Pawleys Place Homeowners Association, Inc.

May 22, 2025 • Pawleys Island, SC

RESERVE STUDY



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Corporate Office
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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 22, 2025.

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 27, 2025 by

Reserve Advisors, LLC

Visual Inspection and Report by: Jared W. Kelley
Review by: Kevin Hayes, Regional Engineering Manager
Alan M. Ebert, RS[1], 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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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 which consists of 181 units in 35 buildings. The community was built in 1999.

Reserve Components Identified: 27 Reserve Components.

Inspection Date: May 22, 2025. We conducted previous inspections in 2009 and 2020.

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 2041 due to the replacement of the asphalt shingle roofs. In addition, the Reserve Funding Plan recommends 2055 year end accumulated reserves of approximately $3,052,900. We judge this amount of accumulated reserves in 2055 necessary to fund the likely subsequent replacement of the asphalt shingle roofs and replacement of the pool structure and deck after 2055. These future needs, although beyond the limit of the Cash Flow Analysis of this Reserve Study, are reflected in the amount of accumulated 2055 year end reserves.

Methodology: 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
- 2.7% anticipated annual rate of return on invested reserves
- 3.3% 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.

Unaudited Cash Status of Reserve Fund:

- $970,347 as of February 28, 2025
- 2025 budgeted Reserve Contributions of $90,000

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.

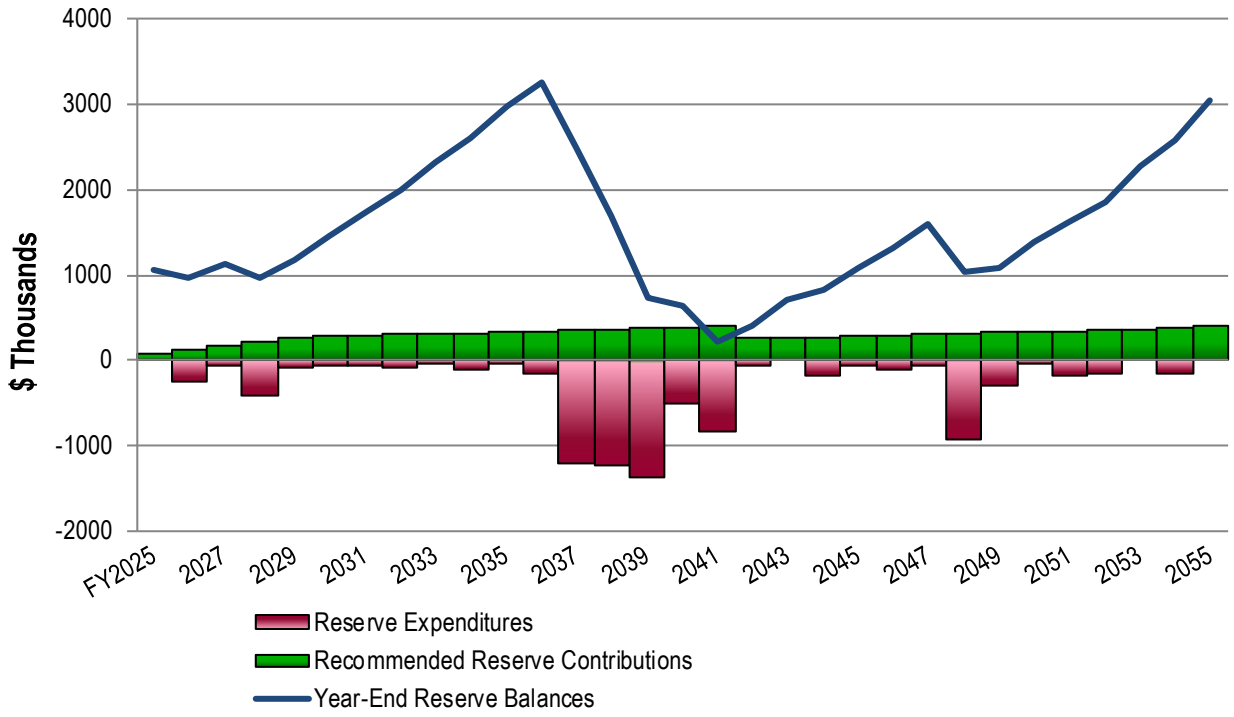
Recommended Reserve Funding: We recommend the following in order to achieve a stable and equitable Cash Flow Methodology Funding Plan:

- Phased increases of $46,200 each year, from 2026 through 2029
- Inflationary increases from 2030 through 2041
- Decrease to $259,600 by 2042 due to fully funding for replacement of the asphalt shingle roofs
- Inflationary increases thereafter through 2055, the limit of this study's Cash Flow Analysis
- Initial adjustment in Reserve Contributions of $46,200 represents an average monthly increase of $21.27 per owner and about a five percent (5.4%) adjustment in the 2025 Total Budget of $861,195.

Pawleys Place

Recommended Reserve Funding Table and Graph

Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)
2026	136,200	976,188	2036	345,000	3,265,395	2046	295,600	1,308,438
2027	182,400	1,128,077	2037	356,400	2,486,808	2047	305,400	1,597,681
2028	228,600	972,064	2038	368,200	1,685,685	2048	315,500	1,027,150
2029	274,800	1,189,112	2039	380,400	725,753	2049	325,900	1,075,013
2030	283,900	1,455,424	2040	393,000	641,244	2050	336,700	1,398,045
2031	293,300	1,733,657	2041	406,000	215,546	2051	347,800	1,610,634
2032	303,000	1,996,295	2042	259,600	416,110	2052	359,300	1,858,182
2033	313,000	2,320,508	2043	268,200	699,166	2053	371,200	2,284,564
2034	323,300	2,607,387	2044	277,100	828,349	2054	383,400	2,581,768
2035	334,000	2,988,251	2045	286,200	1,086,455	2055	396,100	3,052,923



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 22, 2025. We conducted previous inspections in 2009 and 2020.

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 or which were identified as part of your request for proposed services. 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 Owners 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 Owners
- Property Maintained by Others

We advise the Board to 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. 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

The following tables depict the items excluded from the Reserve Expenditure plan:

Excluded Components

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

Operating Budget Components

Repairs normally funded through the Operating Budget and Expenditures less than $6,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)

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.

- Arbor, Wood, Pool, Paint Finishes
- Concrete Sidewalks, Partial Replacements
- Electrical Systems, Common
- 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

Long-Lived Components

These elements may not have predictable Remaining Useful Lives or their replacement may occur beyond the scope of this 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.	**Useful Life**	**Estimated Cost**
• Foundations	Indeterminate	N/A
• Pipes, Subsurface Utilities	to 85+	N/A
• Pool Structure	to 60	$250,800
• Structural Frames	Indeterminate	N/A
• Well Casings	Indeterminate	N/A

Excluded Components

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

Owners Responsibility Components

Certain items have been designated as the responsibility of the Owners to repair or replace at their cost, including items billed back.

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

Others Responsibility Components

Certain items have been designated as the responsibility of Others to repair or replace.

- Electric Meters[1]
- Light Poles and Fixtures[1]

[1] 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
- 2025 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 2025 to 2040

RESERVE EXPENDITURES

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

Explanatory Notes:
1) **3.3%** is the estimated Inflation Rate for estimating Future Replacement Costs.
2) **FY2025** is Fiscal Year beginning January 1, 2025 and ending December 31, 2025.
3) **2056+** indicates a component which is considered long-lived

