elevators utilize programmable logic computer controls.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We anticipate replacement of the following traction elevator system components:

- Cab control panels
- Door operators
- Hallway panels/buttons
- Hoists and motors
- Microprocessor based controllers

Generators, Emergency

Line Item: 3.440

Quantity: Two Kohler 400-kW (kilowatt) diesel generators for Towers 1 and 2

History: Original

Condition: Reported in satisfactory operational condition



Emergency generator at Tower 1

Useful Life: 25- to 35-years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our estimate of cost includes replacement of the transfer switches.

Life Safety System

Line Items: 3.555 and 3.560

Quantity: The life safety system at Grand Panama Beach Resort includes the following components:

- Audio/visual fixtures
- *General Electric* control panels
- Detectors
- Emergency light fixtures
- Exit light fixtures
- Pull stations
- Voice communication system at the elevators
- Wiring

History: Original

Conditions: Reported satisfactory. We note isolated emergency fixtures with deteriorated finishes. The Association should replace deteriorated fixtures as needed and fund this activity through the operating budget.



Life safety system control panel



Deteriorated finishes at emergency device

Useful Life: Up to 25 years for the devices and up to 15 years for the control panels

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Changes in technology or building codes may make a replacement desirable prior to the end of the functional life. Our estimate of future cost considers only that amount necessary to duplicate the same functionality. Local codes or ordinances at the actual time of replacement may require a betterment as compared to the existing system. A betterment could result in a higher, but at this time unknown, cost of replacement.

Pumps and Controls, Domestic Water Booster

Line Item: 3.700

Quantity: Two systems with one control panel each. The system at Tower 1 includes three 15-HP pumps and the system at Tower 2 includes two 15-HP pumps.

History: The system components are primarily original. The Association has replaced one pump at Tower 1.

Conditions: Reported in satisfactory operational condition.



Domestic water booster pumps at Tower 1

Useful Life: Up to 20 years

Component Detail Notes: Major pumps included in this Reserve Study are those with a motor drive of at least five-HP. The Association should replace or repair all pumps with motor drives less than five-HP as needed and fund this ongoing maintenance activity through the operating budget. The Association may choose to rebuild pumps prior to complete replacement. However, this activity becomes less desirable as pumps age due to the scarcity of parts. We regard interim replacements of motors and component parts as normal maintenance and base our estimates on complete replacements. An exact replacement time for each individual pump is difficult, if not impossible, to estimate.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Security System

Line Item: 3.820

Quantity: Grand Panama Beach Resort utilizes the following security system components:

- Cameras (25)
- Monitors
- Recorders

History: Original

Condition: Reported satisfactory



Security system monitor

Useful Life: 10- to 15-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Trash Compactors

Line Item: 3.900

Quantity: Two compactors

History: Original

Condition: Reported in satisfactory operational condition

Useful Life: Up to 25 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Property Site Elements

Asphalt Pavement, Crack Repair, Patch, Seal Coat and Striping

Line Item: 4.020

Quantity: Approximately 4,215 square yards at Towers 1 and 2. The pavement utilizes nine catch basins.

History: The age of seal coat application is unknown.

Condition: Good overall

Useful Life: Three- to five-years

Component Detail Notes: Proposals for seal coat applications should include crack repairs and patching. The contractor should only apply seal coat applications after repairs are completed. A seal coat does not bridge or close cracks, therefore, unrepaired cracks render the seal coat applications useless.

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost includes an allowance for crack repairs and patching of up to two percent (2%) of the pavement.

Asphalt Pavement, Repaving

Line Item: 4.040

Quantity: Approximately 4,215 square yards at Towers 1 and 2. The pavement utilizes nine catch basins.

History: Original

Condition: Good overall condition. We note isolated concrete deterioration and exposed rebar at a catch basin at the Tower 2 parking area.



Asphalt pavement at Tower 2 parking area



Asphalt pavement at Tower 2 drive aisle



Asphalt pavement at Tower 2 parking area



Asphalt pavement at Tower 2 drive aisle



Asphalt pavement at Tower 1 parking area



Asphalt pavement at Tower 1 parking area



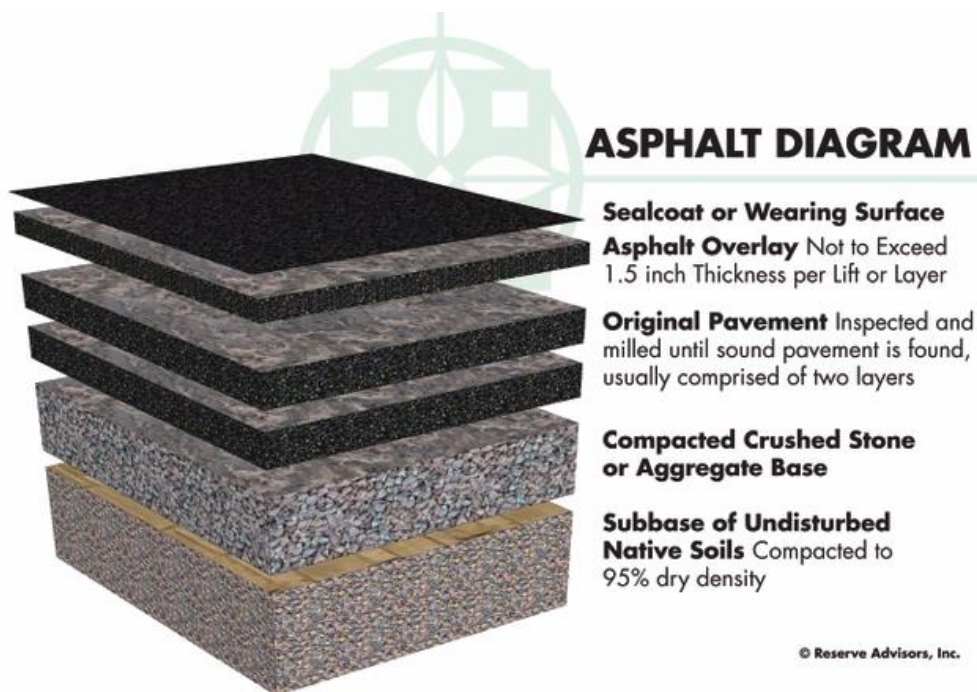
Catch basin



Isolated severe spalling and exposed rebar at catch basin at Tower 2 parking area

