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**Regional Offices**

Arizona  
California  
Colorado  
Florida  
Hawaii  
Nevada  
Washington

April 13, 2015

**Association # 28828-0**

**Silver Point Condominiums**  
**c/o Mr. Johann Swart**  
**Board of Directors**  
**74 Silverpoint Condominiums**  
**Acacia Road, Freeport, Bahamas**

Subject: Reserve Study Proposal

Dear Johann,

Thank you for requesting a Reserve Study proposal from Association Reserves. It would be our privilege to serve as your Reserves planning partner! We recognize that you have a choice of Reserve Study providers and want to make sure you understand the many benefits of working with our company:

- Your Reserve Study will be prepared in accordance with [National Reserve Study Standards™](#) by a credentialed [Reserve Specialist™](#)
- Your Report (and other files) will be [posted online](#) for easy, anytime access
- Your free Video Explanation of Results will help you communicate with Boardmembers and Homeowners
- Your free Funding Analysis Software will allow you to compare various "what-if" scenarios

All of our complete, accurate, and user-friendly 30-yr Reserve Studies contain three key results:

1. [Component List](#) detailing the scope and schedule of all Reserve Projects
2. Calculation of current [Reserve Fund Strength](#) (% Funded)
3. [Customized Funding Plan](#) going forward that allows for timely repairs & replacements, with an emphasis on avoiding special assessments

When you're ready for the next step, simply sign and return the Agreement along with a 50% deposit on the total fee for the Study. Our office will then contact you regarding the next steps in the process, such as scheduling the site inspection, obtaining required background information, etc. Please don't hesitate to contact us if you have any questions or concerns, or would like any additional information. We hope to hear from you soon!

Sincerely,

A handwritten signature in blue ink that reads "Will Simons".

Will Simons, RS  
President  
Florida/Southeast Regional Office

# Introduction to Reserve Studies

## What's a Reserve Study?

A Reserve Study is best described as a document used by community associations (or any other type of common interest real estate development) to help plan financially for major repair, replacement, or restoration projects over a long period of time. Our studies cover a thirty year timeframe, beginning with the current or upcoming fiscal year. There are two main sections in a Reserve Study: the **Physical Analysis** and the **Financial Analysis**.



## Are Reserve Studies really that important?

Absolutely. It's fairly easy to plan and prepare for recurring costs like management fees, insurance premiums, landscaping contracts, and utilities, but what about the projects and expenses that DON'T happen every year? That's our specialty...identifying and forecasting those projects that are *certain* to occur, but are often overlooked or underestimated. There's no question that setting aside Reserve funds over a long period of time is the simplest, most cost-effective, and most responsible way to plan for major projects.

The work will need to be done; it's up to the association to plan accordingly. Without adequate Reserves, associations will have to make a tough decision: will you take out costly loans, push for recurring special assessments, or worst, accept a drop in home values due to deteriorating conditions and deferred maintenance? A current, reliable Reserve Study is the first step toward long-term financial strength for every association. Without one, association homeowners will be misinformed, underprepared, and left exposed to serious financial consequences. A current, reliable Reserve Study is a hallmark of well-managed associations, and an important part of a homeowner board's fiduciary duty to act in the best interest of their association members.

# What components are included in a Reserve Study?

The National Reserve Study Standards specify the following definition of a Reserve Component:

- Must be the association's responsibility.
- Must have a limited Useful Life (UL)
- Must have a predictable Remaining Useful Life (RUL)
- Must be above a certain "threshold cost"

We typically recommend funding for projects such as: roof replacement, painting/waterproofing, pavement sealing and resurfacing, elevator modernization, balcony and deck sealing and restoration, major mechanical systems (HVAC, fire alarm, hot water, etc.), major pool and spa expenses, interior/amenity area remodeling, and many more. The bottom line is that every property is different, and will require a thorough inspection to determine what belongs in your study.

State requirements vary on what types of projects should be addressed through Reserves (and therefore included in a Reserve Study). Our studies will always meet and usually exceed these requirements, ensuring that our clients are acting in accordance with legal requirements and sound fiduciary responsibility.