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years Useful	Remaining	Costs, $ Unit (2025)	Per Phase (2025)	Total (2025)	Percentage of Future Expenditures	RUL = 0 FY2025	1 2026	2 2027	3 2028	4 2029	5 2030	6 2031	7 2032	8 2033	9 2034	10 2035	11 2036	12 2037	13 2038	14 2039	15 2040
				Exterior Building Elements																							
1.280	2,650	530	Squares	Roofs, Asphalt Shingles, Phased (Incl. Pool House)	2037	15 to 20	12 to 16	480.00	254,400	1,272,000	**23.1%**													375,596	387,991	400,794	414,021
1.560	300	300	Pairs	Shutters, Vinyl, Replacement	2029	to 20	4	120.00	36,000	36,000	**1.4%**					40,992											
1.651	1	1	Allowance	Trim, Wood, Columns and Caps, Paint Finishes	2030	4 to 6	5	8,900.00	8,900	8,900	**0.9%**						10,469						12,720				
1.652	1	1	Allowance	Trim, Wood, Remaining, Paint Finishes (Incl. Shutters)	2027	4 to 6	2	28,000.00	28,000	28,000	**2.6%**			29,878						36,305					44,113		
1.820	15,100	15,100	Square Feet	Walls, Masonry, Inspections and Repairs	2034	to 15	9	2.00	30,200	30,200	**1.2%**										40,449						
1.860	211,500	70,500	Square Feet	Walls, Siding, Vinyl, Phased (Incl. Pool House)	2037	to 40	12 to 14	7.50	528,750	1,586,250	**27.8%**												780,646	806,408	833,019	
				Property Site Elements																							
4.020	14,750	14,750	Square Yards	Asphalt Pavement, Crack Repair, Patch and Seal Coat	2032	3 to 5	7	2.00	29,500	29,500	**2.9%**								37,027				42,162				48,009
4.040	14,750	14,750	Square Yards	Asphalt Pavement, Mill and Overlay	2028	15 to 20	3	18.00	265,500	265,500	**9.8%**				292,661												
4.080	1,115	1,115	Square Yards	Asphalt Pavement, Total Replacement, Walking Paths	2028	15 to 20	3	29.00	32,335	32,335	**1.2%**				35,643												
4.100	18	18	Each	Catch Basins, Inspections and Capital Repairs	2028	15 to 20	3	900.00	16,200	16,200	**0.6%**				17,857												
4.110	10,500	1,310	Linear Feet	Concrete Curbs and Gutters, Partial	2028	to 65	3 to 30+	46.00	60,260	483,000	**2.2%**				66,425												
4.120	42,300	2,960	Square Feet	Concrete Driveways, Partial	2026	to 65	1 to 30+	16.00	47,360	676,800	**5.3%**		48,923					57,546					67,689				
4.410	2	1	Each	Irrigation System, Pumps, Phased	2032	10 to 15	7 to 9	6,000.00	6,000	12,000	**0.4%**								7,531		8,036						
4.420	5	1	Allowance	Irrigation System, Replacement, Phased	2035	to 40+	10 to 14	20,000.00	20,000	100,000	**1.7%**											27,672	28,585	29,528	30,502	31,509	
4.500	1	1	Allowance	Landscape, Partial Replacements	2029	to 5	4	40,000.00	40,000	40,000	**4.9%**					45,547					53,575					63,018	
4.600	19	19	Each	Mailbox Stations	2049	to 25	24	1,800.00	34,200	34,200	**0.9%**																
4.691	1,175	1,175	Linear Feet	Pond, Bulkhead, Timber	2026	15 to 20	1	170.00	199,750	199,750	**6.2%**		206,342														
4.700	3	3	Each	Ponds, Aerators	2030	10 to 15	5	5,100.00	15,300	15,300	**0.5%**						17,997										
4.710	1,440	220	Linear Feet	Ponds, Erosion Control, Partial	2033	to 15	8 to 30+	35.00	7,700	50,400	**0.3%**									9,984							
4.730	8,680	2,170	Square Yards	Ponds, Sediment Removal, Partial	2048	to 30	23 to 30+	21.00	45,570	182,280	**1.1%**																
				Pool Elements																							
6.101	1	1	Allowance	Arbor, Wood	2037	15 to 20	12	10,000.00	10,000	10,000	**0.5%**												14,764				
6.200	3,450	3,450	Square Feet	Concrete Deck, Textured Coating, Partial Replacements and Repairs	2030	8 to 12	5	6.00	20,700	20,700	**1.2%**						24,348										33,688
6.400	240	240	Linear Feet	Fence, Vinyl	2027	15 to 20	2	39.00	9,360	9,360	**0.3%**			9,988													
6.500	2	1	Allowance	Furniture, Phased	2027	to 12	2 to 7	7,500.00	7,500	15,000	**0.9%**			8,003					9,414				11,073				
6.800	1,320	1,320	Square Feet	Pool Finish, Plaster	2032	8 to 12	7	17.00	22,440	22,440	**1.4%**								28,166								
6.801	150	150	Linear Feet	Pool Finish, Tile	2032	15 to 25	7	42.00	6,300	6,300	**0.3%**								7,908								
6.900	1,320	1,320	Square Feet	Pool Structure, Total Replacement	2059	to 60	34	190.00	250,800	250,800	**0.0%**																
6.901	2	2	Each	Rest Rooms, Renovation (Incl. Doors)	2027	to 25	2	5,000.00	10,000	10,000	**0.4%**			10,671													
				Anticipated Expenditures, By Year ($8,695,903 over 30 years)								0	255,265	58,541	412,586	86,540	52,814	57,546	90,046	46,288	102,061	27,672	151,156	1,211,607	1,224,901	1,372,453	495,718

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	Life Analysis, Years Remaining	Costs, $ Unit (2025)	Costs, $ Per Phase (2025)	Costs, $ Total (2025)	Percentage of Future Expenditures	16 2041	17 2042	18 2043	19 2044	20 2045	21 2046	22 2047	23 2048	24 2049	25 2050	26 2051	27 2052	28 2053	29 2054	30 2055
				Exterior Building Elements																						
1.280	2,650	530	Squares	Roofs, Asphalt Shingles, Phased (Incl. Pool House)	2037	15 to 20	12 to 16	480.00	254,400	1,272,000	**23.1%**	427,683														
1.560	300	300	Pairs	Shutters, Vinyl, Replacement	2029	to 20	4	120.00	36,000	36,000	**1.4%**									78,471						
1.651	1	1	Allowance	Trim, Wood, Columns and Caps, Paint Finishes	2030	4 to 6	5	8,900.00	8,900	8,900	**0.9%**		15,456						18,780						22,819	
1.652	1	1	Allowance	Trim, Wood, Remaining, Paint Finishes (Incl. Shutters)	2027	4 to 6	2	28,000.00	28,000	28,000	**2.6%**					53,600						65,128				
1.820	15,100	15,100	Square Feet	Walls, Masonry, Inspections and Repairs	2034	to 15	9	2.00	30,200	30,200	**1.2%**									65,829						
1.860	211,500	70,500	Square Feet	Walls, Siding, Vinyl, Phased (Incl. Pool House)	2037	to 40	12 to 14	7.50	528,750	1,586,250	**27.8%**															
				Property Site Elements																						
4.020	14,750	14,750	Square Yards	Asphalt Pavement, Crack Repair, Patch and Seal Coat	2032	3 to 5	7	2.00	29,500	29,500	**2.9%**				54,667								70,881			
4.040	14,750	14,750	Square Yards	Asphalt Pavement, Mill and Overlay	2028	15 to 20	3	18.00	265,500	265,500	**9.8%**								560,237							
4.080	1,115	1,115	Square Yards	Asphalt Pavement, Total Replacement, Walking Paths	2028	15 to 20	3	29.00	32,335	32,335	**1.2%**								68,231							
4.100	18	18	Each	Catch Basins, Inspections and Capital Repairs	2028	15 to 20	3	900.00	16,200	16,200	**0.6%**								34,184							
4.110	10,500	1,310	Linear Feet	Concrete Curbs and Gutters, Partial	2028	to 65	3 to 30+	46.00	60,260	483,000	**2.2%**								127,156							
4.120	42,300	2,960	Square Feet	Concrete Driveways, Partial	2026	to 65	1 to 30+	16.00	47,360	676,800	**5.3%**	79,619					93,652					110,159					
4.410	2	1	Each	Irrigation System, Pumps, Phased	2032	10 to 15	7 to 9	6,000.00	6,000	12,000	**0.4%**				11,119		11,865									
4.420	5	1	Allowance	Irrigation System, Replacement, Phased	2035	to 40+	10 to 14	20,000.00	20,000	100,000	**1.7%**															
4.500	1	1	Allowance	Landscape, Partial Replacements	2029	to 5	4	40,000.00	40,000	40,000	**4.9%**				74,125					87,190					102,558	
4.600	19	19	Each	Mailbox Stations	2049	to 25	24	1,800.00	34,200	34,200	**0.9%**									74,548						
4.691	1,175	1,175	Linear Feet	Pond, Bulkhead, Timber	2026	15 to 20	1	170.00	199,750	199,750	**6.2%**	335,809														
4.700	3	3	Each	Ponds, Aerators	2030	10 to 15	5	5,100.00	15,300	15,300	**0.5%**				28,353											
4.710	1,440	220	Linear Feet	Ponds, Erosion Control, Partial	2033	to 15	8 to 30+	35.00	7,700	50,400	**0.3%**								16,248							
4.730	8,680	2,170	Square Yards	Ponds, Sediment Removal, Partial	2048	to 30	23 to 30+	21.00	45,570	182,280	**1.1%**								96,158							
				Pool Elements																						
6.101	1	1	Allowance	Arbor, Wood	2037	15 to 20	12	10,000.00	10,000	10,000	**0.5%**														25,639	
6.200	3,450	3,450	Square Feet	Concrete Deck, Textured Coating, Partial Replacements and Repairs	2030	8 to 12	5	6.00	20,700	20,700	**1.2%**										46,610					
6.400	240	240	Linear Feet	Fence, Vinyl	2027	15 to 20	2	39.00	9,360	9,360	**0.3%**							19,120								
6.500	2	1	Allowance	Furniture, Phased	2027	to 12	2 to 7	7,500.00	7,500	15,000	**0.9%**		13,025					15,320					18,021			
6.800	1,320	1,320	Square Feet	Pool Finish, Plaster	2032	8 to 12	7	17.00	22,440	22,440	**1.4%**		38,970										53,918			
6.801	150	150	Linear Feet	Pool Finish, Tile	2032	15 to 25	7	42.00	6,300	6,300	**0.3%**												15,137			
6.900	1,320	1,320	Square Feet	Pool Structure, Total Replacement	2059	to 60	34	190.00	250,800	250,800	**0.0%**															
6.901	2	2	Each	Rest Rooms, Renovation (Incl. Doors)	2027	to 25	2	5,000.00	10,000	10,000	**0.4%**							20,427								
				Anticipated Expenditures, By Year ($8,695,903 over 30 years)								843,111	67,450	0	168,264	53,600	105,517	54,867	920,994	306,038	46,610	175,287	157,957	0	151,017	0