Useful Life: 15- to 20-years

Component Detail Notes: The initial installation of asphalt uses at least two lifts, or two separate applications of asphalt, over the base course. The first lift is the binder course. The second lift is the wearing course. The wearing course comprises a finer aggregate for a smoother more watertight finish. The following diagram depicts the typical components although it may not reflect the actual configuration at Grand Panama Beach Resort:



The manner of repaving is either a mill and overlay or total replacement. A mill and overlay is a method of repaving where cracked, worn and failed pavement is mechanically removed or milled until sound pavement is found. A new layer of asphalt is overlaid atop the remaining base course of pavement. Total replacement includes the removal of all existing asphalt down to the base course of aggregate and native soil followed by the application of two or more new lifts of asphalt. We recommend mill and overlayment on asphalt pavement that exhibits normal deterioration and wear. We recommend total replacement of asphalt pavement that exhibits severe deterioration, inadequate drainage, pavement that has been overlaid multiple times in the past or where the configuration makes overlayment not possible. Based on the apparent visual condition and configuration of the asphalt pavement, we recommend the mill and overlay method of repaving at Grand Panama Beach Resort.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost for milling and overlayment includes area patching of up to ten percent (10%) and capital repairs to the nine catch basins.

Concrete Curbs and Gutters

Line Item: 4.110

Quantity: Approximately 2,725 linear feet

Condition: Good overall



Concrete curb and gutter



Concrete curb and gutter

Useful Life: Up to 65 years although interim deterioration of areas is common

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We estimate that up to 550 linear feet of curbs and gutters, or approximately twenty percent (20.2%) of the total, will require replacement during the next 30 years.

Dune Walkover, Wood

Line Items: 4.171 and 4.172

Quantity: One wood dune walkover at the rear of Tower 1 which comprises 430 square feet

History: The components are primarily original. We note areas of replaced decking.

Condition: Good overall condition



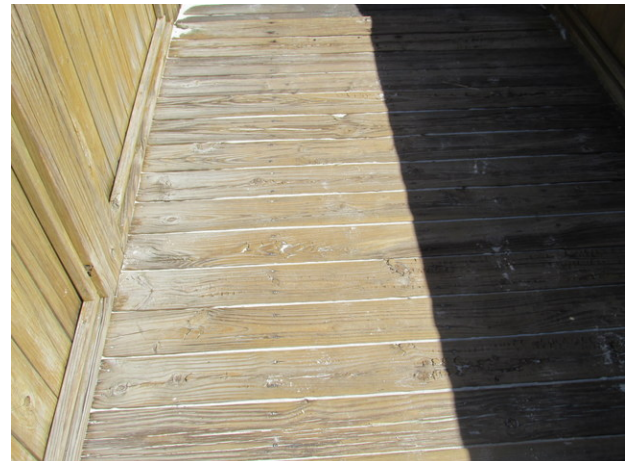
Wood decking and railings at dune walkover



Wood decking at dune walkover



Wood decking and railings at dune walkover



Area of replaced wood decking at dune walkover

Useful Life: We include replacement of the decking and railings every 15- to 20-years and complete replacement of the walkover every 35 years.

Component Detail Notes: Balcony construction includes the following:

- Deck boards fastened with screws
- Wood railings with horizontal and vertical pickets. This configuration promotes climbing and is potentially dangerous.
- Wood column supported frames

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Proper maintenance should include the following activities funded through the operating budget:

- Annual inspections to identify and correct any unsafe conditions
- Securing of loose fasteners and replacement of deteriorated fasteners

- Replacement of deteriorated wood components
- Power washing with an algaecide and application of a sealer/stain

Fences, Aluminum

Line Item: 4.200

Quantity: 215 linear feet located at the Tower 2 parking area and adjacent to the gate house.

History: Original

Condition: Good to fair overall. We note isolated damage and finish deterioration.



Aluminum fence adjacent to gate house



Isolated damage at aluminum fence adjacent to gate house



Aluminum fence at Tower 2 parking area



Aluminum fence at Tower 2 parking area



Isolated finish deterioration at aluminum fence
at Tower 2 parking area

Useful Life: Up to 25 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Fence, Wood

Line Item: 4.285

Quantity: 620 linear feet at the perimeter adjacent to the separate parking structure.

History: Original

Condition: Good overall condition



Wood fence at perimeter adjacent to Tower 2 parking area



Wood fence at perimeter adjacent to Tower 2 parking area

Useful Life: 15- to 20-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The Association should anticipate periodic partial replacements due to the non-uniform nature of wood deterioration and fund this activity through the operating budget.

Gate Operators, Swing-Arm

Line Item: 4.320

Quantity: Two swing-arm gate operators at the gate house.

History: Original

Condition: The operators were not in operation at the time of our inspection.



