RESERVE STUDY

Pawleys Place
Homeowners Association, Inc.



Pawleys Island, South Carolina
May 6, 2020

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Pawleys Place Homeowners Association, Inc.
Pawleys Island, South Carolina

Dear Board of Directors of Pawleys Place Homeowners Association, Inc.:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Reserve Study* of Pawleys Place Homeowners Association, Inc. in Pawleys Island, South Carolina and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, May 6, 2020.

This *Reserve Study* exceeds the Association of Professional Reserve Analysts (APRA) standards fulfilling the requirements of a "Level II 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. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. We look forward to continuing to help Pawleys Place Homeowners 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 June 3, 2020 by

Reserve Advisors, LLC

Visual Inspection and Report by: Rachel K. Footitt
Review by: Alan M. Ebert, RS, PRA[2], Director of Quality Assurance



[1] 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.
[2] 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.

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RESERVE ADVISORS

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1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Pawleys Place Homeowners Association, Inc. (Pawleys Place)
Location: Pawleys Island, South Carolina
Reference: 090830

Property Basics: Pawleys Place Homeowners Association, Inc. is a townhome style development consisting of 181 units in 35 buildings. The community was built in 1999.

Reserve Components Identified: 26 Reserve Components.

Inspection Date: May 6, 2020. We conducted the original inspection on October 13, 2009.

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 2040 due to replacement of the asphalt shingle roofs.

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
- 2.2% anticipated annual rate of return on invested reserves
- 3.4% future Inflation Rate for estimating Future Replacement Costs

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:

- $840,851 as of May 28, 2020
- 2020 budgeted Reserve Contributions of $205,499

Project Prioritization: We note anticipated Reserve Expenditures for the next 30 years in the ***Reserve Expenditures*** tables and include a ***Five-Year Outlook*** table following the ***Reserve Funding Plan*** in Section 3. We recommend the Association prioritize the following projects in the next five years based on the conditions identified:

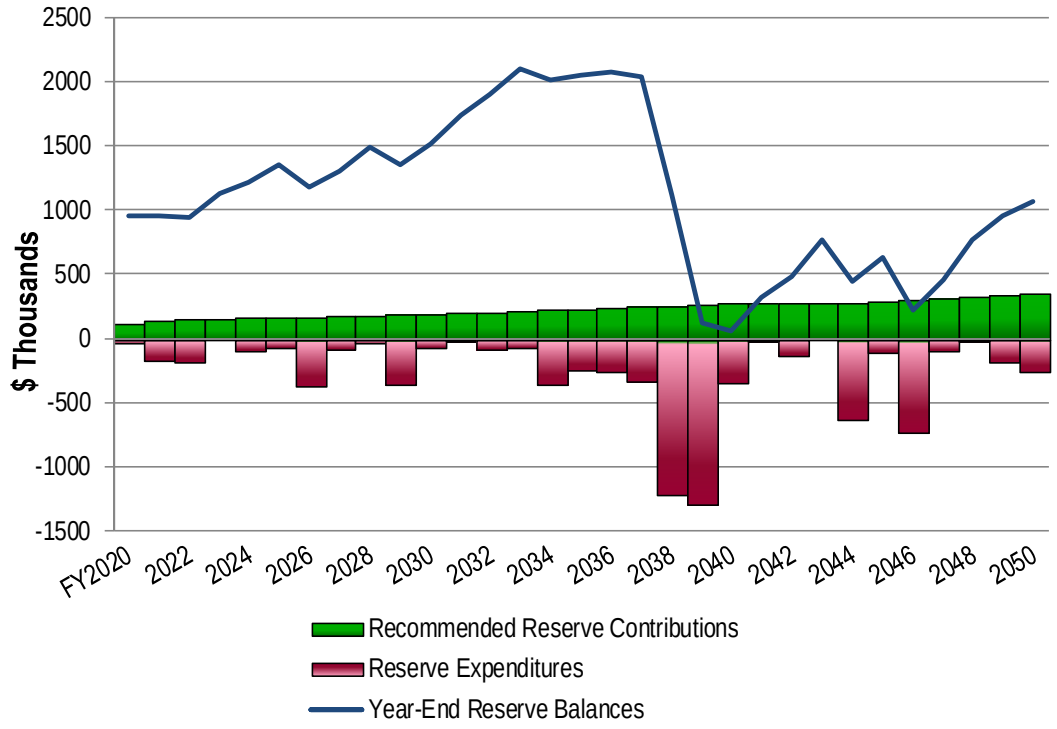
- Roofs, Asphalt Shingles

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

- Reduced reserve budget of $146,500 in 2021
- Inflationary increases from 2022 through 2040
- Stable contributions of $276,600 from 2041 through 2043
- Inflationary increases from 2044 through 2050, the limit of this study's Cash Flow Analysis
- 2021 Reserve Contribution of $146,500 is equivalent to an average monthly contribution of $67.45 per homeowner.

Pawleys Place
Recommended Reserve Funding Table and Graph

Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)
2021	146,500	948,591	2031	204,700	1,737,395	2041	276,600	324,390
2022	151,500	943,720	2032	211,700	1,903,950	2042	276,600	480,373
2023	156,700	1,122,906	2033	218,900	2,096,420	2043	276,600	770,584
2024	162,000	1,217,407	2034	226,300	2,008,594	2044	286,000	436,964
2025	167,500	1,346,615	2035	234,000	2,046,103	2045	295,700	633,585
2026	173,200	1,175,200	2036	242,000	2,073,035	2046	305,800	222,570
2027	179,100	1,300,116	2037	250,200	2,038,785	2047	316,200	449,425
2028	185,200	1,482,929	2038	258,700	1,120,881	2048	327,000	771,616
2029	191,500	1,354,954	2039	267,500	115,322	2049	338,100	948,702
2030	198,000	1,513,932	2040	276,600	56,760	2050	349,600	1,064,523



2. RESERVE STUDY REPORT

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

Pawleys Place Homeowners Association, Inc.

Pawleys Island, South Carolina

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, May 6, 2020. We conducted the original inspection on October 13, 2009.