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

		FY2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Reserves at Beginning of Year	*(Note 1)*	970,347	1,068,024	976,188	1,128,077	972,064	1,189,112	1,455,424	1,733,657	1,996,295	2,320,508	2,607,387	2,988,251	3,265,395	2,486,808	1,685,685	725,753
Total Recommended Reserve Contributions	*(Note 2)*	**75,000**	**136,200**	**182,400**	**228,600**	**274,800**	**283,900**	**293,300**	**303,000**	**313,000**	**323,300**	**334,000**	**345,000**	**356,400**	**368,200**	**380,400**	**393,000**
Estimated Interest Earned, During Year	*(Note 3)*	22,677	27,229	28,029	27,974	28,787	35,226	42,479	49,684	57,501	65,640	74,535	83,300	76,620	55,578	32,121	18,209
Anticipated Expenditures, By Year		0	(255,265)	(58,541)	(412,586)	(86,540)	(52,814)	(57,546)	(90,046)	(46,288)	(102,061)	(27,672)	(151,156)	(1,211,607)	(1,224,901)	(1,372,453)	(495,718)
Anticipated Reserves at Year End		$1,068,024	$976,188	$1,128,077	$972,064	$1,189,112	$1,455,424	$1,733,657	$1,996,295	$2,320,508	$2,607,387	$2,988,251	$3,265,395	$2,486,808	$1,685,685	$725,753	$641,244

(continued)

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

	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055
Reserves at Beginning of Year	641,244	215,546	416,110	699,166	828,349	1,086,455	1,308,438	1,597,681	1,027,150	1,075,013	1,398,045	1,610,634	1,858,182	2,284,564	2,581,768
Total Recommended Reserve Contributions	**406,000**	**259,600**	**268,200**	**277,100**	**286,200**	**295,600**	**305,400**	**315,500**	**325,900**	**336,700**	**347,800**	**359,300**	**371,200**	**383,400**	**396,100**
Estimated Interest Earned, During Year	11,413	8,414	14,856	20,347	25,506	31,900	38,710	34,963	28,001	32,942	40,076	46,205	55,182	64,820	75,055
Anticipated Expenditures, By Year	(843,111)	(67,450)	0	(168,264)	(53,600)	(105,517)	(54,867)	(920,994)	(306,038)	(46,610)	(175,287)	(157,957)	0	(151,017)	0
Anticipated Reserves at Year End	$215,546	$416,110	$699,166	$828,349	$1,086,455	$1,308,438	$1,597,681	$1,027,150	$1,075,013	$1,398,045	$1,610,634	$1,858,182	$2,284,564	$2,581,768	$3,052,923
	(NOTE 5)														*(NOTE 4)*

Explanatory Notes:

1) Year 2025 starting reserves are as of February 28, 2025; FY2025 starts January 1, 2025 and ends December 31, 2025.
2) Reserve Contributions for 2025 are the remaining budgeted 10 months; 2026 is the first year of recommended contributions.
3) **2.7%** is the estimated annual rate of return on invested reserves; 2025 is a partial year of interest earned.
4) Accumulated year 2055 ending reserves consider the need to fund for subsequent replacement of the asphalt shingle roofs and replacement of the pool structure and deck shortly after 2055, 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 FY2025	1 2026	2 2027	3 2028	4 2029	5 2030
	Exterior Building Elements						
1.560	Shutters, Vinyl, Replacement					40,992	
1.651	Trim, Wood, Columns and Caps, Paint Finishes						10,469
1.652	Trim, Wood, Remaining, Paint Finishes (Incl. Shutters)			29,878			
	Property Site Elements						
4.040	Asphalt Pavement, Mill and Overlay				292,661		
4.080	Asphalt Pavement, Total Replacement, Walking Paths				35,643		
4.100	Catch Basins, Inspections and Capital Repairs				17,857		
4.110	Concrete Curbs and Gutters, Partial				66,425		
4.120	Concrete Driveways, Partial		48,923				
4.500	Landscape, Partial Replacements					45,547	
4.691	Pond, Bulkhead, Timber		206,342				
4.700	Ponds, Aerators						17,997
	Pool Elements						
6.200	Concrete Deck, Textured Coating, Partial Replacements and Repairs						24,348
6.400	Fence, Vinyl			9,988			
6.500	Furniture, Phased			8,003			
6.901	Rest Rooms, Renovation (Incl. Doors)			10,671			
	Anticipated Expenditures, By Year ($865,745 over 5 years)	0	255,265	58,541	412,586	86,540	52,814

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



Townhome side elevation



Townhome front elevation



Townhome side elevation

Roofs, Asphalt Shingles

Line Item: 1.280

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

History: Replaced from 2017 through 2022. We recommend the Association conduct inspections of the roofs semiannually and fund these inspections through the operating budget.

Condition: Good to fair overall with minor shingle lift evident from our visual inspection from the ground. We note settlement at some overhangs. Management and the Board do not report a history of leaks.



Roof overview at the pool house



Valley detail at pool house



Roof overview



Minor shingle lift

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



Roof overhang settling



Minor shingle lift at edge



Downspouts discharging into lower roof section



Vegetation growth at gutter



Shingle lift at entrance overhang



Shingle lift at transition between roof sections

Useful Life: 15- to 20-years

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

- Laminate architectural shingles

- Boston style ridge caps
- Rubber seal with metal base boot flashing at waste pipes
- Soffit, gable and ridge vents
- Metal drip edge
- Enclosed half weaved valleys

Insulation and ventilation are two major components of a sloped roof system. Together, proper insulation and ventilation help to control attic moisture and maintain an energy efficient building. Both insulation and ventilation prevent moisture buildup which can cause wood rot, mold and mildew growth, warp sheathing, deteriorate shingles, and eventually damage building interiors. Sufficient insulation helps to minimize the quantity of moisture that enters the attic spaces and adequate ventilation helps to remove any moisture that enters the attic spaces. These two roof system components also help to reduce the amount of energy that is required to heat and cool a building. Proper attic insulation minimizes heat gain and heat loss between the residential living spaces and attic spaces. This reduces energy consumption year-round. Proper attic ventilation removes excessive heat from attic spaces that can radiate into residential living spaces and cause air conditioners to work harder. Properly installed attic insulation and ventilation work together to maximize the useful life of sloped roof systems.