Swing-arm gate operators at gate house



Swing-arm gate operator at gate house

Useful Life: 10- to 15-years for the operators

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

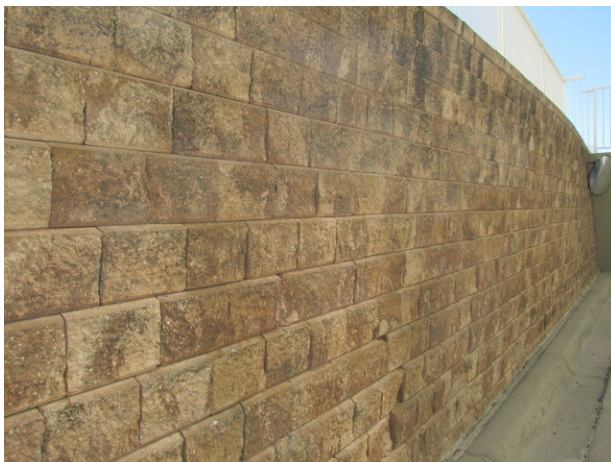
Retaining Walls, Masonry

Line Item: 4.745

Quantity: 940 square feet

History: Original

Condition: Good overall



Masonry retaining wall at Tower 1 garage entrance



Masonry retaining wall at Tower 1 garage entrance

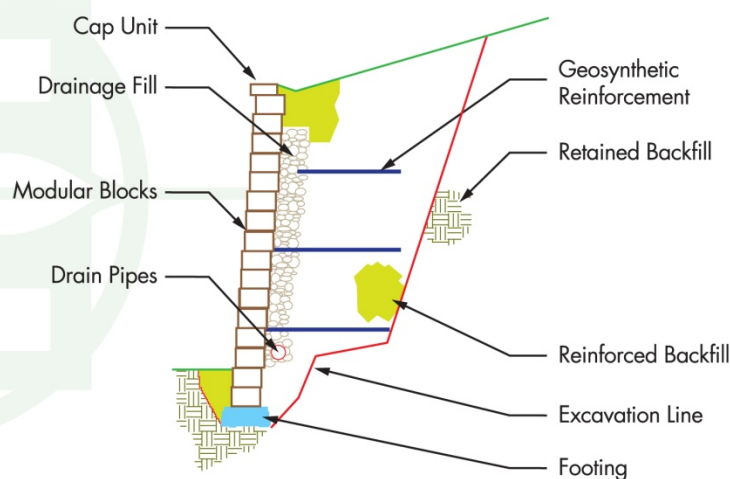


Masonry retaining wall at front of Tower 2

Useful Life: Up to 35 years

Component Detail Notes: Properly constructed interlocking masonry retaining walls utilize geosynthetic reinforcement and a drainage system to stabilize the wall and prevent the buildup of hydrostatic pressure behind the wall. Water stains may indicate inadequate drainage or blocked drainage from behind the walls. The following schematic depicts the typical components of a retaining wall system although it may not reflect the actual configuration at Grand Panama Beach Resort:

MASONRY RETAINING WALL DETAIL



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Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Signage, Property Identification

Line Item: 4.800

Quantity: Property identification signage at the fronts of Towers 1 and 2

History: Original

Condition: Good overall

Useful Life: 20- to 25-years

Component Detail Notes: The signs contribute to the overall aesthetic appearance of the property to owners and potential buyers. Replacement of the signs is often predicated upon the desire to "update" the perceived identity of the community rather than for utilitarian concerns. Therefore, the specific time for replacement of the signs is discretionary.

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Site Furniture, Entrances and Grill Area

Line Item: 4.820

History: Original

Condition: Good overall



Furniture at grill area

Useful Life: Up to 15 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Tower 1 Pool Elements



Overview of Tower 1 pool area

Pavers, Masonry

Line Item: 5.201

Quantity: Approximately 13,000 square feet of pavers at the Tower 1 pool. This quantity includes the walkways and areas at the entrances to the two towers.

History: Original

Condition: Error! Not a valid link. overall with no visible deterioration evident



Pavers at Tower 1 pool area



Pavers at Tower 1 pool area



Pavers at Tower 1 pool area



Pavers at Tower 1 pool area



Pavers at front of Tower 2



Pavers at front of Tower 2

Useful Life: Up to 30 years

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We suggest the Association conduct interim resetting and replacement of minor areas of pavers as normal maintenance, funded from the operating budget.

Fence, Aluminum

Line Item: 5.401

Quantity: 465 linear feet at the Tower 1 pool.

History: Original

Condition: Good overall condition



Aluminum fence at Tower 1 pool area



Aluminum fence at Tower 1 pool area

Useful Life: Up to 30 years

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Furniture

Line Item: 5.501

Quantity:

- Chairs (57)

- Lounges (60)
- Tables (26)
- Benches (3)
- Trash receptacles (8)
- Life safety equipment

History: Replaced in 2016

Condition: Good overall



Pool furniture at Tower 1 pool



Pool furniture at Tower 1 pool



Pool furniture at Tower 1 pool

Useful Life: 8- to 10-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend interim re-strapping, refinishing and other repairs to the furniture as normal maintenance to maximize its useful life.

Light Fixtures, Bollards

Line Item: 5.561

Quantity: 61 each

History: Original

Condition: We note several bollards with deteriorated finishes. The Association should apply finishes to the bollards on an as-needed basis and fund this activity through the operating budget.



Bollard-type light fixtures at Tower 1 pool area



Deteriorated finishes at bollard-type light fixture at Tower 1 pool area



Deteriorated finishes at bollard-type light fixture at Tower 1 pool area



Deteriorated finishes at bollard-type light fixture at Tower 1 pool area

Useful Life: Up to 20 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Mechanical Equipment, Both Pools

Line Item: 5.601

Quantity:

- Automatic chlorinators
- Controls
- Filters
- Heater
- Interconnected pipe, fittings and valves
- Pumps
- Electrical panels

History: Varies

Condition: Reported in satisfactory operational condition



Pool mechanical equipment



Pool mechanical equipment

Useful Life: Up to 15 years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Failure of the pool mechanical equipment as a single event is unlikely. We consider interim replacement of motors and minor repairs as normal maintenance.

Pool Finishes, Plaster and Tile

Line Item: 5.801

Quantity: 3,700 square feet of plaster finishes based on the horizontal surface areas and approximately 385 linear feet of waterline tile. These quantities include the two spas.

History: The plaster finishes and tile are original.