# Scope of Work

Our Reserve Studies are prepared in accordance with National Reserve Study Standards, established in 1998 by the Community Associations Institute. Per these standards, a Reserve Study engagement generally consists of the following:

## 1. Component Inventory & Condition Assessment

The component inventory is “the task of selecting and quantifying Reserve Components. This task can be accomplished through on- site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representative(s) of the association or cooperative.” The condition assessment is “the task of evaluating the current condition of the component based on observed or reported characteristics.” As part of our inspection, we review any available building documents including site plans, building plans, fire alarm inspection records, equipment schedules and any other data that may be informative regarding component details, project history or expectations for upcoming work. We then photograph, measure and inspect all areas or components to be included. A Reserve Study site inspection is visual in nature and does not incorporate any destructive or other testing. The inspection is not intended to identify code or construction defects, nor is it intended to be the foundation for anything other than budgeting and planning purposes.

**NOTE:** For Update, With Site Visit (Level 2) Reserve Studies, the component inventory is for verification purposes only, using previously-established component quantities from a prior Reserve Study. However, the condition assessment is re- established based on current conditions. For Update, No Site Visit (Level 3) Reserve Studies, there is no physical inspection of the property. We review the component inventory and condition assessments from the most recent Level 1 or Level 2 study, then proceed with the Life and Valuation Estimates and Financial Analysis.



## 2. Life & Valuation Estimates

This process is usually much more time consuming than the actual site inspection, and represents the bulk of the overall Reserve Study process. Our Reserve Specialist® begins by organizing and interpreting the raw data he or she gathered during the site inspection, reviewing all measurements, notes and photographs for key details and insights. Next, we establish the component list structure, and determine the life and cost estimates for each Reserve component. Our standard procedure is to use any historical information provided to us by the client (such as when certain projects were done, and what they cost), and to review any bids or estimates for upcoming work. We review our findings with your current vendors for their insights, and also check their input against information we’ve gathered working with other comparable properties in your area. We constantly consult our own internal databases, comprised of data collected from over 30,000 Reserve Studies. As a supplement, we also make use of professional construction estimating software programs, guidebooks, publications and manufacturer’s publications to supplement our knowledge base. The end result is a complete, thorough set of estimates that are accurate, current, property-specific, and generated by a qualified, independent third party.

## 3. Financial Analysis, Report Preparation & Delivery

Once the component list is established and we’ve reviewed your current annual budget and Reserve fund balance(s), we will make a determination of relative current Reserve fund strength and created a recommended funding plan covering the next 30 fiscal years, including a schedule of projected annual income and expenses.

# Why should we choose Association Reserves?

Association Reserves was established in 1986 as a professional engineering consulting firm serving community associations throughout the United States and abroad. To date, our firm has completed over **30,000** Reserve Studies for properties of all types, including condominium and homeowners associations, community development districts, timeshare and resort properties, commercial facilities, worship facilities, and more. Over the years, our firm has been instrumental in defining and advocating the National Reserve Study Standards endorsed by the Community Associations Institute (CAI).

Each Reserve Study we provide is conducted with special consideration for the unique characteristics of the client property, especially age, regional weather patterns, local pricing factors, and input from the Board of Directors. Our time-tested approach involves thorough research of all key factors, especially project history, projected useful life and cost data, and aesthetic standards in the local area. Our staff members earn and maintain the Reserve Specialist® credential administered by the Community Associations Institute (CAI), the international authority on all aspects of community association living.

We don't take a one-size-fits-all approach to our work, because we know that every association is different, and we take the time and care to ensure our results will help you to make wise decisions regarding the long-term care of your physical and financial assets. From our first phone call to final delivery of your study, we hold ourselves to the highest standards of professionalism. We pride ourselves on delivering a first-rate product, because we know you're putting your trust in our hands.

We're proud to announce that in 2013 we were selected as a Platinum-level Reader's Choice Award winner in the first ever competition put on by the Florida Community Association Journal. We attribute this achievement to a combination of hard work, attention to detail and an unwavering commitment to serving our clients.