In addition to moisture control and energy conservation, proper attic insulation and ventilation are essential components to prevent the formation of ice dams. Ice dams occur when warm air accumulates at the peak of an attic while the roof eaves remain cold. Warm air from the attic melts the snow at the ridge of the roof and the water runs down the slope of the roof. At the cold roof eaves, the water refreezes and forms a buildup of snow and ice. This buildup often traps water that can prematurely deteriorate asphalt shingles and ultimately seep under the shingles and cause water damage to the roof deck and building interiors. Proper insulation minimizes the amount of heat that enters attic spaces in the winter and adequate ventilation helps to remove any heat that enters the attic spaces. Together, these components prevent ice dams with a cold roof deck that melts snow and ice evenly.

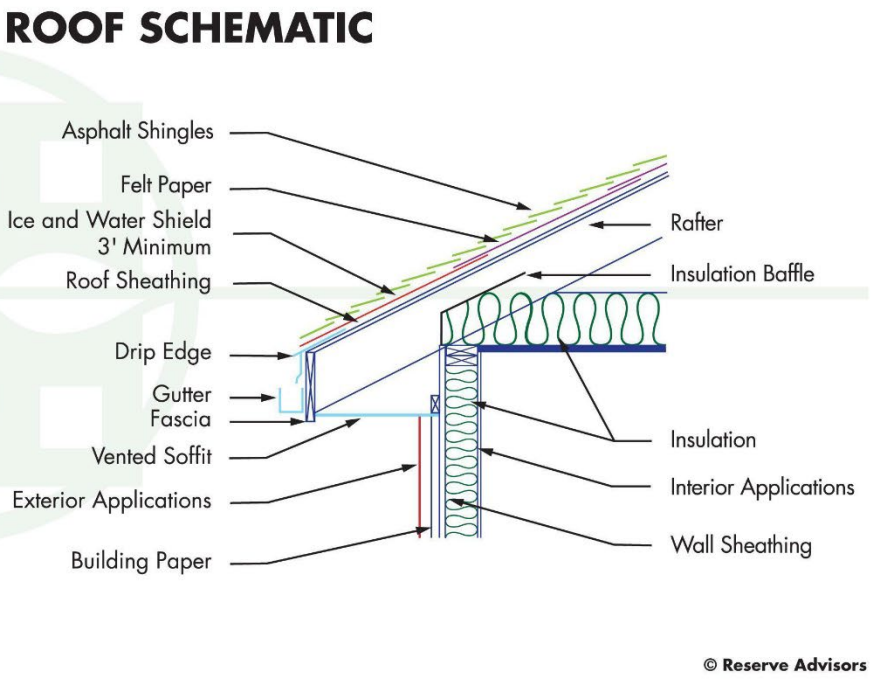
The vents should be clear of debris and not blocked from above by attic insulation. If the soffit vents are blocked from above, installation of polystyrene vent spaces or baffles between the roof joists at these locations can ensure proper ventilation.

Certain characteristics of condition govern the times of replacement. Replacement of an asphalt shingle roof becomes necessary when there are multiple or recurring leaks and when the shingles begin to cup, curl and lift. These conditions are indications that the asphalt shingle roof is near the end of its useful life. Even if the shingles are largely watertight, the infiltration of water in one area can lead to permanent damage to the underlying roof sheathing. This type of deterioration requires replacement of saturated sections of sheathing and greatly increases the cost of roof replacement. Roof leaks may occur from interrelated roof system components, i.e., flashings. Therefore, the warranty period, if any, on the asphalt shingles, may exceed the useful life of the roof system.

Warranties are an indication of product quality and are not a product guarantee. Asphalt shingle product warranties vary from 20- to 50-years and beyond. However, the scope is

usually limited to only the material cost of the shingles as caused by manufacturing defects. Warranties may cover defects such as thermal splitting, granule loss, cupping, and curling. Labor cost is rarely included in the remedy so if roof materials fail, the labor to tear off and install new shingles is extra. Other limitations of warranties are exclusions for "incidental and consequential" damages resulting from age, hurricanes, hail storms, ice dams, severe winds, tornadoes, earthquakes, etc. There are some warranties which offer no dollar limit for replacement at an additional cost (effectively an insurance policy) but again these warranties also have limits and may not cover all damages other than a product defect. We recommend a review of the manufacturers' warranties as part of the evaluation of competing proposals to replace a roof system. This evaluation should identify the current costs of remedy if the roof were to fail in the near future. A comparison of the costs of remedy to the total replacement cost will assist in judging the merits of the warranties.

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.

Preventative Maintenance Notes: We recommend the Association maintain a service and inspection contract with a qualified professional and record all documentation of repairs conducted. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Record any areas of water infiltration, flashing deterioration, damage or loose shingles
  - Implement repairs as needed if issues are reoccurring
  - Trim tree branches that are near or in contact with roof
- As-needed:
  - Ensure proper ventilation and verify vents are clear of debris and not blocked from attic insulation

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.

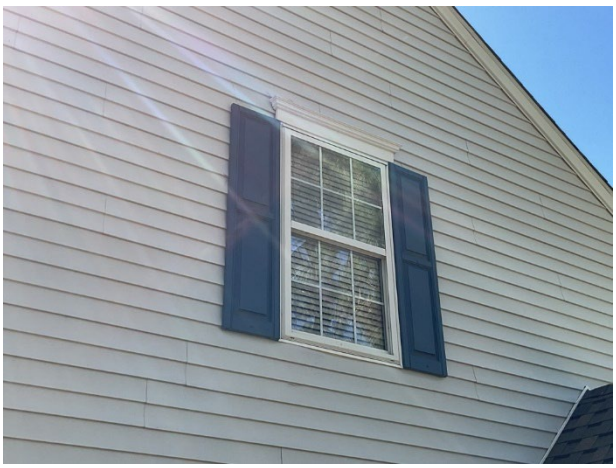
Shutters, Vinyl

Line Item: 1.560

Quantity: Approximately 300 pairs of decorative raised panel profile vinyl shutters

History: Original with the benefit of painting performed in coordination with the wood trim

Condition: Fair overall with faded color evident.



Vinyl shutters



Thermal damage

Useful Life: Up to 20 years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- As-needed:
    - Inspect and repair loose fasteners and damaged shutters

Priority/Criticality: Per Board discretion

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

Trim, Wood

Line Items: 1.651 and 1.652

Quantity: We include paint finishes at the various trim elements including the gable vents and accents at the unit entrances

History: The unit entrance columns and caps were painted in 2024 and the remaining elements were painted in 2021. The 2021 paint finish application project included the shutters.

Condition: Good to fair overall. We note damaged accents at the unit entrances



Wood trim at gable vent



Stucco gable accent



Damaged accent

Useful Life: Four- to six-years

Component Detail Notes: Correct and complete preparation of the surface before application of the paint finish maximizes the useful life of the paint finish and surface. The contractor should remove all loose, peeled or blistered paint before application of the new paint finish. The contractor should then power wash the surface to remove all dirt or chalking of the prior paint finish.

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

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

Walls, Masonry

Line Item: 1.820

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

History: Removed and replaced in 2019 as part of a construction defect settlement

Condition: Good to fair overall. We note the following:

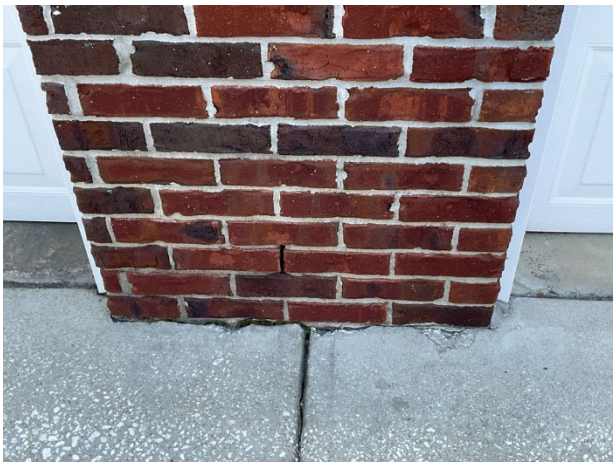
- No reported history of recent water infiltration
- No previous repairs evident
- Minor efflorescence is visible (Efflorescence is not a safety concern. However, it can be an indication of water infiltration, masonry saturation, improper drainage behind the façade or another underlying issue.)
- Minor lintel rust is evident
- No masonry cracks are evident
- Minor mortar deterioration is evident
- Weeps and flashing at lintels are visible