Condition: Good overall condition



Pool plaster finish and tile at Tower 1 pool



Pool plaster finish and tile at Tower 1 pool



Pool plaster finish and tile at Tower 1 pool



Pool plaster finish and tile at Tower 1 spa

Useful Life: 8- to 12-years

Component Detail Notes: Removal and replacement provides the opportunity to inspect the pool structures and to allow for partial repairs of the underlying concrete surfaces as needed. To maintain the integrity of the pool structures, we recommend the Association budget for the following:

- Removal and replacement of the plaster finishes
- Partial replacements of the scuppers and coping as needed
- Replacement of tiles as needed
- Replacement of joint sealants as needed
- Concrete structure repairs as needed

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Tower 2 Pool Elements



Overview of Tower 2 pool area

Furniture

Line Item: 6.500

Quantity:

- Chairs (52)
- Lounges (26)
- Tables (20)
- Grills (2)
- Trash receptacles (3)
- Life safety equipment

History: Replaced in 2016

Condition: Good overall



Furniture at Tower 2 pool area



Furniture at Tower 2 pool area

Useful Life: 8- to 10-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend interim re-strapping, refinishing and other repairs to the furniture as normal maintenance to maximize its useful life.

Pool Finishes, Plaster and Tile

Line Item: 6.801

Quantity: 1,475 square feet of plaster finishes based on the horizontal surface areas and approximately 200 linear feet of waterline tile. These quantities include the spa.

History: The plaster finishes and tile are original.

Condition: Good overall condition



Pool plaster finish and tile at Tower 2 pool



Pool plaster finish and tile at Tower 2 pool



Pool plaster finish and tile at Tower 2 pool



Pool plaster finish and tile at Tower 2 spa

Useful Life: 8- to 12-years

Component Detail Notes: Removal and replacement provides the opportunity to inspect the pool structures and to allow for partial repairs of the underlying concrete surfaces as needed. To maintain the integrity of the pool structures, we recommend the Association budget for the following:

- Removal and replacement of the plaster finishes
- Partial replacements of the scuppers and coping as needed
- Replacement of tiles as needed
- Replacement of joint sealants as needed
- Concrete structure repairs as needed

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Garage Elements



Overview of on-grade garage at Tower 1



Overview of on-grade garage at Tower 1



Overview of on-grade garage at Tower 2



Overview of elevated garage at Tower 2



Overview of elevated garage at Tower 2



Overview of elevated garage at Tower 2



Overview of on-grade garage at separate garage structure



Overview of elevated garage at separate garage structure

Concrete, Elevated Floors

Line Item: 7.300

Quantity: 115,000 square feet of elevated concrete floor structures at Levels 2 through 5 of the Tower 2 garage, and at the second level of the separate garage structure.

Condition: Good overall with no visible deterioration evident. The elevated structural concrete at Level 2 of the Tower 2 garage utilizes a protective traffic coating.



Elevated concrete at Tower 2 garage



Elevated concrete at Tower 2 garage



Elevated concrete at Tower 2 garage



Elevated concrete at Tower 2 garage



Elevated concrete at Tower 2 garage



Elevated concrete at Tower 2 garage



Elevated concrete at separate garage structure



Elevated concrete at separate garage structure

Useful Life: Repairs to the various concrete surfaces every 10- to 15-years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost includes:

- Complete inspection of the garage concrete
- Partial depth concrete replacement of a limited amount of the surface area of the concrete floors
- Partial depth concrete replacement of a limited amount of the surface area of the elevated structural concrete ceilings
- Remediation of structural concrete columns and beams as needed
- Crack repairs on all surfaces as needed

Concrete, On-Grade

Line Item: 7.360

Quantity: 45,500 square feet of on-grade concrete at the Tower 1 garage, the Tower 2 garage and the separate garage structure. This quantity includes the concrete driveway at the Tower 1 entrance.

Condition: Good overall



On-grade concrete at Tower 2 garage



On-grade concrete at Tower 1 garage



On-grade concrete at Tower 1 garage



On-grade concrete at Tower 1 garage



On-grade concrete at separate garage structure



On-grade concrete at separate garage structure

Useful Life: Up to 90 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Expenditures assume:

- Complete inspection of the floor
- Selective cut out and replacement of up to three percent (3.3%), or 1,515 square feet, of the on-grade concrete
- Crack repairs as needed

Exhaust System

Line Item: 7.460

Quantity: System includes:

- Control panels
- Exhaust fans (3), Towers 1 and 2
- Louvers , Tower 2

History: Original

Condition: Reported satisfactory



Exhaust fan at Tower 1 garage



Exhaust fan at Tower 2 garage

Useful Life: Up to 30 years

Component Detail Notes: We regard interim repairs or partial replacements of components as normal maintenance.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Light Fixtures

Line Item: 7.600

Quantity: Approximately 200 light fixtures at the Tower 1 garage, the Tower 2 garage and the separate garage structure.

History: Original

Condition: Good overall condition. We note missing fixtures and covers at the separate garage structure.



Typical light fixture at garages at Towers 1 and 2



Typical light fixture at separate garage structure



Missing bulb and cover at light fixture at separate garage structure



Missing cover at light fixture at separate garage structure

Useful Life: Up to 30 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Light Poles and Fixtures

Line Item: 7.631

Quantity: Six metal poles and fixtures at the top level of the separate garage structure.

History: Original

Condition: Good overall condition



Light pole and fixtures at separate garage structure

Useful Life: Up to 30 years

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Traffic Coating, Elevated Floor, Separate Garage Structure

Line Item: 7.800

Quantity: Approximately 26,000 square feet at elevated floor of the separate parking structure

History/Condition: The elevated floor of the separate parking structure does not currently utilize a traffic coating.

Useful Life: 10- to 15-years

Component Detail Notes: In our experience, active periodic maintenance and protection with a traffic coating on elevated concrete structures results in a longer useful life, safer operation and a lower overall life cycle costs. Failure to maintain a traffic coating on elevated floors will result in accelerated concrete deterioration at concrete ceilings below the elevated floors and a higher overall capital investment in the parking structure over time.