# Qualifications and Key Staff Members

All of our project staff members have college degrees and many come from construction, engineering, architecture and related backgrounds. All project management staff members are trained specifically in the field of preparing Reserve Studies. As of 2014, over 20 staff members have earned the prestigious Reserve Specialist credential, more than any other firm in the country.



**Robert M. Nordlund, PE, RS** is the founder, owner and CEO of Association Reserves. Robert is a Professional Engineer, Reserve Specialist, and former board president of his own homeowners association. In addition, he is a past Chairman of CAI's Reserve Professionals Committee, past Chairman of the Association of Professional Reserve Analysts, past President of CAI's Greater Los Angeles Chapter, and a frequent speaker in industry-sponsored seminars and presentations throughout the United States. He obtained his Bachelor's degree from the University of Washington in Mechanical Engineering, and is a member of the prestigious engineering honors society Tau Beta Pi.



**Will Simons, RS** is the President of our Florida regional offices. Will has completed over 800 Reserve Studies for property types including residential developments, schools, historic buildings, commercial developments, country clubs, worship facilities, marinas and more. Will has earned the Reserve Specialist designation (#190) and is also a frequent author and speaker in the industry. He is a licensed Continuing Education Provider (#0005433) for Florida Community Association Managers, having designed and taught coursework related to Reserve funds and Reserve Studies. He currently serves as the Treasurer of his own homeowners association in South Florida, serving a community of over 600 homes and helping to oversee an annual budget of over \$1 million. Will earned a Bachelor's degree in Business Administration from the University of Southern California.



**Aldo Gonzalez, PE** is the Director of Operations for our Florida regional offices. Aldo holds a Bachelor's of Science Degree in Civil Engineering from Florida International University and is a Registered Licensed Engineer (#49450) in the State of Florida. Aldo's career has spanned over 30 years of civil engineering and project management roles. For over 15 years, he directed his own engineering consulting firm, providing services including: general engineering consulting, real estate asset inspection, planning and feasibility studies, engineering reports and design calculations, drainage and paving design, water, sewer and flood control system design and more to a wide variety of clients throughout Florida. Aldo has also served as Board Member for the Palm Isle at Doral Community Development District in Doral, Florida.

# What can I expect to see in my Reserve Study?

Simple, concise summary of recommendations, with a clear, organized listing of Reserve components.

### 3- Minute Executive Summary

Association: Sample Condo Association      Assoc. #: 9999-0  
 Location: Anywhere, FL  
 # of Units: 311  
 Report Period: January 1, 2011 through December 31, 2011

**Results as-of 1/1/2011:**

Projected Starting Reserve Balance:	\$176,000
Fully Funded Reserve Balance:	\$332,480
Average Reserve Deficit (Surplus) Per Unit:	\$503
Percent Funded:	52.9%
Recommended 2011 monthly Reserve Contribution:	\$29,000
Recommended 2011 Special Assessment for Reserves:	\$0
Most Recent Reserve Contribution Rate:	\$26,435

**Economic Assumptions:**  
 Net Annual "After Tax" Interest Earnings Accruing to Reserves..... 1.00%  
 Annual Inflation Rate..... 3.00%

- This is a "Full" Reserve Study (original, created "from scratch"). The information in this Reserve Study is based on our site inspection on July 16, 2010. This Reserve Study was prepared by a credentialed Reserve Specialist (RS).
- Because your Reserve Fund is between 30% and 70% at 52.9% Funded, this represents a fair position. In perspective, associations funded at this level face a moderate risk of special assessments and other cash flow problems. Your multi-year Funding Plan is designed to gradually bring you to the 100% level, or "Fully Funded".
- Based on this starting point, your anticipated future expenses, and your historical Reserve contribution rate, our recommendation is to increase in the upcoming fiscal year.
- The monthly Reserve contribution amount recommended here should be increased by 4% in each of the next 14 years, followed thereafter by annual increases of 3%. No assets appropriate for Reserve designation were excluded.