Masonry facade



Weep holes at lintel above garage



Weep hole



Rust formation at lintel



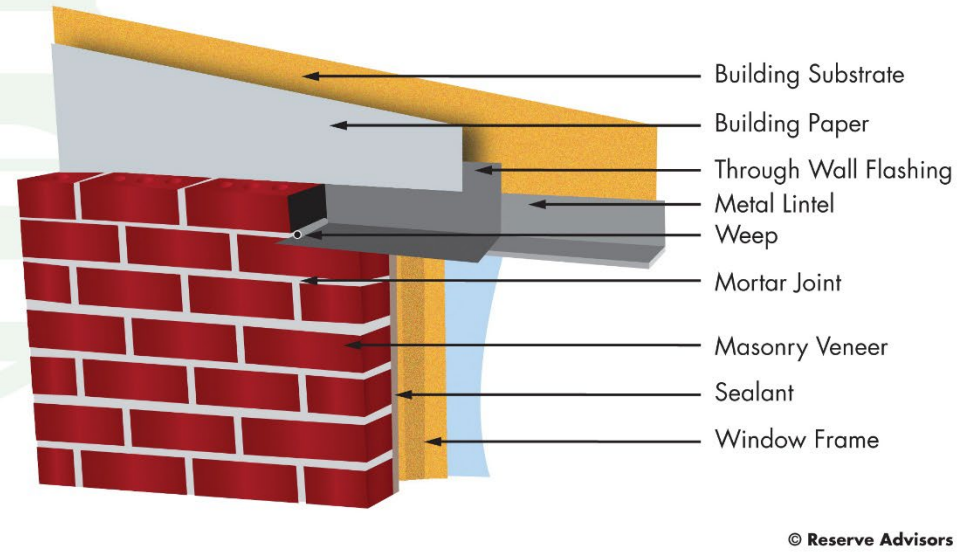
Efflorescence

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

Component Detail Notes: Common types of masonry deterioration include efflorescence, spalling, joint deterioration and cracking. The primary cause of efflorescence, cracks and face spall is water infiltration; therefore, prevention of water infiltration is the principal concern for the maintenance of masonry applications.

Repointing is a process of raking and cutting out defective mortar to a depth of not less than ½ inch nor more than ¾ inch and replacing it with new mortar. Face grouting is the process of placing mortar over top of the existing mortar. We advise against face grouting because the existing, often deteriorated mortar does not provide a solid base for the new mortar. New mortar spalls at face grouted areas will likely occur. One purpose of a mortar joint is to protect the masonry by relieving stresses within the wall caused by expansion, contraction, moisture migration and settlement. Repointed mortar joints are more effective if the mortar is softer and more permeable than the masonry units, and no harder or less permeable than the existing mortar. The masonry contractor should address these issues within the proposed scope of work.

We recommend an inspection, repair and replacement of the steel lintels. Lintels are structural supports or beams above windows and doors. Fatigued lintels also allow the direct penetration of storm water into the wall assembly. These inspections should locate areas of rust on the lintels and cracks or other structural damage to the walls around lintels. The contractor should remove any areas of rust, prime and paint these lintels. Paint protects and maximizes the remaining useful life of the lintels and therefore the exterior wall systems. Structural damage can eventually lead to costly replacements of lintels and surrounding wall systems. The following diagram details a typical metal lintel and weep system and may not reflect the actual configuration at the Association:



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 (5.0%) of the masonry
- Replacement of up to two percent (2.0%) of the masonry (The exact amount of area in need of replacement will be discretionary based on the actual future conditions and the desired appearance.)
- Replacement/flashing installation at up to two percent (2.0%) of the metal lintels
- Paint applications to the metal lintels
- Replacement of up to thirty-three percent (33.3%) of the sealants at the window and door perimeters

Walls, Siding, Vinyl

Line Item: 1.860

Quantity: Approximately 211,500 square feet of clapboard double four-inch profile vinyl siding comprises the exterior walls. This quantity includes the pool house

History: Original

Condition: Fair overall with damage evident. We note stained and painted siding, vegetation growth and thermal damage.



Vinyl siding overview at pool house



Siding damage



Paint finishes applied to siding



Rust stains



Siding damage



Siding damage



Vinyl trim damage



Siding discoloration



Vegetation growth



Rust stains

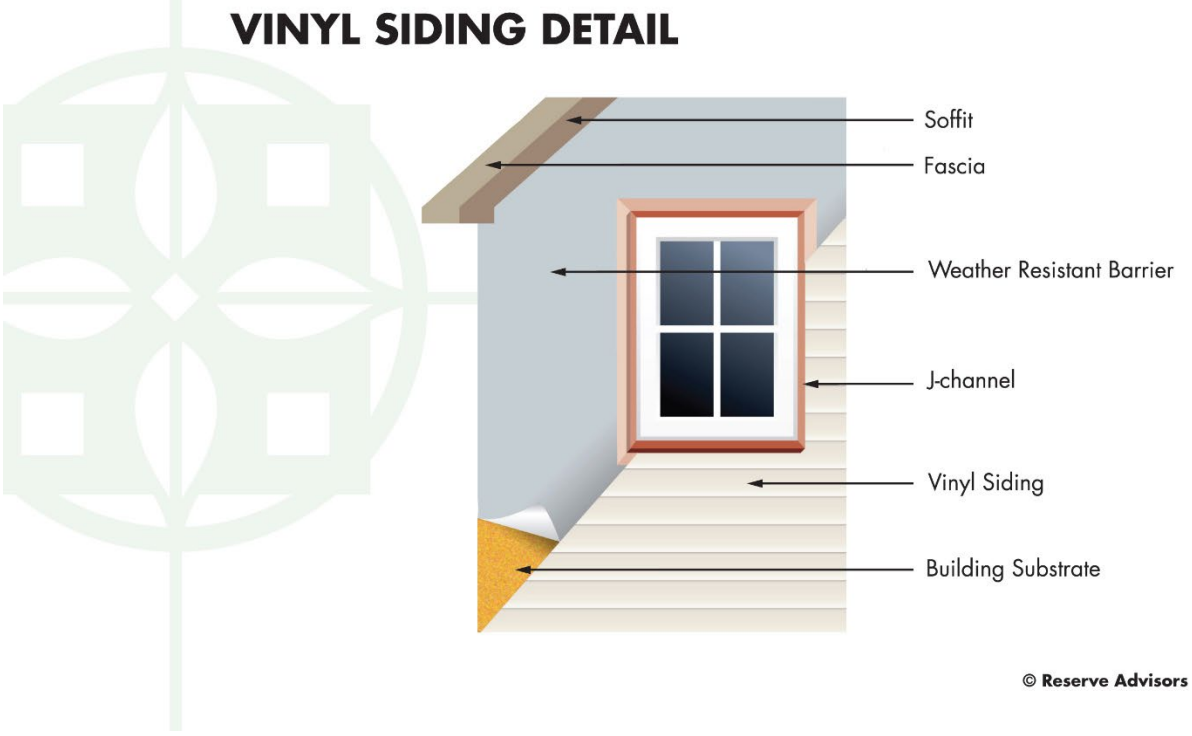
Useful Life: Up to 40 years

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:



The Association should install new vinyl siding as recommended by the *Vinyl Institute, Inc*. The vinyl siding should be installed over a continuous weather resistant barrier and properly integrated flashing around all penetrations. Fasteners used should include aluminum, galvanized steel or other corrosion-resistant fasteners. Siding panels should overlap by approximately one inch. Joints should be staggered so that no two courses are aligned vertically, unless separated by at least three courses. The siding should not be caulked where the siding meets trim accessories, such as J-channel, or at overlap joints. J-channel should be installed a minimum of ½ inch off of roof lines.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and repair loose siding, warping or damage from wind driven objects or lawn care equipment
    - Periodically clean siding as necessary at areas of organic growth. A non-abrasive household cleaner or manufacturer specified vinyl siding cleaner will remove more intense stains. We do not recommend pressure cleaning at vinyl siding due to the siding's brittle nature.

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

Line Items: 4.020 and 4.040

Quantity: Approximately 14,750 square yards at the streets

History:

- Repaving: Original
- Repairs: Repaired and sealed in 2023

Condition: Fair overall with cracks, settlement and previous repairs evident.