Salts and moisture-driven chemical reactions are detrimental to the integrity of an elevated structural concrete garage floor. Salts contained in ambient air penetrate the concrete surface. The dissolved chlorides and moisture then migrate to the imbedded reinforcing steel through pores in the concrete or directly through cracks. Once they reach the steel, salts and moisture cause expansive corrosion, ultimately causing the concrete to expand and “pop” or spall. Left unrepaired, additional chlorides and

moisture will continue to infiltrate the concrete, eventually causing structural failure. This type of deterioration is progressive and costly to repair. The utilization of a traffic coating atop the concrete minimizes the infiltration of salts and moisture into the concrete thereby minimizing future capital repairs.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Expenditures assume:

- Complete inspection of the garage concrete and concrete repairs as described in the previous narratives “Concrete, On-Grade” and “Concrete, Elevated Floors”
- Preparation of the concrete surface
- Application of a urethane base coat, intermediate aggregate coating and top coat to the elevated floors
- Parking and directional line striping as needed

Reserve Study Update

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. Many variables change after the study is conducted that may result in significant overfunding or underfunding the reserve account. Variables that may affect the Reserve Funding Plan include, but are not limited to:

- Deferred or accelerated capital projects based on Board discretion
- Changes in the interest rates on reserve investments
- Changes in the *local* construction inflation rate
- Additions and deletions to the Reserve Component Inventory
- The presence or absence of maintenance programs
- Unusually mild or extreme weather conditions
- Technological advancements

Periodic updates incorporate these variable changes since the last Reserve Study or Update. The Association can expense the fee for an Update with site visit from the reserve account. This fee is included in the Reserve Funding Plan. We base this budgetary amount on updating the same property components and quantities of this Reserve Study report. We recommend the Board budget for an Update to this Reserve Study in two years. Budgeting for an Update demonstrates the Board's objective to continue fulfilling its fiduciary responsibility to maintain the commonly owned property and to fund reserves appropriately.

5.METHODOLOGY

Reserves for replacement are the amounts of money required for future expenditures to repair or replace Reserve Components that wear out before the entire facility or project wears out. Reserving funds for future repair or replacement of the Reserve Components is also one of the most reliable ways of protecting the value of the property's infrastructure and marketability.

Grand Panama Beach Resort can fund capital repairs and replacements in any combination of the following:

1. Increases in the operating budget during years when the shortages occur
2. Loans using borrowed capital for major replacement projects
3. Level reserve assessments to fund the expected major future expenditures
4. Special assessments

We do not advocate special assessments or loans unless near term circumstances dictate otherwise. Although loans provide a gradual method of funding a replacement, the costs are higher than if the Association were to accumulate reserves ahead of the actual replacement. Interest earnings on reserves also accumulate in this process of saving or reserving for future replacements, thereby defraying the amount of gradual reserve collections. We advocate the third method of *Level Monthly Reserve Assessments* with relatively minor annual adjustments. The method ensures that Homeowners pay their "fair share" of the weathering and aging of the commonly owned property each year. Level reserve assessments preserve the property and enhance the resale value of the homes.

This Reserve Study is in compliance with and exceeds the National standards¹ set forth by the Community Associations Institute (CAI) and the Association of Professional Reserve Analysts (APRA) fulfilling the requirements of a "Full Reserve Study." These standards require a Reserve Component to have a "predictable remaining Useful Life." Estimating Remaining Useful Lives and Reserve Expenditures beyond 30 years is often indeterminate. Long-Lived Property Elements are necessarily excluded from this analysis. We considered the following factors in our analysis:

- The Cash Flow Method to compute, project and illustrate the 30-year Reserve Funding Plan
- Local² costs of material, equipment and labor
- Current and future costs of replacement for the Reserve Components
- Costs of demolition as part of the cost of replacement
- Local economic conditions and a historical perspective to arrive at our estimate of long term future inflation for construction costs in Panama City Beach, Florida at an annual inflation rate. Isolated or regional markets of

¹ Identified in the APRA "Standards - Terms and Definitions" and the CAI "Terms and Definitions".

² See Credentials for addition information on our use of published sources of cost data.

greater construction (development) activity may experience slightly greater rates of inflation for both construction materials and labor.

- The past and current maintenance practices of Grand Panama Beach Resort and their effects on remaining useful lives
- Financial information provided by the Association pertaining to the cash status of the reserve fund and budgeted reserve contribution
- The anticipated effects of appreciation of the reserves over time in accord with a return or yield on investment of your cash equivalent assets. (We did not consider the costs, if any, of Federal and State Taxes on income derived from interest and/or dividend income).
- The Funding Plan excludes necessary operating budget expenditures. It is our understanding that future operating budgets will provide for the ongoing normal maintenance of Reserve Components.

Updates to this Reserve Study will continue to monitor historical facts and trends concerning the external market conditions.

6. CREDENTIALS

HISTORY AND DEPTH OF SERVICE

Founded in 1991, Reserve Advisors, Inc. is the leading provider of reserve studies, insurance appraisals, developer turnover transition studies, expert witness services, and other engineering consulting services. Clients include community associations, resort properties, hotels, clubs, non-profit organizations, apartment building owners, religious and educational institutions, and office/commercial building owners in 48 states, Canada and throughout the world.

The **architectural engineering consulting firm** was formed to take a leadership role in helping fiduciaries, boards, and property managers manage their property like a business with a long range master plan known as a Reserve Study.

Reserve Advisors employs the **largest staff of Reserve Specialists** with bachelor's degrees in engineering dedicated to Reserve Study services. Our principals are founders of Community Associations Institute's (CAI) Reserve Committee that developed national standards for reserve study providers. One of our principals is a Past President of the Association of Professional Reserve Analysts (APRA). Our vast experience with a variety of building types and ages, on-site examination and historical analyses are keys to determining accurate remaining useful life estimates of building components.

No Conflict of Interest - As consulting specialists, our **independent opinion** eliminates any real or perceived conflict of interest because we do not conduct or manage capital projects.

TOTAL STAFF INVOLVEMENT

Several staff members participate in each assignment. The responsible advisor involves the staff through a Team Review, exclusive to Reserve Advisors, and by utilizing the experience of other staff members, each of whom has served hundreds of clients. We conduct Team Reviews, an internal quality assurance review of each assignment, including: the inspection; building component costing; lifing; and technical report phases of the assignment. Due to our extensive experience with building components, we do not have a need to utilize subcontractors.

OUR GOAL

To help our clients fulfill their fiduciary responsibilities to maintain property in good condition.