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
- **Five-Year Outlook -** Identifies reserve components and anticipated reserve expenditures during the first five 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 and the Board. 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:

- Pawleys Place 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
- Foundations
- Pipes, Interior Building, Domestic Water, Sanitary Waste, Common
- Pipes, Subsurface Utilities
- Pool Structure
- Structural Frames
- Well Casing

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.)
- Arbor, Wood, Pool, Paint Finishes
- Concrete Sidewalks, Partial Replacements
- Guardrails, Wood
- Irrigation System, Controls and Maintenance
- Landscape, Maintenance
- Light Fixtures, Exterior
- Mechanical Equipment, Pool
- Paint Finishes, Touch Up
- Retaining Walls, Wood, Capital Repairs
- Screens and Frames, Replacements and Interim Repairs
- Signage
- 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:

- Doors, Garage
- Electrical Systems (Including Circuit Protection Panels)
- Gutters and Downspouts
- Heating, Ventilating and Air Conditioning (HVAC) Units
- Interiors
- Patios, Lights and Ceiling Fans
- Pipes (Within Units)
- Windows and 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 (Utility Company)

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
- 2020 local cost of replacement
  - Per unit
  - Per phase
  - Replacement of total quantity
- Percentage of future expenditures anticipated during the next 30 years
- Schedule of estimated future costs for each reserve component including inflation

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

Five-Year Outlook

- Line item numbers
- Reserve component inventory of only the expenditures anticipated to occur within the first five years
- Schedule of estimated future costs for each reserve component anticipated to occur within the first five years

The purpose of a Reserve Study is to provide an opinion of reasonable annual Reserve Contributions. Prediction of exact timing and costs of minor Reserve Expenditures typically will not significantly affect the 30-year cash flow analysis. Adjustments to the times and/or costs of expenditures may not always result in an adjustment in the recommended Reserve Contributions.

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***.

Years 2020 to 2035

RESERVE EXPENDITURES

Pawleys Place
Homeowners Association, Inc.
Pawleys Island, South Carolina

Explanatory Notes:

1) 3.4% is the estimated Inflation Rate for estimating Future Replacement Costs.

2) FY2020 is Fiscal Year beginning January 1, 2020 and ending December 31, 2020.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years Useful	Remaining	Costs, $ Unit (2020)	Per Phase (2020)	Total (2020)	Percentage of Future Expenditures	RUL = 0 FY2020	1 2021	2 2022	3 2023	4 2024	5 2025	6 2026	7 2027	8 2028	9 2029	10 2030	11 2031	12 2032	13 2033	14 2034	15 2035
				Exterior Building Elements																							
1.280	2,650	379	Squares	Roofs, Asphalt Shingles, Phased	2021	15 to 20	1 to 7	340.00	128,714	901,000	23.9%		133,090	137,615											205,548	212,536
1.560	300	300	Pairs	Shutters, Vinyl	2025	to 20	5	60.00	18,000	18,000	0.8%						21,275										
1.651	3	1	Allowance	Trim, Wood, Doors and Windows, Paint Finishes, Phased	2020	4 to 6	0 to 2	25,000.00	25,000	75,000	8.6%	25,000	25,850	26,729				30,554	31,592	32,667				37,341	38,611	39,923	
1.820	15,100	15,100	Square Feet	Walls, Masonry, Inspections and Repairs	2034	to 15	14	1.60	24,160	24,160	1.3%															38,582	
1.860	211,500	105,750	Square Feet	Walls, Siding, Vinyl, Phased	2038	to 40	18 to 19	4.50	475,875	951,750	22.7%																
				Property Site Elements																							
4.020	14,750	14,750	Square Yards	Asphalt Pavement, Crack Repair and Patch	2022	3 to 5	2	0.80	11,800	11,800	1.6%			12,616								16,485			18,844		
4.040	14,750	14,750	Square Yards	Asphalt Pavement, Mill and Overlay	2026	15 to 20	6	15.00	221,250	221,250	10.2%							270,400									
4.080	1,115	1,115	Square Yards	Asphalt Pavement, Total Replacement, Walking Paths	2024	15 to 20	4	25.00	27,875	27,875	1.2%					31,864											
4.100	18	18	Each	Catch Basins, Inspections and Capital Repairs	2026	15 to 20	6	800.00	14,400	14,400	0.7%							17,599									
4.110	10,500	1,050	Linear Feet	Concrete Curbs and Gutters, Partial	2026	to 65	6 to 30+	35.50	37,275	372,750	1.7%							45,556									
4.120	42,300	2,540	Square Feet	Concrete Driveways, Partial	2027	to 65	7 to 30+	12.50	31,750	528,750	3.7%								40,122					47,423			
4.410	2	1	Each	Irrigation System, Pumps, Phased	2031	to 20	11 to 18	5,000.00	5,000	10,000	0.4%												7,223				
4.420	5	1	Allowance	Irrigation System, Replacement, Phased	2035	to 40+	15 to 19	17,000.00	17,000	85,000	1.9%																28,071
4.500	1	1	Allowance	Landscape, Partial Replacements	2024	to 5	4	35,000.00	35,000	35,000	4.9%					40,008					47,288					55,893	
4.600	19	19	Each	Mailbox Stations	2025	to 25	5	2,000.00	38,000	38,000	1.9%						44,914										
4.691	1,175	1,175	Linear Feet	Pond, Bulkhead, Timber	2029	15 to 20	9	150.00	176,250	176,250	8.1%										238,130						
4.700	3	3	Each	Ponds, Aerators	2030	10 to 15	10	6,500.00	19,500	19,500	0.9%											27,242					
4.710	1,440	215	Linear Feet	Ponds, Erosion Control, Partial	2033	to 15	13	33.00	7,095	47,520	0.4%														10,958		
4.730	8,680	2,170	Square Yards	Ponds, Sediment Removal, Partial	2029	to 30	9	18.00	39,060	156,240	0.7%										52,774						
				Pool Elements																							
6.101	1	1	Allowance	Arbor, Wood	2037	15 to 20	17	9,000.00	9,000	9,000	0.2%																
6.200	3,450	3,450	Square Feet	Concrete Deck, Textured Coating, Partial Replacements and Repairs	2030	8 to 12	10	5.50	18,975	18,975	1.5%											26,509					
6.400	240	240	Linear Feet	Fence, Vinyl	2027	15 to 20	7	31.00	7,440	7,440	0.4%								9,402								
6.500	2	1	Allowance	Furniture, Phased	2021	to 12	1 to 6	6,500.00	6,500	13,000	0.8%		6,721					7,944					9,389				
6.800	1,320	1,320	Square Feet	Pool Finish, Plaster	2024	8 to 12	4	10.00	13,200	13,200	0.8%					15,089									20,386		
6.801	150	150	Linear Feet	Pool Finish, Tile	2024	15 to 25	4	35.00	5,250	5,250	0.2%					6,001											
6.901	2	2	Each	Rest Rooms, Renovation	2029	to 25	9	4,500.00	9,000	9,000	0.5%										12,160						
				Anticipated Expenditures, By Year ($7,789,795 over 30 years)								25,000	165,661	176,960	0	92,962	66,189	372,053	81,116	32,667	350,352	70,236	16,612	84,764	69,955	358,790	240,607