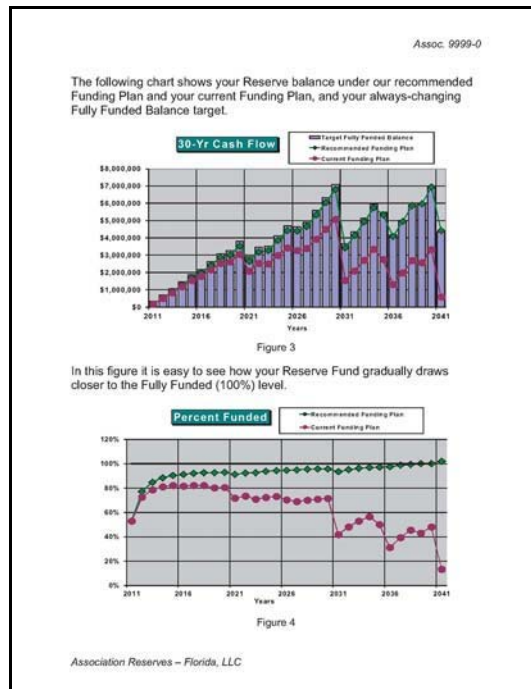
Association Reserves - Florida, LLC

### Table 1. Executive Summary

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
<b>Sample Condo - Exterior/Garage</b>					
104	Balcony Decks - Reccoat	5	4	\$99,000	\$111,425
105	Balcony Decks - Resurface	28	27	\$346,500	\$769,677
201	Asphalt - Resurface	24	23	\$7,600	\$14,999
202	Asphalt - Seal/Repair	4	3	\$693	\$757
324	Exterior Lighting - Replace	20	19	\$33,613	\$58,940
326	Garage Lights - Replace	30	29	\$4,200	\$9,898
701	Main Entrance Doors - Replace	15	14	\$3,900	\$5,899
702	Garage Gates - Replace	25	24	\$17,500	\$35,574
903	Exterior Furniture - Replace	8	7	\$166,000	\$196,780
1111	Garage Interior - Repaint	14	13	\$19,125	\$28,066
1115	Stucco - Repaint	10	9	\$7,925	\$10,340
1118	Parking Spaces - Restripe	7	6	\$17,200	\$20,538
1130	Heliport - Reccoat	5	4	\$3,125	\$3,517
1202	Pool - Resurface	10	9	\$28,000	\$36,534
1203	Spa - Resurface	5	4	\$8,000	\$9,004
1304	Deck Underlayment - Replace	20	19	\$88,200	\$154,659
1307	Torch-Down Modified Roof - Replace	20	19	\$138,450	\$242,773
1705	Exterior Planters - Waterproof	15	14	\$265,000	\$400,836
1980	Building Envelope - Seal/Waterproof	10	9	\$460,000	\$600,196
<b>Sample Condo - Interior Areas</b>					
328	Exit Signs - Replace	30	29	\$32,000	\$75,410
403	Mallboxes - Replace	25	24	\$26,813	\$56,098
601	Corridor Carpet - Replace	10	9	\$116,000	\$151,354
902	Gym Equip. Accessories - Replace	8	7	\$111,425	\$137,039
903	Lobby Furniture/Network - Replace	12	11	\$150,863	\$208,502
903	Office Furniture/Equip - Replace	12	11	\$13,650	\$18,895
904	Kitchenettes - Refurbish	10	9	\$10,000	\$13,048
910	240 Lounge - Remodel	12	11	\$125,000	\$173,029
910	Common Area Bathrooms - Remodel	12	11	\$12,000	\$16,611
910	Gym - Remodel	10	9	\$15,000	\$19,372
1110	Lobby/Offices - Refurbish	12	11	\$9,000	\$12,458
1110	Corridor Interiors - Repaint	10	9	\$61,200	\$79,852
1110	Stairwell Interiors - Repaint	15	14	\$43,800	\$65,949
1802	Elevator Cabs - Remodel	10	9	\$70,000	\$91,334
<b>Sample Condo - Mechanical/Systems</b>					
302	Emergency Generator - Overhaul	50	49	\$200,000	\$851,244
303	AC Condensing Units - Replace	20	19	\$9,500	\$16,658
303	Fan Coil Units - Replace	24	24	\$18,500	\$37,007
303	Heat Pumps - Replace (Common)	20	19	\$84,000	\$147,295
303	Packaged AC Units - Replace	20	19	\$13,500	\$23,672
304	Variable Frequency Drives - Replace	9	9	\$50,000	\$65,239
305	Stairwell Pressure Fans - Replace	20	19	\$16,500	\$28,933
306	Emergency Supply Fans - Replace	20	19	\$16,500	\$28,933
306	Garage Exhaust Fans - Replace	20	19	\$9,000	\$15,782
306	Garage Supply Fans - Replace	20	19	\$19,000	\$33,317