Pavement overview



Pavement cracks



Pavement patch and settlement



Pavement deterioration at edge



Pavement cracks

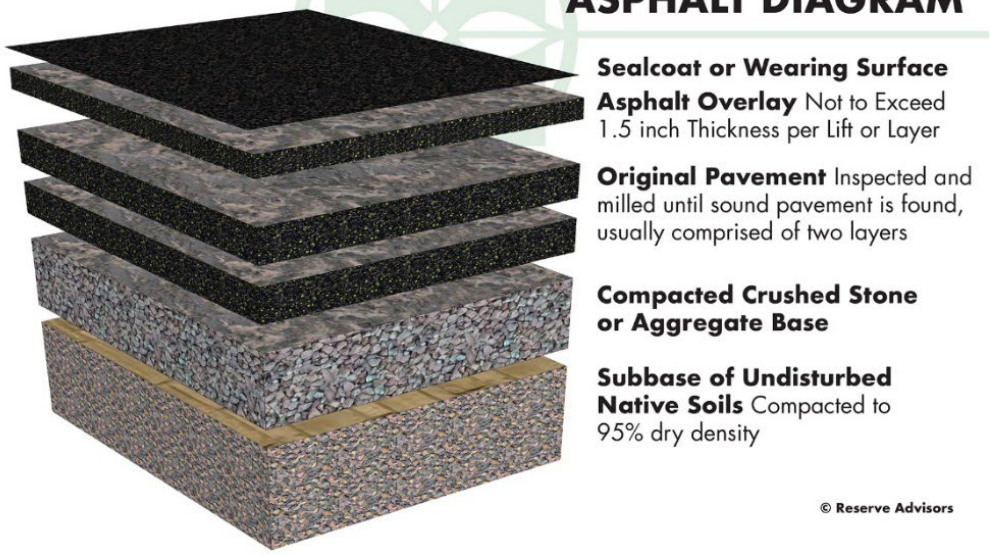


Pavement patch

Useful Life: 15- to 20-years with the benefit of crack repair, patch, and seal coat events every three- to five-years

Component Detail Notes: Proposals should include mechanically routing and filling all cracks with hot emulsion. Repairs should also include patching at areas exhibiting settlement, potholes, or excessive cracking. The contractor should only apply seal coat applications after repairs are completed. A seal coat does not bridge or close cracks; therefore, unrepaired cracks render the seal coat applications useless. These activities minimize the damaging effects of vehicle fluids, maintain a uniform and positive appearance, and maximize the useful life of the pavement.

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.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect for settlement, large cracks and trip hazards, and ensure proper drainage
    - Repair areas which could cause vehicular damage such as potholes
- As needed:
    - Perform crack repairs and patching

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

Expenditure Detail Notes: Expenditure timing and costs are depicted in the ***Reserve Expenditures*** table in Section 3. Our cost includes an allowance for crack repairs and patching of up to two percent (2%) of the pavement. 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 with the benefit of a sealant application in 2023

Condition: Fair overall with isolated cracks evident.



Asphalt pavement walking path



Walking path cracks

Useful Life: 15- to 20-years with the benefit of timely crack repairs and patching, and the need to maintain a safe pedestrian surface

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: 18 catch basins[2]

History: Original

Condition: Fair overall with concrete damage evident.



Curb-inlet catch basin



Concrete damage

[2] We utilize the terminology catch basin to refer to all storm water collection structures including curb inlets.

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.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect and repair any settlement and collar cracks
  - Ensure proper drainage and inlets are free of debris
  - If property drainage is not adequate in heavy rainfall events, typically bi-annual cleaning of the catch basins is recommended

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 isolated cracks, settlement and spalled concrete evident. We note tree root intrusion



Concrete curb and gutter



Concrete curb and gutter



Evidence of tree root intrusion



Differential settlement

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

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect and repair major cracks, spalls and trip hazards
  - Mark with orange safety paint prior to replacement or repair
  - Repair or perform concrete leveling in areas in immediate need of repair or possible safety hazard

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 2,620 linear feet of curbs and gutters, or twenty-five percent (25%) of the total, will require replacement during the next 30 years.

Concrete Driveways

Line Item: 4.120

Quantity: Approximately 42,300 square feet

Condition: Fair overall with periodic cracks evident.



Concrete driveways with cracks

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

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect and repair major cracks, spalls and trip hazards
  - Mark with orange safety paint prior to replacement or repair
  - Repair or perform concrete leveling in areas in immediate need of repair or possible safety hazard

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 17,760 square feet of concrete driveways, or forty-two percent (42%) of the total, will require replacement during the next 30 years.

Irrigation System, Pumps

Line Item: 4.410

Quantity: One five-horsepower (5-HP) submersible well pump and one surface pump at the secondary well with a capacity of one and one-half horsepower (1.5-HP)

History: Replaced from 2022 through 2024.

Condition: Reported satisfactory without operational deficiencies



Irrigation pump system



Irrigation pump system

Useful Life: 10- to 15-years

Preventative Maintenance Notes: The required preventative maintenance may vary in frequency and scope based on the unit's age, operational condition, or changes in technology.

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

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

Irrigation System, Replacement

Line Item: 4.420

Quantity: Approximately 540 heads at the common areas

History: Largely original with the benefit of component replacement performed on an as-needed basis

Condition: Satisfactory as reported by the Board



Irrigation system controller

Useful Life: Up to and sometimes beyond 40 years

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

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

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
    - Conduct seasonal repairs which include valve repairs, controller repairs, partial head replacements and pipe repairs
    - Blow out irrigation water lines and drain building exterior faucets each fall if applicable

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.

Mailbox Stations

Line Item: 4.600

Quantity: 19 stations

History: Replaced in 2024.

Condition: Good overall



Mailbox stations



Mailbox stations

Useful Life: Up to 25 years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- As-needed:
  - Inspect and repair damage, vandalism, and finish deterioration
  - Verify posts are anchored properly

Priority/Criticality: Per Board discretion

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

Pond, Bulkhead, Wood

Line Item: 4.691

Quantity: Approximately 1,175 linear feet at one pond

History: Largely original. The Association reports that near-term repairs are likely

Conditions: Fair overall with displaced and weathered wood evident



Wood bulkhead overview



Displaced and weathered wood



Displaced and weathered wood

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: Replaced between 2016 and 2018. The Association performed an upgrade to the fountain which included installation of lights in 2024

Condition: Reported satisfactory without operational deficiencies



Pond fountain aerator



Pond aerator controls



Bubbler aerator



Pond aerator controls

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.

Pond, Sediment Removal and Erosion Control

Line Items: 4.710 and 4.730

Quantity: Approximately 8,680 square yards of water surface area and approximately 1,440 linear feet of natural vegetation shorelines and shorelines with rip rap

History: The Association reportedly conducted sediment removal and erosion control projects in 2018.

Condition: Good to fair overall



Pond overview



Minor shoreline erosion



Pond overview

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

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 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. Excavation equipment used for sediment removal includes clamshells, draglines and suction pipelines. Sediment removal can also include shoreline regrading. Regrading includes removal of collapsed and eroded soil, and redefining the shoreline.

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 shoreline 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

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
    - Inspect and remediate shoreline erosion and areas of sediment accumulation
    - Clear and remove debris and vegetation overgrowth at pond edges, and inlet and outlet structures
    - Inspect for algae blooms and remedy as needed through a chemical treatment program or aeration

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 pond along 220 linear feet, or approximately fifteen percent (15.3%), of the shoreline per event.

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

Arbor, Wood

Line Item: 6.101

Quantity: One wood arbor comprising approximately 225 square feet of coverage area

History: Replaced in 2020

Condition: Good to fair overall with wood deterioration and fastener rust evident



Arbor overview



Wood deterioration



Joist hangers



Wood deterioration



Rust formation at fasteners

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 estimate of cost is based on information provided by the Association.

Concrete Deck

Line Item: 6.200

Quantity: Approximately 3,450 square feet

History: Inspected and repaired in 2022.

Condition: Good to fair overall with isolated cracks evident.