RESERVE EXPENDITURES

Pawleys Place
Homeowners Association, Inc.
Pawleys Island, South Carolina

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years Useful	Remaining	Costs, $ Unit (2020)	Per Phase (2020)	Total (2020)	Percentage of Future Expenditures	16 2036	17 2037	18 2038	19 2039	20 2040	21 2041	22 2042	23 2043	24 2044	25 2045	26 2046	27 2047	28 2048	29 2049	30 2050
				Exterior Building Elements																						
1.280	2,650	379	Squares	Roofs, Asphalt Shingles, Phased	2021	15 to 20	1 to 7	340.00	128,714	901,000	23.9%	219,763	227,235	234,960	242,949	251,209										
1.560	300	300	Pairs	Shutters, Vinyl	2025	to 20	5	60.00	18,000	18,000	0.8%										41,523					
1.651	3	1	Allowance	Trim, Wood, Doors and Windows, Paint Finishes, Phased	2020	4 to 6	0 to 2	25,000.00	25,000	75,000	8.6%			45,636	47,188	48,792				55,774	57,670	59,631				68,164
1.820	15,100	15,100	Square Feet	Walls, Masonry, Inspections and Repairs	2034	to 15	14	1.60	24,160	24,160	1.3%														63,708	
1.860	211,500	105,750	Square Feet	Walls, Siding, Vinyl, Phased	2038	to 40	18 to 19	4.50	475,875	951,750	22.7%			868,686	898,221											
				Property Site Elements																						
4.020	14,750	14,750	Square Yards	Asphalt Pavement, Crack Repair and Patch	2022	3 to 5	2	0.80	11,800	11,800	1.6%			21,540				24,623								32,173
4.040	14,750	14,750	Square Yards	Asphalt Pavement, Mill and Overlay	2026	15 to 20	6	15.00	221,250	221,250	10.2%											527,737				
4.080	1,115	1,115	Square Yards	Asphalt Pavement, Total Replacement, Walking Paths	2024	15 to 20	4	25.00	27,875	27,875	1.2%									62,188						
4.100	18	18	Each	Catch Basins, Inspections and Capital Repairs	2026	15 to 20	6	800.00	14,400	14,400	0.7%											34,348				
4.110	10,500	1,050	Linear Feet	Concrete Curbs and Gutters, Partial	2026	to 65	6 to 30+	35.50	37,275	372,750	1.7%											88,910				
4.120	42,300	2,540	Square Feet	Concrete Driveways, Partial	2027	to 65	7 to 30+	12.50	31,750	528,750	3.7%		56,052					66,251					78,307			
4.410	2	1	Each	Irrigation System, Pumps, Phased	2031	to 20	11 to 18	5,000.00	5,000	10,000	0.4%			9,127							11,534					
4.420	5	1	Allowance	Irrigation System, Replacement, Phased	2035	to 40+	15 to 19	17,000.00	17,000	85,000	1.9%	29,025	30,012	31,033	32,088											
4.500	1	1	Allowance	Landscape, Partial Replacements	2024	to 5	4	35,000.00	35,000	35,000	4.9%				66,063					78,084					92,292	
4.600	19	19	Each	Mailbox Stations	2025	to 25	5	2,000.00	38,000	38,000	1.9%															103,610
4.691	1,175	1,175	Linear Feet	Pond, Bulkhead, Timber	2029	15 to 20	9	150.00	176,250	176,250	8.1%									393,208						
4.700	3	3	Each	Ponds, Aerators	2030	10 to 15	10	6,500.00	19,500	19,500	0.9%									43,504						
4.710	1,440	215	Linear Feet	Ponds, Erosion Control, Partial	2033	to 15	13	33.00	7,095	47,520	0.4%													18,094		
4.730	8,680	2,170	Square Yards	Ponds, Sediment Removal, Partial	2029	to 30	9	18.00	39,060	156,240	0.7%															
				Pool Elements																						
6.101	1	1	Allowance	Arbor, Wood	2037	15 to 20	17	9,000.00	9,000	9,000	0.2%		15,889													
6.200	3,450	3,450	Square Feet	Concrete Deck, Textured Coating, Partial Replacements and Repairs	2030	8 to 12	10	5.50	18,975	18,975	1.5%					37,033										51,737
6.400	240	240	Linear Feet	Fence, Vinyl	2027	15 to 20	7	31.00	7,440	7,440	0.4%												18,350			
6.500	2	1	Allowance	Furniture, Phased	2021	to 12	1 to 6	6,500.00	6,500	13,000	0.8%	11,098					13,117					15,504				
6.800	1,320	1,320	Square Feet	Pool Finish, Plaster	2024	8 to 12	4	10.00	13,200	13,200	0.8%							27,544								
6.801	150	150	Linear Feet	Pool Finish, Tile	2024	15 to 25	4	35.00	5,250	5,250	0.2%							10,955								
6.901	2	2	Each	Rest Rooms, Renovation	2029	to 25	9	4,500.00	9,000	9,000	0.5%														23,732	
				Anticipated Expenditures, By Year ($7,789,795 over 30 years)								259,886	329,188	1,210,982	1,286,509	337,034	13,117	129,373	0	632,758	110,727	726,130	96,657	18,094	179,732	255,684

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS
Pawleys Place
Homeowners Association, Inc.
Pawleys Island, South Carolina