Association Reserves - Florida, LLC

Large, color-coded charts and tables to illustrate long-term implications



Here's a sample of our Inventory Appendix pages. We devote a half-page summary to every single component included in your Reserve Study.


**Association Reserves** **Inventory Appendix**

**Client:** 9999FB Sample Condo - Interior Areas

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**Comp #:** 902 Gym Equip, Accessories - Replace  
**Quantity:** (15) Large Machines  
**Location:** 24th Floor  
**Evaluation:** (6) treadmills, (3) Stairmasters, (2) stationary bikes, (4) resistant weight machines, (20) lockers, misc. small pieces. Modern, high quality equipment in good condition. No unusual signs of wear or age

**Useful Life & Remaining Useful Life Estimates** → Useful Life: 8 years  
→ Remaining Life: 7 years



**Full Color Photographs** →


Best Case: \$100,300.00      Worst Case: \$122,550.00  
Lower estimate to replace      Higher estimate

Cost Source: Client Cost History, plus Inflation

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**Comp #:** 903 Lobby Furniture/Artwork - Replace  
**Quantity:** Approx (14) Pieces  
**Location:** Lobby interior  
**Evaluation:** All attractive and modern pieces. Expect to replace periodically to maintain contemporary style. Costs taken from purchase schedule provided by client. Security guard's desk is included here.

Useful Life: 12 years  
Remaining Life: 11 years



**Descriptive, detailed commentary** →

Best Case: \$135,600.00      Worst Case: \$165,725.00  
Lower estimate to replace      Higher estimate

Cost Source: Client Cost History, plus Inflation

**Accurate cost estimates, and description of information source** →

July 05, 2011 Page 3 of 8



# Deliverables

From the founding of our company, our focus has been on creating a useful, reliable document that can be picked up and understood by any association board member, resident or property manager. Upon completion of the Reserve Study, the Association will receive the following:

- **Electronic copy:** A digital version of the entire Reserve Study document is delivered by email in PDF form. We also post the completed study to a password-protected location on our website, where association representatives can view and download the entire study, Executive Summary section and funding plan software file.
- **Printed copies, upon request:** Printed and bound color copies are available upon request. Two copies can be provided at for free. Additional copies will be billed at cost.
- **Funding plan software file:** We conduct the financial analysis portion of the study using a customized Microsoft Excel® file. Upon completion of the study, we provide this same file to the Association, including fully-functional formulas and input-ready data fields for adding, removing or adjusting component data, such as useful life, remaining useful life and replacement cost estimates. *Note: having this file does NOT enable you to create your own Reserve Study and is not intended to be used for the creation of new Reserve Study documents.* Rather, we provide this file so that our clients can test “what- if” scenarios, see how their funding plan might change given different interest or inflation rates, and review the “raw” data that went into preparing their study.
- **Complimentary revisions:** we will gladly revise the study at no charge to the client for a period of up to 90 days following delivery of the completed study, in the event that there is a material error or discrepancy identified within the study.
- **Video presentation:** we will provide a brief video presentation of the Reserve Study to help explain the outcomes and provide more background information. The Reserve Study document is shown on-screen, and you’ll hear our staff describe the key financial details, review the component list and explain how we formulate our recommendations in the study. This is ideal for sharing at Board meetings, annual association events, etc.
- **Additional services:** Association Reserves can also provide additional consulting work, attend association meetings, re-visit the property for follow-up inspections, etc. Additional labor charges will be billed at a rate of \$150.00/hour, with a one hour minimum. Travel to and from the property will be billed at the rate of \$50.00/hour. Please contact us directly for more specific information and requests for additional services.