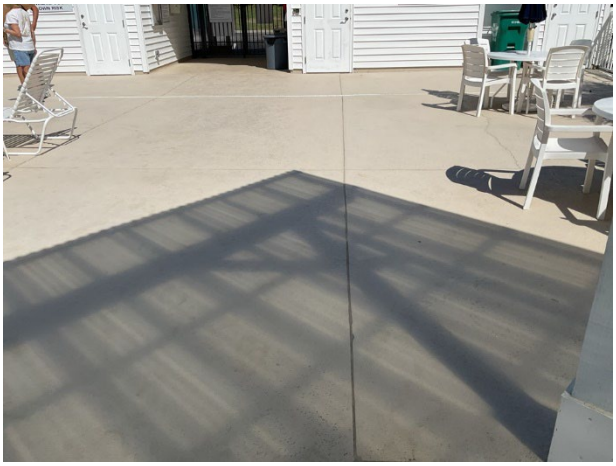
Concrete cracks



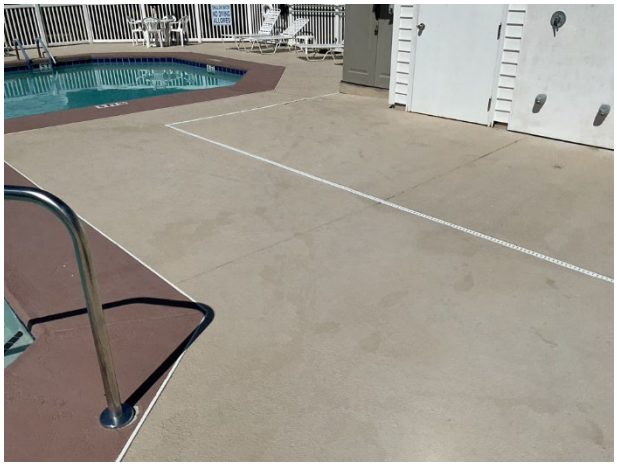
Concrete cracks



Concrete cracks and coating deterioration



Concrete pool deck overview



Concrete pool deck overview

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.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
    - Inspect and repair large cracks, trip hazards, and possible safety hazards
    - Inspect and repair pool coping for cracks, settlement, heaves or sealant deterioration
    - Repair concrete spalling and conduct coating repairs in areas with delamination
    - Schedule periodic pressure cleanings 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 the following per event:

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

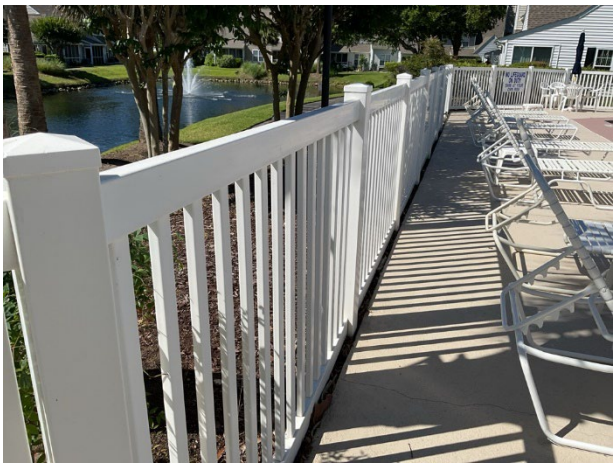
Fence, Vinyl

Line Item: 6.400

Quantity: Approximately 240 linear feet

History: Original

Condition: Good to fair overall with fastener rust evident



Pool fence overview



Rust formation at fasteners

Useful Life: 15- to 20-years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect and repair loose fasteners or sections, and damage
  - Repair leaning sections and clear vegetation from fence areas which could cause damage

Priority/Criticality: Not recommended to defer

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

Furniture

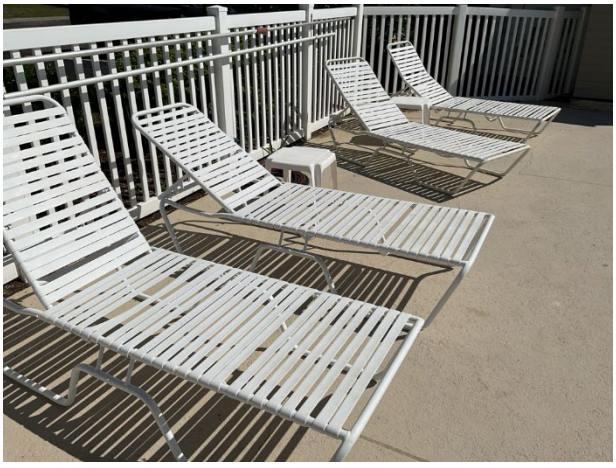
Line Item: 6.500

Quantity: The pool furniture includes the following:

- Chairs
- Lounges
- Tables
- Ladders and life safety equipment

History: Original

Condition: Fair overall with rust evident.



Pool furniture



Pool furniture



Rust formation



Pool furniture

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.

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

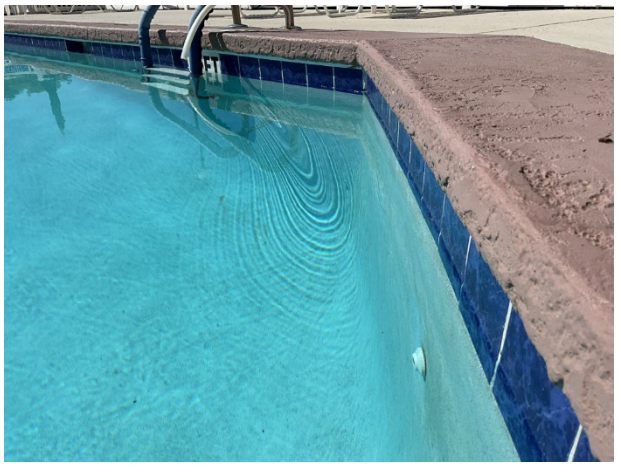
History:

- Plaster finish: Replaced in 2022.
- Tile: Original

Condition: Good overall



Pool plaster overview



Pool plaster finish with tile perimeter

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

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
  - Inspect and patch areas of significant plaster delamination, coping damage and structure cracks
  - Inspect main drain connection and anti-entrapment covers, pressure test circulation piping and valves
  - Test handrails and safety features for proper operation

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. Removal and replacement of the finish 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

Rest Rooms

Line Item: 6.901

Quantity: The rest room components include:

- Concrete floor coatings
- Paint finishes at the walls and ceilings
- Light fixtures
- Plumbing fixtures
- Partitions
- Doors

History: Original. Repairs were ongoing at the ladies room at the time of our inspection

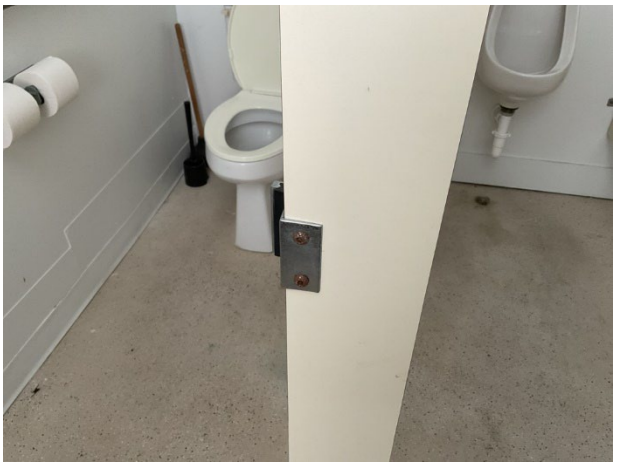
Condition: Fair overall. We note rust formation at partitions



Rest room overview



Floor drain



Rust formation at partition fasteners



Rest room plumbing



Rest room door



Repairs ongoing at ladies room

Useful Life: Renovation up to every 25 years

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 every 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 Owners 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 Island, South Carolina at an annual inflation rate[3]. Isolated or regional

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

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.

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 founders are also founders of Community Associations Institute's (CAI) Reserve Committee that developed national standards for reserve study providers. One of our founders 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 a 2,600,000-square foot 98-story highrise. 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.

JARED W. KELLEY
Responsible Advisor



CURRENT CLIENT SERVICES

Jared Kelley, a Mechanical Engineer, is an Advisor for ***Reserve Advisors.*** Mr. Kelley is responsible for the inspection and analysis of the condition of clients' properties, and recommending engineering solutions to prolong the lives of the components. He also forecasts capital expenditures for the repair and/or replacement of the property components and prepares technical reports on assignments. He is responsible for conducting Life Cycle Cost Analyses and Capital Replacement Forecast services and the preparation of Reserve Study Reports for condominiums, townhomes and homeowner associations.

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

7 Patton Avenue – Located in the heart of downtown Asheville, this North Carolina high rise is home to 54 condominium residences and a luxury hotel. Originally constructed in 1965, the building underwent extensive re-development between 2016 and 2019. The Association is responsible for the plumbing, electrical, and life safety systems as well as the decorative building exterior. The property also features a detached 3-story garage for use by the residents and hotel guests

Clarcona Resort – This co-operative condominium Association in Apopka Florida is responsible for the common elements shared by 792 units. The community contains a recreation hall, a large pool and six comfort station buildings with rest rooms, showers and laundry facilities. The Association also maintains a wastewater treatment facility and provides domestic water service to the residents.