Individual Reserve Budgets & Cash Flows for the Next 30 Years

		FY2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	Reserves at Beginning of Year (Note 1)	840,851	947,126	948,591	943,720	1,122,906	1,217,407	1,346,615	1,175,200	1,300,116	1,482,929	1,354,954	1,513,932	1,737,395	1,903,950	2,096,420	2,008,594
	Total Recommended Reserve Contributions (Note 2)	**119,874**	**146,500**	**151,500**	**156,700**	**162,000**	**167,500**	**173,200**	**179,100**	**185,200**	**191,500**	**198,000**	**204,700**	**211,700**	**218,900**	**226,300**	**234,000**
Plus	**Estimated Interest Earned, During Year (Note 3)**	11,400	20,626	20,589	22,486	25,463	27,897	27,438	26,932	30,280	30,877	31,214	35,375	39,619	43,525	44,664	44,116
Less	**Anticipated Expenditures, By Year**	(25,000)	(165,661)	(176,960)	0	(92,962)	(66,189)	(372,053)	(81,116)	(32,667)	(350,352)	(70,236)	(16,612)	(84,764)	(69,955)	(358,790)	(240,607)
	Anticipated Reserves at Year End	$947,126	$948,591	$943,720	$1,122,906	$1,217,407	$1,346,615	$1,175,200	$1,300,116	$1,482,929	$1,354,954	$1,513,932	$1,737,395	$1,903,950	$2,096,420	$2,008,594	$2,046,103

(continued)

Individual Reserve Budgets & Cash Flows for the Next 30 Years, Continued

		2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
	Reserves at Beginning of Year	2,046,103	2,073,035	2,038,785	1,120,881	115,322	56,760	324,390	480,373	770,584	436,964	633,585	222,570	449,425	771,616	948,702
	Total Recommended Reserve Contributions	**242,000**	**250,200**	**258,700**	**267,500**	**276,600**	**276,600**	**276,600**	**276,600**	**286,000**	**295,700**	**305,800**	**316,200**	**327,000**	**338,100**	**349,600**
Plus	**Estimated Interest Earned, During Year**	44,818	44,738	34,378	13,450	1,872	4,147	8,756	13,611	13,138	11,648	9,315	7,312	13,285	18,718	21,905
Less	**Anticipated Expenditures, By Year**	(259,886)	(329,188)	(1,210,982)	(1,286,509)	(337,034)	(13,117)	(129,373)	0	(632,758)	(110,727)	(726,130)	(96,657)	(18,094)	(179,732)	(255,684)
	Anticipated Reserves at Year End	$2,073,035	$2,038,785	$1,120,881	$115,322	$56,760 **(NOTE 5)**	$324,390	$480,373	$770,584	$436,964	$633,585	$222,570	$449,425	$771,616	$948,702	$1,064,523 **(NOTE 4)**

Explanatory Notes:

1) Year 2020 starting reserves are as of May 28, 2020; FY2020 starts January 1, 2020 and ends December 31, 2020.
2) Reserve Contributions for 2020 are the remaining budgeted 7 months; 2021 is the first year of recommended contributions.
3) 2.2% is the estimated annual rate of return on invested reserves; 2020 is a partial year of interest earned.
4) Accumulated year 2050 ending reserves consider the need to fund for replacement of the timber bulkeahd at the pond shortly after 2050, and the age, size, overall condition and complexity of the property.
5) Threshold Funding Year (reserve balance at critical point).

*Refer to the Reserve Expenditures pages for the full list of reserve elements

FIVE-YEAR OUTLOOK

Pawleys Place
Homeowners Association, Inc.
Pawleys Island, South Carolina

Line Item	Reserve Component Inventory	RUL = 0 FY2020	1 2021	2 2022	3 2023	4 2024	5 2025
	Exterior Building Elements						
1.280	Roofs, Asphalt Shingles, Phased		133,090	137,615			
1.560	Shutters, Vinyl						21,275
1.651	Trim, Wood, Doors and Windows, Paint Finishes, Phased	25,000	25,850	26,729			
	Property Site Elements						
4.020	Asphalt Pavement, Crack Repair and Patch			12,616			
4.080	Asphalt Pavement, Total Replacement, Walking Paths					31,864	
4.500	Landscape, Partial Replacements					40,008	
4.600	Mailbox Stations						44,914
	Pool Elements						
6.500	Furniture, Phased		6,721				
6.800	Pool Finish, Plaster					15,089	
6.801	Pool Finish, Tile					6,001	
	Anticipated Expenditures, By Year ($7,789,795 over 30 years)	25,000	165,661	176,960	0	92,962	66,189

4. RESERVE COMPONENT DETAIL

The Reserve Component Detail of this *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



Building front elevation



Building side elevation



Building rear elevation

Roofs, Asphalt Shingles

Line Item: 1.280

Quantity: Approximately 2,650 *squares*[1]. This quantity includes the pool house.

History: The ages of the roof vary. The Association informs us the roofs are currently being replaced over a period of seven years, with the first phase of replacements begun in 2016. The final phase of replacements will be in 2022.

Condition: Good to fair overall with weathered and isolated curled shingles evident from our visual inspection from the ground.



Asphalt shingle roof



Asphalt shingle roof



Asphalt shingle roof – Note weathered shingles



Asphalt shingle roof – Note curled shingles

Useful Life: 15- to 20-years

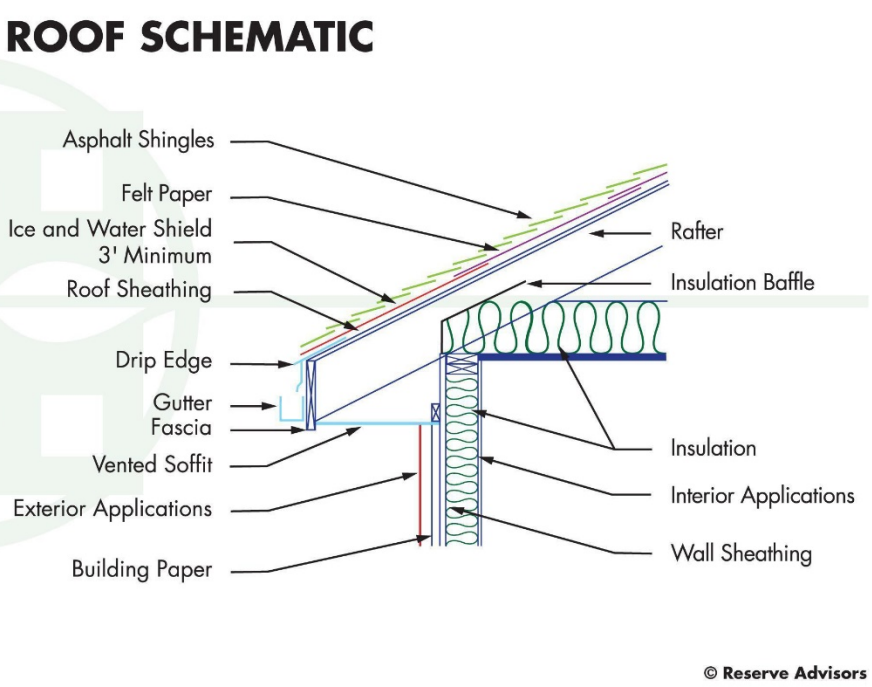
Component Detail Notes: The existing roof assembly comprises the following:

- Laminate shingles
- Boston style ridge caps
- Rubber seal with plastic base boot flashing at waste pipes

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

- Soffit and ridge vents
- Metal drip edge

The following cross-sectional schematic illustrates a typical asphalt shingle roof system although it may not reflect the actual configuration at Pawleys Place:



Contractors use one of two methods for replacement of sloped roofs, either an overlayment or a tear-off. Overlayment is the application of new shingles over an existing roof. However, there are many disadvantages to overlayment including hidden defects of the underlying roof system, absorption of more heat resulting in accelerated deterioration of the new and old shingles, and an uneven visual appearance. Therefore, we recommend only the tear-off method of replacement. The tear-off method of replacement includes removal of the existing shingles, flashings if required and underlayments.

The Association should plan to coordinate the replacement of gutters and downspouts with the adjacent roofs. This will result in the most economical unit price and minimize the possibility of damage to other roof components as compared to separate replacements.

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 is based on information provided by the Association.

Shutters, Vinyl

Line Item: 1.560

Quantity: Approximately 300 pairs of decorative vinyl shutters

History: Original

Condition: Good to fair overall with isolated faded color evident



Vinyl shutters



Vinyl shutters



Vinyl shutters – Note faded finish

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.

Trim, Wood, Doors and Windows, Paint Finishes

Line Item: 1.651

Quantity: Wood trim comprises one of the exterior finish materials of the 35 buildings and the pool house

History: The Association painted the wood trim in 2009 and 2010

Condition: Fair overall

Useful Life: Four- to six-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 timing is based on information provided by the Association.

Walls, Masonry

Line Item: 1.820

Quantity: Approximately 15,100 square feet of the exterior walls

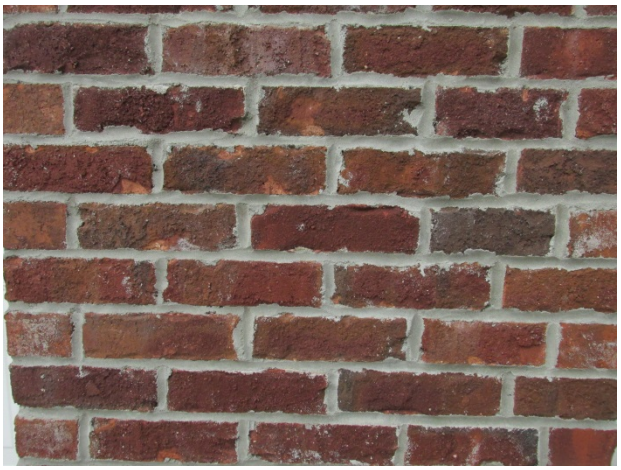
History: All masonry was removed and replaced in 2019

Condition: Good overall with the following evident:

- Efflorescence is not visible
- No masonry cracks are evident
- No spalled masonry is evident
- No mortar deterioration is evident



Masonry wall



Masonry wall

Useful Life: We advise a complete inspection of the masonry and related masonry repairs up to every 15 years to forestall deterioration.

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:

- Complete inspection of the masonry
- Repointing of up to five percent (5%) of the masonry
- Replacement of up to two percent (2%) of the masonry

Walls, Siding, Vinyl

Line Item: 1.860

Quantity: Approximately 211,500 square feet of the exterior walls

History: Original

Condition: Good to fair overall with isolated damage evident



Vinyl siding



Vinyl siding



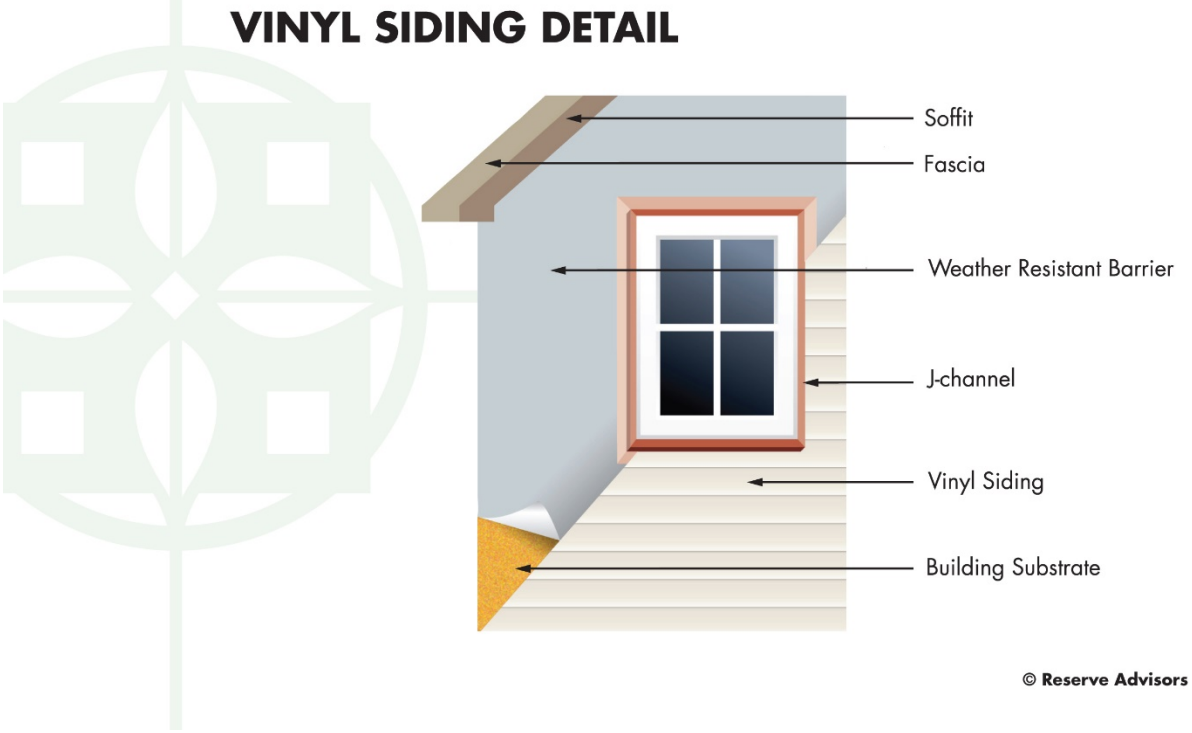
Vinyl siding – Note isolated damage

Useful Life: Up to 40 years

Component Detail Notes: The siding at Pawleys Place consists of the following:

- Clapboard double four-inch profile
- J-channel trim at window and door perimeters, and other penetrations
- Water-vapor permeable building paper protects the buildings

The following diagram details the use of building wrap in a vinyl siding 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.