VAST EXPERIENCE WITH A VARIETY OF BUILDINGS

Reserve Advisors has conducted reserve studies for a multitude of different communities and building types. We've analyzed thousands of buildings, from as small as a 3,500-square foot day care center to the 2,600,000-square foot 98-story Trump International Hotel and Tower in Chicago. We also routinely inspect buildings with various types of mechanical systems such as simple electric heat, to complex systems with air handlers, chillers, boilers, elevators, and life safety and security systems.

We're familiar with all types of building exteriors as well. Our well versed staff regularly identifies optimal repair and replacement solutions for such building exterior surfaces such as adobe, brick, stone, concrete, stucco, EIFS, wood products, stained glass and aluminum siding, and window wall systems.

OLD TO NEW

Reserve Advisors experience includes ornate and vintage buildings as well as modern structures. Our specialists are no strangers to older buildings. We're accustomed to addressing the unique challenges posed by buildings that date to the 1800's. We recognize and consider the methods of construction employed into our analysis. We recommend appropriate replacement programs that apply cost effective technologies while maintaining a building's character and appeal.

QUALIFICATIONS

THEODORE J. SALGADO

Principal Owner

CURRENT CLIENT SERVICES

Theodore J. Salgado is a co-founder of Reserve Advisors, Inc., which is dedicated to serving community associations, city and country clubs, religious organizations, educational facilities, and public and private entities throughout the United States. He is responsible for the production, management, review, and quality assurance of all reserve studies, property inspection services and consulting services for a nationwide portfolio of more than 6,000 clients. Under his direction, the firm conducts reserve study services for community associations, apartment complexes, churches, hotels, resorts, office towers and vintage architecturally ornate buildings.



PRIOR RELEVANT EXPERIENCE

Before founding Reserve Advisors, Inc. with John P. Poehlmann in 1991, Mr. Salgado, a professional engineer registered in the State of Wisconsin, served clients for over 15 years through American Appraisal Associates, the world's largest full service valuation firm. Mr. Salgado conducted facilities analyses of hospitals, steel mills and various other large manufacturing and petrochemical facilities and casinos.

He has served clients throughout the United States and in foreign countries, and frequently acted as project manager on complex valuation, and federal and state tax planning assignments. His valuation studies led to negotiated settlements on property tax disputes between municipalities and property owners.

Mr. Salgado has authored articles on the topic of reserve studies and facilities maintenance. He also co-authored *Reserves*, an educational videotape produced by Reserve Advisors on the subject of Reserve Studies and maintaining appropriate reserves. Mr. Salgado has also written in-house computer applications manuals and taught techniques relating to valuation studies.

EXPERT WITNESS

Mr. Salgado has testified successfully before the Butler County Board of Tax Revisions in Ohio. His depositions in pretrial discovery proceedings relating to reserve studies of Crestview Estates Condominium Association in Wauconda, Illinois, Rivers Point Row Property Owners Association, Inc. in Charleston, South Carolina and the North Shore Club Associations in South Bend, Indiana have successfully assisted the parties in arriving at out of court settlements.

EDUCATION - Milwaukee School of Engineering - B.S. Architectural Engineering

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

American Association of Cost Engineers - Past President, Wisconsin Section

Association of Construction Inspectors - Certified Construction Inspector

Association of Professional Reserve Analysts - Past President & Professional Reserve Analyst (PRA)

Community Associations Institute - Member and Volunteer Leader of multiple chapters

Concordia Seminary, St. Louis - Member, National Steering Committee

Milwaukee School of Engineering - Member, Corporation Board

Professional Engineer, Wisconsin (1982) and North Carolina (2014)

Ted continually maintains his professional skills through American Society of Civil Engineers, ASHRAE, Association of Construction Inspectors, and continuing education to maintain his professional engineer licenses.

JOHN P. POEHLMANN, RS
Principal

John P. Poehlmann is a co-founder of Reserve Advisors, Inc. He is responsible for the finance, accounting, marketing, and overall administration of Reserve Advisors, Inc. He also regularly participates in internal Quality Control Team Reviews of Reserve Study reports.



Mr. Poehlmann directs corporate marketing, including business development, advertising, press releases, conference and trade show exhibiting, and electronic marketing campaigns. He frequently speaks throughout the country at seminars and workshops on the benefits of future planning and budgeting for capital repairs and replacements of building components and other assets.

PRIOR RELEVANT EXPERIENCE

Mr. Poehlmann served on the national Board of Trustees of Community Associations Institute. An international organization, Community Associations Institute (CAI) is a nonprofit 501(c)(3) trade association created in 1973 to provide education and resources to America's 335,000 residential condominium, cooperative and homeowner associations and related professionals and service providers.

He is a founding member of the Institute's Reserve Committee. The Reserve Committee developed national standards and the Reserve Specialist (RS) Designation Program for Reserve Study providers. Mr. Poehlmann has authored numerous articles on the topic of Reserve Studies, including Reserve Studies for the First Time Buyer, Minimizing Board Liability, Sound Association Planning Parallels Business Concepts, and Why Have a Professional Reserve Study. He is also a contributing author in Condo/HOA Primer, a book published for the purpose of sharing a wide background of industry knowledge to help boards in making informed decisions about their communities.

INDUSTRY SERVICE AWARDS

CAI Wisconsin Chapter Award
CAI National Rising Star Award
CAI Michigan Chapter Award

EDUCATION

University of Wisconsin-Milwaukee - Master of Science Management
University of Wisconsin - Bachelor of Business Administration

PROFESSIONAL AFFILIATIONS

Community Associations Institute (CAI) - Founding member of Reserve Committee;
former member of National Board of Trustees; Reserve Specialist (RS) designation;
Member of multiple chapters

Association of Condominium, Townhouse, & Homeowners Associations (ACTHA) –
member

JEFFREY B. DOW, P.E., RS
Responsible Advisor

CURRENT CLIENT SERVICES

Jeffrey B. Dow, a Civil engineer, is the Regional Engineering Manager for the Southeast Region of Reserve Advisors. Mr. Dow is responsible for the inspection and analysis of the condition of clients' properties, and recommending engineering solutions to prolong the lives of the components. He also forecasts capital expenditures for the repair and/or replacement of the property components and prepares technical reports on assignments. He is responsible for conducting Life Cycle Cost Analyses and Capital Replacement Forecast services and the preparation of Reserve Study Reports for condominiums, townhomes and homeowner associations. Mr. Dow frequently serves as the Quality Assurance Review Coordinator for all types of communities.