## References and Testimonials

You don't get to be in business for 27 years and counting without building a great reputation. Here's what some of our clients have had to say about us recently:

- *"As the owner of a fairly large property management company, I have been using Association Reserves since the firm was founded. Excellent staff, timely responses, easy to understand reports, and changing reports has never been problematic! I cannot recommend Association Reserves highly enough."*
- *"Association Reserves provides incredible service, knowledge and professionalism."*
- *"Until now, I had yet to see a Reserve Study whose overview so "user" friendly. Any novice may pick it up and understand the concepts behind a Reserve Study. Very impressive. To add to that, our Project Manager could not be more responsive in answering any of our questions and bending over backwards to work with us."*
- *"I have been in this business since 1998 and not everyone understands how HOAs and Boards work. Association Reserves employees do, which makes my job easier."*
- *"Our Board could not be more pleased with the report we have received and the manner in which the study was conducted. We highly recommend Association Reserves to prepare your Reserve Study."*
- *"We have worked with Association Reserves for several years. This is a process which can be very cumbersome to say the least, but Association Reserves has streamlined the process and with their help it has been painless and very successful."*
- *"Association Reserves far exceeded my expectations in terms of ease of access to our Reserve Study report on the internet, and quality of service."*
- *"The Association Reserves representatives have been very friendly and professional and have been very responsive to our needs."*



# Schedule, Terms & Fees

Proposal Date: April 13, 2015

Association Name: Silver Point Condominiums

Proposal Number #28828-0

Level of Service: Full (Level 1) Reserve Study\*

\*If your association has had a prior Reserve Study that you wish to have updated, please contact our office for Reserve Study Update (Level 2 or Level 3) pricing.

## Description:

A Full Reserve Study is required when the client has no prior Reserve Study, or wishes to start “from scratch” with a completely new study. This level of service is defined by National Reserve Study Standards as an engagement during which the following five Reserve Study tasks are performed for the first time: Component Inventory, Condition Assessment (based upon on-site visual observations), Life and Valuation Estimates, Fund Status and Funding Plan.

## Schedule:

Completed Reserve Study will be delivered not more than **8 weeks** from the date we receive your 50% deposit. Alternate pricing for faster delivery is shown below.

## Payment Terms:

Payment is required in two installments: 50% of the fee is due upon acceptance of this proposal, with the balance due upon delivery of the draft of the Reserve Study. Refer to the “Deliverables” page included in this proposal for more detail on all items included with our service, including electronic and printed copies of the Reserve Study, a copy of the funding plan software file, and a customized video presentation of the results of the study.

## Fee:

Full (Level 1) Reserve Study: **\$5,840 (8-week price)**

**or \$7,300 (5-week price)**

**or \$10,950 (2-week price)**

## Proposal acceptance:

To accept this proposal, please sign and date below and submit this form to our office with your 50% deposit.

We, the undersigned, understand that the Reserve Study being prepared will identify and address the normal deterioration of properly built and installed components with predictable life expectancies. Inspecting for construction defects, performing destructive testing to search for hidden issues (such as plumbing or electrical problems), environmental hazards (asbestos, radon, lead, etc.), or accounting for unpredictable acts of nature are all outside our scope of work. We understand that the above Fee is based on the accuracy of how the Association was described to Association Reserves in our Request for Proposal. If this is not found to be a true representation of our common area maintenance responsibilities, Association Reserves reserves the right to negotiate an adjusted fee for our services. Association Reserves liability in any matter involving this Reserve Study is limited to our Fee for services rendered.

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_