Property Site Elements

Asphalt Pavement, Crack Repair and Patch

Line Item: 4.020

Quantity: Approximately 14,750 square yards

History: Repairs were made in 2018

Condition: Good to fair overall with settlement and cracks evident

Useful Life: Three- to five-years

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 14,750 square yards

History: Original

Condition: Good to fair overall with settlement and cracks evident



Asphalt pavement overview



Asphalt pavement overview



Asphalt pavement overview



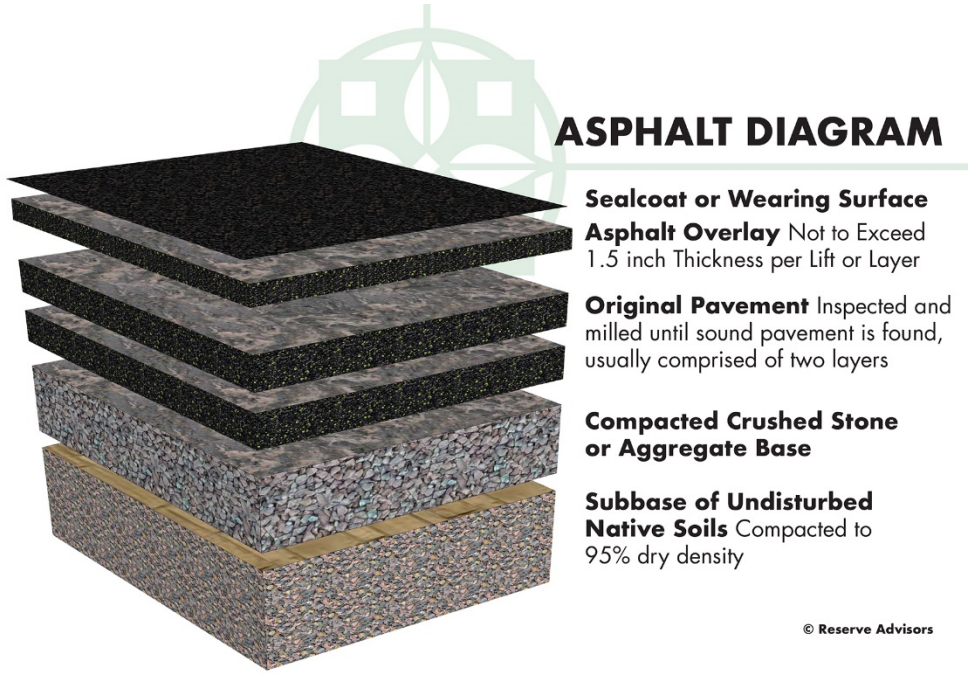
Asphalt pavement – Note settlement



Asphalt pavement

Useful Life: 15- to 20-years with the benefit of timely crack repairs and patching

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 Pawleys Place:



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 Pawleys Place.

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%).

Asphalt Pavement, Repaving, Walking Paths

Line Item: 4.080

Quantity: Approximately 1,115 square yards

History: Original

Condition: Good to fair overall with cracks and isolated standing water evident



Asphalt pavement walking path



Asphalt pavement walking path – Note crack



Asphalt pavement walking path – Note standing water

Useful Life: The need to maintain a safe pedestrian surface results in a useful life of 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.

Catch Basins

Line Item: 4.100

Quantity: Approximately 18 each

History: Original

Condition: Good to fair overall without settlement visually apparent



Catch basin



Catch basin

Useful Life: The useful life of catch basins is up to 65 years. However, achieving this useful life usually requires interim capital repairs or partial replacements every 15- to 20-years.

Component Detail Notes: Erosion causes settlement around the collar of catch basins. Left unrepaired, the entire catch basin will shift and need replacement.

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 recommend the Association plan for inspections and capital repairs to the catch basins in conjunction with repaving.

Concrete Curbs and Gutters

Line Item: 4.110

Quantity: Approximately 10,500 linear feet

Condition: Good to fair overall with cracks and isolated spalled concrete evident



Concrete curb and gutter



Concrete curb and gutter – Note crack



Concrete curb and gutter – Note crack

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 2,100 linear feet of curbs and gutters, or twenty percent (20%) of the total, will require replacement during the next 30 years.

Concrete Driveways

Line Item: 4.120

Quantity: Approximately 42,300 square feet

Condition: Good to fair overall with cracks evident



Concrete driveway



Concrete driveway



Concrete driveway – Note crack

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 12,700 square feet of concrete driveways, or thirty percent (30%) of the total, will require replacement during the next 30 years.

Irrigation System, Pump

Line Item: 4.410

Quantity: Two each

History: One pump was replaced in 2016 and one pump was replaced in 2019

Condition: Reported satisfactory

Useful Life: Up to 20 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.

Irrigation System, Replacement

Line Item: 4.420

Quantity: Approximately 540 heads water the lawn and landscaped areas

History: Original

Condition: Satisfactory overall and Management and the Board does not report any deficiencies

Useful Life: Up to 40 years

Component Detail Notes: Irrigation systems typically include the following components:

- Electronic controls (timer)
- Impact rotors
- Network of supply pipes
- Pop-up heads
- Pumps
- Valves

Pawleys Place should anticipate interim and partial replacements of the system network supply pipes and other components as normal maintenance to maximize the useful life of the irrigation system. The Association should fund these ongoing seasonal repairs through the operating budget.

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.