The following is a partial list of clients served by Jeffrey Dow demonstrating his breadth of experiential knowledge of community associations in construction and related buildings systems.

Alson Court Condominium Owners Association, Inc. - This historic Charlotte, NC building was constructed in 1939 and comprises all-brick construction and a clay tile roof. The unique layout of the building, which includes a number of entrances and lobbies, allows for two picturesque courtyards. The property includes two detached garages.

Charleston Oceanfront Villas Homeowners Association - This oceanfront condominium offers spectacular views of Folly Beach, SC and the Atlantic Ocean. The four-story stucco building contains 96 luxury residential units. Amenities include private balconies, a large garage on the first floor and two pools.

Le Club at Old Cutler Condominium Association, Inc. - This condominium community in Miami, FL comprises 334 units in 14 buildings. Amenities of this property include a large pond with a lighted lake walk, a large clubhouse with fitness room, a pool, a sauna, a playground and tennis courts.

Marco Towers Club, Inc. - Located on exclusive Marco Island just south of Naples, FL, this eight-story mid-rise features solid concrete construction and was the designated hurricane shelter for its community for many years. It houses 57 condominiums with balconies offering views of the adjacent intercoastal waterway. The property also includes a party room, office and detached garages.

Mountaintop Community Association - This mountain golf community is located in Highlands, NC and includes high-end single family homes. The community includes a wastewater treatment plant, lift stations, two domestic water wells, three bridges and asphalt pavement roadways.

The Academy at Ocean Reef - Located in Key Largo, FL, this private institution serves kindergarten through the eighth grade and includes offices, a science lab, a music room, a television production room, six classrooms, an atrium and other learning facilities.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Mr. Dow successfully completed the bachelors program in Civil Engineering from Florida State University. He also has four years of experience as a land development engineer in the Washington, D.C. area and Tampa, FL, where he gained knowledge in the design of residential and commercial property, utility layout and stormwater detention.

EDUCATION

Florida State University - B.S. Civil Engineering, Cum Laude

PROFESSIONAL AFFILIATIONS

Professional Engineer (P.E.) - State of Florida, 2008

Reserve Specialist (RS) - Community Associations Institute



ALAN M. EBERT, P.E., PRA, RS
Director of Quality Assurance

CURRENT CLIENT SERVICES

Alan M. Ebert, a Professional Engineer, is the Director of Quality Assurance for Reserve Advisors. Mr. Ebert is responsible for the management, review and quality assurance of reserve studies. In this role, he assumes the responsibility of stringent report review analysis to assure report accuracy and the best solution for Reserve Advisors' clients.

Mr. Ebert has been involved with thousands of Reserve Study assignments. The following is a partial list of clients served by Alan Ebert demonstrating his breadth of experiential knowledge of community associations in construction and related buildings systems.

Brownsville Winter Haven Located in Brownsville, Texas, this unique homeowners association contains 525 units. The Association maintains three pools and pool houses, a community and management office, landscape and maintenance equipment, and nine irrigation canals with associated infrastructure.

Rosemont Condominiums This unique condominium is located in Alexandria, Virginia and dates to the 1940's. The two mid-rise buildings utilize decorative stone and brick masonry. The development features common interior spaces, multi-level wood balconies and common asphalt parking areas.

Stillwater Homeowners Association Located in Naperville, Illinois, Stillwater Homeowners Association maintains four tennis courts, an Olympic sized pool and an upscale ballroom with commercial-grade kitchen. The community also maintains three storm water retention ponds and a detention basin.

Birchfield Community Services Association This extensive Association comprises seven separate parcels which include 505 townhome and single family homes. This Community Services Association is located in Mt. Laurel, New Jersey. Three lakes, a pool, a clubhouse and management office, wood carports, aluminum siding, and asphalt shingle roofs are a few of the elements maintained by the Association.

Oakridge Manor Condominium Association Located in Londonderry, New Hampshire, this Association includes 104 units at 13 buildings. In addition to extensive roads and parking areas, the Association maintains a large septic system and significant concrete retaining walls.

Memorial Lofts Homeowners Association This upscale high rise is located in Houston, Texas. The 20 luxury units include large balconies and decorative interior hallways. The 10-story building utilizes a painted stucco facade and TPO roof, while an on-grade garage serves residents and guests.

PRIOR RELEVANT EXPERIENCE

Mr. Ebert earned his Bachelor of Science degree in Geological Engineering from the University of Wisconsin-Madison. His relevant course work includes foundations, retaining walls, and slope stability. Before joining Reserve Advisors, Mr. Ebert was an oilfield engineer and tested and evaluated hundreds of oil and gas wells throughout North America.

EDUCATION

University of Wisconsin-Madison - B.S. Geological Engineering

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

Professional Engineering License – Wisconsin, North Carolina

Reserve Specialist (RS) - Community Associations Institute

Professional Reserve Analyst (PRA) - Association of Professional Reserve Analysts

RESOURCES

Reserve Advisors, Inc. utilizes numerous resources of national and local data to conduct its Professional Services. A concise list of several of these resources follows:

Association of Construction Inspectors, (ACI) the largest professional organization for those involved in construction inspection and construction project management. ACI is also the leading association providing standards, guidelines, regulations, education, training, and professional recognition in a field that has quickly become important procedure for both residential and commercial construction, found on the web at www.iami.org. Several advisors and a Principal of Reserve Advisors, Inc. hold Senior Memberships with ACI.

American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc., (ASHRAE) the American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc., devoted to the arts and sciences of heating, ventilation, air conditioning and refrigeration; recognized as the foremost, authoritative, timely and responsive source of technical and educational information, standards and guidelines, found on the web at www.ashrae.org. Reserve Advisors, Inc. actively participates in its local chapter and holds individual memberships.

Community Associations Institute, (CAI) America's leading advocate for responsible communities noted as the only national organization dedicated to fostering vibrant, responsive, competent community associations. Their mission is to assist community associations in promoting harmony, community, and responsible leadership.

Marshall & Swift / Boeckh, (MS/B) the worldwide provider of building cost data, co-sourcing solutions, and estimating technology for the property and casualty insurance industry found on the web at www.marshallswift.com.

R.S. Means CostWorks, North America's leading supplier of construction cost information. As a member of the Construction Market Data Group, Means provides accurate and up-to-date cost information that helps owners, developers, architects, engineers, contractors and others to carefully and precisely project and control the cost of both new building construction and renovation projects found on the web at www.rsmeans.com.

Reserve Advisors, Inc., library of numerous periodicals relating to reserve studies, condition analyses, chapter community associations, and historical costs from thousands of capital repair and replacement projects, and product literature from manufacturers of building products and building systems.

7. DEFINITIONS

Definitions are derived from the standards set forth by the Community Associations Institute (CAI) representing America's 305,000 condominium and homeowners associations and cooperatives, and the Association of Professional Reserve Analysts, setting the standards of care for reserve study practitioners.

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.

Component Method - A method of developing a Reserve Funding Plan with the total contribution is based on the sum of the contributions for individual components.

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, overtime, bonuses for labor or premiums for material and equipment. We include removal and disposal costs where applicable.

Fully Funded Balance - The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost similar to Total Accrued Depreciation.

Funding Goal (Threshold) - The stated purpose of this Reserve Study is to determine the adequate, not excessive, minimal threshold reserve balances.

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 Grand Panama Beach Resort 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.

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

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) Grand Panama Beach Resort 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 *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 a 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.

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.

8. PROFESSIONAL SERVICE CONDITIONS

Our Services - Reserve Advisors, Inc. (RA) performs its services as an independent contractor in accordance with our professional practice standards and its compensation is not contingent upon our conclusions. The purpose of our reserve study is to provide a budget planning tool that identifies the current status of the reserve fund, and an opinion recommending an annual funding plan to create reserves for anticipated future replacement expenditures of the property.

Our inspection and analysis of the subject property is limited to visual observations and is noninvasive. RA inspects sloped roofs from the ground and inspects flat roofs where safe access (stairs or ladder permanently attached to the structure) is available. The report is based upon a “snapshot in time” at the moment of inspection. RA may note visible physical defects in our report. The inspection is made by employees generally familiar with real estate and building construction but in the absence of invasive testing RA cannot opine on, nor is RA responsible for, the structural integrity of the property including its conformity to specific governmental code requirements for fire, building, earthquake, and occupancy, or any physical defects that were not readily apparent during the inspection.

RA is not responsible for conditions that have changed between the time of inspection and the issuance of the report. RA does not investigate, nor assume any responsibility for any existence or impact of any hazardous materials, such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, environmental mold or other potentially hazardous materials or structural defects that are latent or hidden defects which may or may not be present on or within the property. RA does not make any soil analysis or geological study as part of its services; nor does RA investigate water, oil, gas, coal, or other subsurface mineral and use rights or such hidden conditions. RA assumes no responsibility for any such conditions. The Report contains opinions of estimated costs and remaining useful lives which are neither a guarantee of the actual costs of replacement nor a guarantee of remaining useful lives of any property element.

RA assumes, without independent verification, the accuracy of all data provided to it. You agree to indemnify and hold RA harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement, because of any false, misleading or incomplete information which we have relied upon supplied by you or others under your direction, or which may result from any improper use or reliance on the Report by you or third parties under your control or direction. Your obligation for indemnification and reimbursement shall extend to any director, officer, employee, affiliate, or agent of RA. Liability of RA and its employees, affiliates, and agents for errors and omissions, if any, in this work is limited to the amount of its compensation for the work performed in this engagement.

Report - RA completes the services in accordance with the Proposal. The Report represents a valid opinion of RA's findings and recommendations and is deemed complete. RA, however, considers any additional information made available to us within 6 months of issuing the Report if a timely request for a revised Report is made. RA retains the right to withhold a revised Report if payment for services was not tendered in a timely manner. All information received by RA and all files, work papers or documents developed by RA during the course of the engagement shall remain the property of RA and may be used for whatever purpose it sees fit.

Your Obligations - You agree to provide us access to the subject property for an on-site visual inspection. You agree to provide RA all available, historical and budgetary information, the governing documents, and other information that we request and deem necessary to complete the Report. You agree to pay actual attorneys' fees and any other costs incurred to collect on any unpaid balance for RA's services.

Use of Our Report and Your Name - Use of this Report is limited to only the purpose stated herein. You hereby acknowledge that any use or reliance by you on the Report for any unauthorized purpose is at your own risk and you shall hold RA harmless from any consequences of such use. Use by any unauthorized third party is unlawful. The Report in whole or in part **is not and cannot be used as a design specification for design engineering purposes or as an appraisal**. You may show our Report in its entirety to the following third parties: members of your organization, your accountant, attorney, financial institution and property manager who need to review the information contained herein. Without the written consent of RA, you shall not disclose the Report to any other third party. The Report contains intellectual property developed by RA and **shall not be reproduced or distributed to any party that conducts reserve studies without the written consent of RA**.

RA will include your name in our client lists. RA reserves the right to use property information to obtain estimates of replacement costs, useful life of property elements or otherwise as RA, in its sole discretion, deems appropriate.

Payment Terms, Due Dates and Interest Charges - Retainer payment is due upon authorization and prior to inspection. The balance is due net 30 days from the report shipment date. Any balance remaining 30 days after delivery of the Report shall accrue an interest charge of 1.5% per month. Any litigation necessary to collect an unpaid balance shall be venued in Milwaukee County Circuit Court for the State of Wisconsin.