Landscape

Line Item: 4.500

Component Detail Notes: The Association contains a large quantity of trees, shrubbery and other landscape elements. Replacement of these elements is an ongoing need. Many associations budget for these replacements as normal

maintenance. Other associations fund ongoing replacements from reserves. Large amounts of landscape may need replacement due to disease, drought or other forces of nature. If the cost of removal and replacement is substantial, funding from reserves is logical. The Association may also desire to periodically update the appearance of the community through major improvements to the landscape.

Useful Life: At the request of Management and the Board, we include a landscape allowance for partial replacements every five years.

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our cost is based on information provided by the Association.

Mailbox Stations

Line Item: 4.600

Quantity: 19 stations

History: Original

Condition: Good to fair overall



Mailbox station



Mailbox station



Mailbox station – Note isolated dented secion

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.

Pond, Bulkhead, Timber

Line Item: 4.691

Quantity: Approximately 1,175 linear feet located at the largest pond on the property

History: Original

Condition: Good to fair overall with weathered boards and isolated damage evident



Pond with bulkhead overview



Wood bulkhead



Wood bulkhead – Note weathered boards



Wood bulkhead – Note isolated damage

Useful Life: 15- to 20-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.

Ponds, Aerators

Line Item: 4.700

Quantity: Three aerators

History: Two aerators were replaced in 2016, one was replaced in 2018

Condition: Reported in satisfactory condition



Pond aerator



Pond aerator

Useful Life: 10- to 15-years

Component Detail Notes: The use of small pumps, motors and aerators circulates pond water and increases the amount of entrained oxygen in the water, increasing water quality and reducing algae growths.

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.

Ponds, Erosion Control

Line Item: 4.710

Quantity: Approximately 1,440 linear feet of natural vegetation or stone rip rap

History: Performed in 2018

Condition: Good to fair overall with areas of shelfing evident



Pond overview



Pond shoreline – Note shelfing



Pond shoreline – Note shelfing

Useful Life: Shorelines are subject to fluctuations in water levels, increased plant growth and migrating storm and ground water resulting in the need for erosion control measures up to every 15 years.

Component Detail Notes: The steep shoreline embankments are likely to exacerbate soil movement and erosion. The use and maintenance of landscape, natural vegetation and/or stone rip rap along the pond shorelines will help maintain an attractive appearance and prevent soil erosion.

Shoreline plantings are referred to as buffer zones. Buffer zones provide the following advantages:

- Control insects naturally
- Create an aesthetically pleasing shoreline
- Enhance water infiltration and storage
- Filter nutrients and pollutants
- Increase fish and wildlife habitat
- Reduce lawn maintenance
- Stabilize shoreline and reduce erosion
- Trap sediments

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 recommend the Association plan to install a combination of plantings and rip rap around the ponds along 215 linear feet, or approximately fifteen percent (15%), of the shorelines per event.

Ponds, Sediment Removal

Line Item: 4.730

Quantity: Approximately 8,680 square yards of water surface area

Condition: Good overall



Pond overview



Pond overview



Pond shoreline

Useful Life: Based on the visual condition, construction, adjacent deciduous trees and visibly apparent erosion, we recommend the Association anticipate the need to remove pond sediment up to every 30 years.

Component Detail Notes: The gradual build-up of natural debris, including tree leaves, branches and silt, may eventually change the topography of areas of the pond. Silt typically accumulates at inlets, outlets and areas of shoreline erosion. Sediment removal of ponds becomes necessary if this accumulation alters the quality of pond water or the functionality of the ponds as storm water management structures. Sediment removal is the optimal but also the most capital intensive method of pond management.

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. For reserve budgeting purposes, we estimate the need to remove an average depth of one yard from approximately twenty-five percent

(25%) of the surface area. However, the actual volume of material to remove may vary dependent upon an invasive analysis at the time of removal. A visual inspection of a body of water cannot reveal the amount of accumulated silt. This is especially true on larger bodies of water. It is therefore inaccurate to assume an entire body of water will require sediment removal. It is more cost effective to spot remove in areas of intense silt accumulation as noted through bathymetric surveys. The amount or depth of silt is determined through prodding into the silt until a relatively solid base is found or through bathymetric surveys. A bathymetric survey establishes a base of data about the depth of the body of water over many locations against which the data of future surveys is compared. These invasive procedures are beyond the scope of a Reserve Study and require multiple visits to the site. We recommend Pawleys Place contract with a local engineer for periodic bathymetric surveys. Future updates of the Reserve Study can incorporate future anticipated expenditures based on the results of the bathymetric surveys.

Unit costs per cubic yard to remove can vary significantly based on the type of equipment used, quantity of removed material and disposal of removed material. Sediment removal costs must also include mobilization, or getting the equipment to and from the site. Also, the portion of the overall cost to remove associated with mobilization varies based on the volume removed. Costs for sediment disposal also vary depending on the site. Compact sites will require hauling and in some cases disposal fees.

Pool Elements



Pool overview



Pool overview

Arbor, Wood

Line Item: 6.101

Quantity: Approximately 225 square feet

History: Replaced in 2020

Condition: Good overall



Wood arbor



Wood arbor



Arbor roofing

Useful Life: 15- to 20-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 is based on information provided by the Association.

Concrete Deck

Line Item: 6.200

Quantity: Approximately 3,450 square feet

History: Recoated in 2020

Condition: Good condition with isolated cracks evident



Coated concrete deck



Coated concrete deck – Note isolated crack



Coated concrete deck – Note isolated crack

Useful Life: The useful life of a concrete pool deck is up to 60 years or more with timely repairs. We recommend the Association conduct inspections, partial replacements and repairs to the deck every 8- to 12-years in conjunction with coating replacements.

Component Detail Notes: We recommend the Association budget for the following:

- Selective cut out and replacements of up to ten percent (10%) of concrete
- Crack repairs as needed
- Mortar joint repairs
- Caulk replacement
- Coating replacement

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.

Fence, Vinyl

Line Item: 6.400

Quantity: Approximately 240 linear feet

History: Original

Condition: Good to fair overall condition with no significant deterioration evident



Vinyl fence



Vinyl fence

Useful Life: 15- to 20-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: 6.500

Quantity: The pool furniture includes the following:

- Chairs (23)
- Lounges (25)
- Tables (13)
- Ladders and life safety equipment

History: Original

Condition: Good to fair overall



Plastic chairs and lounges



Side tables



Vinyl lounges

Useful Life: Up to 12 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, cushion replacements, reupholstering and other repairs to the furniture as normal maintenance to maximize its useful life. Our timing is based on information provided by the Association.

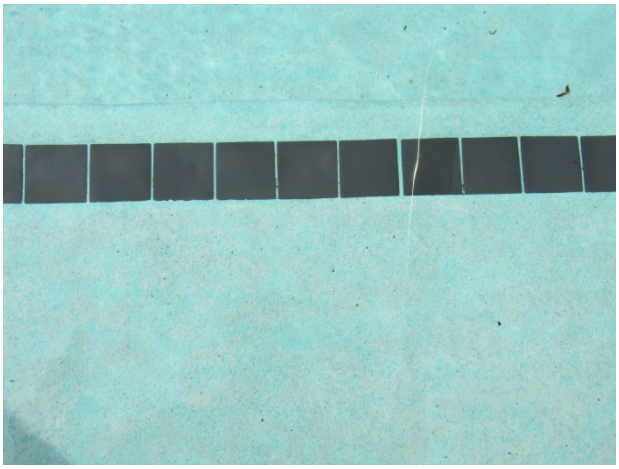
Pool Finishes, Plaster and Tile

Line Items: 6.800 and 6.801

Quantity: Approximately 1,320 square feet of plaster based on the horizontal surface area and approximately 150 linear feet of tile

History: The plaster finish had spot repairs conducted in 2019 and the tile is original.

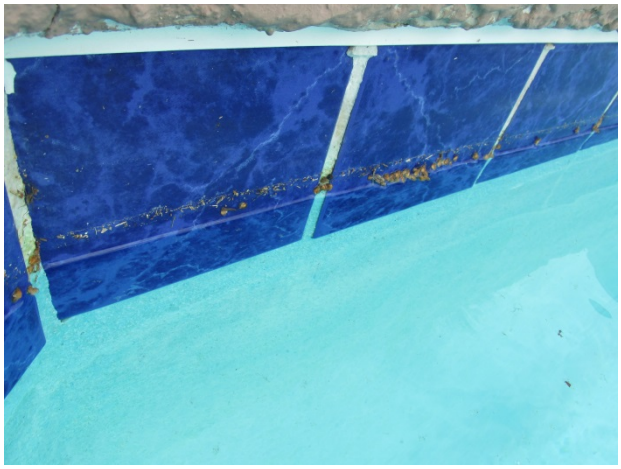
Condition: Good to fair overall with isolated crazing of the plaster finish



Plaster and tile finish



Plaster finish



Tile finish

Useful Life: 8- to 12-years for the plaster and 15- to 25-years for the tile

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

- Removal and replacement of the plaster finish
- 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. We recommend the Association budget for full tile replacement every other plaster replacement event.

Rest Rooms

Line Item: 6.901

Quantity: Two common located at the pool house

History: Components are original

Condition: Good to fair overall

Useful Life: Renovation up to every 25 years

Component Detail Notes: Components include:

- Concrete floor coverings
- Paint finishes
- Light fixtures
- Plumbing fixtures

Priority/Criticality: Per Board discretion

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

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. We recommend the Board budget for an Update to this Reserve Study in two- to three-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.

Pawleys Place 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 monthly reserve assessments annually adjusted upward for inflation to increase reserves 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 standards[1] set forth by the Association of Professional Reserve Analysts (APRA) fulfilling the requirements of a "Level II Reserve Study Update." 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
- Local[2] 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 Pawleys

[1] Identified in the APRA "Standards - Terms and Definitions" and the CAI "Terms and Definitions".
[2] See Credentials for additional information on our use of published sources of cost data.

Island, South Carolina at an annual inflation rate[3]. Isolated or regional markets of greater construction (development) activity may experience slightly greater rates of inflation for both construction materials and labor.

- The past and current maintenance practices of Pawleys Place 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.

[3] Derived from Marshall & Swift, historical costs and the Bureau of Labor Statistics.

6. CREDENTIALS

HISTORY AND DEPTH OF SERVICE

Founded in 1991, Reserve Advisors 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.

RACHEL K. FOOTITT
Responsible Advisor



CURRENT CLIENT SERVICES

Rachel Footitt is an Associate Engineer for Reserve Advisors. Ms. Footitt is responsible for the inspection and analysis of the condition of clients' properties, and recommending engineering solutions to prolong the lives of the components. She also forecasts capital expenditures for the repair and/or replacement of the property components and prepares technical reports on assignments. She 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.

The following is a partial list of clients served by Rachel Footitt demonstrating her breadth of experiential knowledge of community associations in construction and related buildings systems.

Moss Creek Townhomes Homeowners Association, Inc. - Located in Concord, North Carolina, this community consists of multiple sections containing 243 residential units. The townhomes vary in size and style and are comprised of brick, vinyl siding, asphalt shingle roofs and wood balconies at the unit rears.

The Landing Owners Association, Inc. - A large single family home community located on Lake Wylie in Lake Wylie, South Carolina. Features of this property include docks, a pool and club house, and extensive walking paths.

The Oaks Regime - This condominium community was built in the 1980's and is located in Hendersonville, North Carolina. The property contains 198 units comprising 69 buildings featuring different style units, as well as walking paths, recreational courts, an indoor pool, and a large quantity of stone retaining walls.

Siena Park Property Owners' Association – This single family home community located in Myrtle Beach, South Carolina constructed in the early 2000's includes a park area and multiple ponds. The Association shares responsibility of several elements with a neighboring community.

Providence Downs South Homeowners Association - This single family home community contains over 300 residential homes and is located in Waxhaw, North Carolina. The Master Association maintains the shared common elements including a luxurious clubhouse, a pool featuring a large waterslide and lazy river, as well as multiple recreational courts.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Ms. Footitt successfully completed the bachelors program in Civil Engineering at University of North Carolina at Charlotte. In the past, she has worked for the City of Charlotte's Engineering and Property Management department. She has also spent time working on Leadership in Energy and Environmental Design (LEED) programs with UNCC's Sustainably Integrated Building and Sites program.

EDUCATION

University of North Carolina at Charlotte – B.S. in Civil Engineering

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, Illinois, Colorado
Reserve Specialist (RS) **-** Community Associations Institute
Professional Reserve Analyst (PRA) **-** Association of Professional Reserve Analysts

RESOURCES

Reserve Advisors 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.

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 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' 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 Pawleys Place 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) Pawleys Place 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, LLC (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, is noninvasive and is not meant to nor does it include investigation into statutory, regulatory or code compliance. 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.