University Downs – This large Condominium Association in Tuscaloosa Alabama is responsible for the common elements shared by 272 units in 13 story buildings. The Association maintains an extensive clubhouse and three resort-style pools in conjunction with the neighboring apartment complex.

The Jackson Yacht Club – Located in Ridgeland, Mississippi, this historic Club provides members access to a multi-story clubhouse with a restaurant and bar, an event space and a large competition swimming pool. Founded in 1960 and rebuilt in 2001, the Club also maintains an extensive marina, boat ramps and a youth sailing center on the Ross R. Barnett Reservoir.

Avea Pointe – This townhome development is located in Lutz, Florida. An expansive community consisting of 29 buildings, Avea Pointe maintains the building exteriors as well as a modern pool amenity area. The Association is also responsible for landscaping, irrigation and multiple ponds.

Deer Creek Village – This large development is located in Orlando Florida and is responsible for the common elements shared by 553 single family homes. The Association maintains a clubhouse with a kitchen and multiple event spaces, a pool and pool house, tennis and basketball courts, a large playground and multiple common parks and green spaces throughout the community.

PRIOR RELEVANT EXPERIENCE

Before joining ***Reserve Advisors,*** Mr. Kelley earned his Bachelor of Science degree in Mechanical Engineering from The University of Central Florida. His relevant coursework includes mechanical systems, materials science, computer aided design, and HVAC systems engineering.

EDUCATION

University of Central Florida - B.S. Mechanical Engineering

PROFESSIONAL AFFILIATIONS / DESIGNATIONS

Engineering Intern (E.I.) – Florida, 2023-present

KEVIN HAYES
Regional Engineering Manager



CURRENT CLIENT SERVICES

Kevin Hayes is an Advisor for Reserve Advisors. Mr. Hayes is responsible for the inspection and analysis of the condition of clients' properties, and recommending engineering solutions to prolong the lives of the components. He also forecasts capital expenditures for the repair and/or replacement of the property components and prepares technical reports on assignments. He is responsible for conducting Life Cycle Cost Analyses and Capital Replacement Forecast services and the preparation of Reserve Study Reports for condominiums, townhomes and homeowner associations.

The following is a partial list of clients served by Kevin Hayes demonstrating his breadth of experiential knowledge of community associations in construction, remediation procedures and related buildings systems.

Silver Springs Farms Estates Association - Located in Banner Elk, North Carolina, Silver Springs Farms sits upon the foothills of the North Carolina Appalachian mountain range and produces some of the best views that North Carolina has to offer. Silver Springs Farms contains various scenic waterfalls, breathtaking landscapes, mountain-typical winding asphalt roads, and many large retaining walls.

1666 Coffman Condominium Association - Located in Falcon Heights, Minnesota, this distinctive building contains 93 units in a three-story structure. Building service elements include boilers, a chiller, a hydraulic elevator, and various pumps that supply water for building heating/cooling as well as fire suppression.

Robinwood Village Homeowners Association - This development contains a combination of 18 townhome style buildings in Gastonia, North Carolina. The Association maintains shared common elements including asphalt pavement streets, retaining walls and walking paths.

Oldenburg Homeowners Association - This development contains 128 single family homes in Waxhaw, North Carolina. The Association maintains shared common elements including asphalt pavement streets, walking paths, sport courts, clubhouse and pool.

Stowe Creek Homeowners Association - This development contains 396 single family homes in Charlotte, North Carolina. The Association maintains shared common elements including asphalt pavement streets, playground equipment, clubhouse and pool.

IronGate Farms Homeowners Association - This development contains 30 single family homes in Clover, South Carolina. The Association maintains shared common elements including asphalt pavement streets, walking paths, ponds, and perimeter fences.

PRIOR RELEVANT EXPERIENCE

Mr. Hayes attended North Carolina State University at Charlotte in Charlotte, North Carolina where he attained his Bachelor of Science degree in Electrical Engineering Technology. He then worked as a manufacturing engineer for Continental Automotive Systems where he maintained the electrical, mechanical, hydraulic, and pneumatic control systems of various production equipment. Mr. Hayes also developed PLC logic as well as vision system solutions to ensure a high standard of quality within the production processes of his responsibility. Mr. Hayes later managed a department of 5 engineers and over 20 technicians that were responsible for the entire final assembly of state-of-the-art automotive safety technology before joining Reserve Advisors as a Regional Engineering Manager of the Southeast Region.

EDUCATION

University of North Carolina at Charlotte - B.S. Electrical Engineering Technology

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 subject property. The purpose of our energy benchmarking services is to track, collect and summarize the subject property's energy consumption over time for your use in comparison with other buildings of similar size and establishing a performance baseline for your planning of long-term energy efficiency goals. The purpose of our Milestone Phase I is to evaluate the structural integrity of the building on the subject property and provide an inspection report summarizing our findings related to structural issues, or lack thereof.

In each case, 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. Our energy benchmarking services with respect to the subject property is limited to collecting energy and utility data and summarizing such data in the form of an Energy Star Portfolio Manager Report or any other similar report, and hereby expressly excludes any recommendations with respect to the results of such energy benchmarking services or the accuracy of the energy information obtained from utility companies and other third-party sources with respect to the subject property. Our Milestone Phase I inspections are limited to a visual examination of habitable and uninhabitable areas of the building, including the primary structural members and systems. The inspection aims to determine the presence of substantial structural deterioration, and unsafe or dangerous conditions with the structure. The reserve report, Milestone Phase 1 report, and any energy benchmarking report (i.e., any Energy Star Portfolio Manager Report) (including any subsequent revisions thereto pursuant to the terms hereof, collectively, the "Report") are based upon a "snapshot in time" at the moment of inspection. RA may note visible physical defects in the Report. The inspection is made by employees generally familiar with real estate and building construction. Except to the extent readily apparent to RA, RA cannot and shall not opine on the structural integrity of or other physical defects in the property under any circumstances. Without limitation to the foregoing, RA cannot and shall not opine on, nor is RA responsible for, the property's conformity to specific governmental code requirements for fire, building, earthquake, occupancy or otherwise.

RA is not responsible for conditions that have changed between the time of inspection and the issuance of the Report. RA does not provide invasive testing on any mechanical systems that provide energy to the property, nor can RA opine on any system components that are not easily accessible during the inspection. 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 vapor, water, oil, gas, coal, or other subsurface mineral and use rights or such hidden conditions, and RA assumes no responsibility for any such conditions. The Report contains opinions of estimated replacement costs or deferred maintenance expenses and remaining useful lives, which are neither a guarantee of the actual costs or expenses of replacement or deferred maintenance nor a guarantee of remaining useful lives of any property element.

RA assumes, without independent verification, the accuracy of all data provided to it. Except to the extent resulting from RA's willful misconduct in connection with the performance of its obligations under this agreement, you agree to indemnify, defend, and hold RA and its affiliates, officers, managers, employees, agents, successors and assigns (each, an "RA Party") harmless from and against (and promptly reimburse each RA Party for) any and all losses, claims, actions, demands, judgments, orders, damages, expenses or liabilities, including, without limitation, reasonable attorneys' fees, asserted against or to which any RA Party may become subject in connection with this engagement, including, without limitation, as a result of any false, misleading or incomplete information which RA relied upon that was 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 or to whom you provided the Report. NOTWITHSTANDING ANY OTHER PROVISION HEREIN TO THE CONTRARY, THE AGGREGATE LIABILITY (IF ANY) OF RA WITH RESPECT TO THIS AGREEMENT AND RA'S OBLIGATIONS HEREUNDER IS LIMITED TO THE AMOUNT OF THE FEES ACTUALLY RECEIVED BY RA FROM YOU FOR THE SERVICES AND REPORT PERFORMED BY RA UNDER THIS AGREEMENT, WHETHER ARISING IN CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY OR OTHERWISE. YOUR REMEDIES SET FORTH HEREIN ARE EXCLUSIVE AND ARE YOUR SOLE REMEDIES FOR ANY FAILURE OF RA TO COMPLY WITH ITS OBLIGATIONS HEREUNDER OR OTHERWISE. RA SHALL NOT BE LIABLE FOR ANY SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES OF ANY KIND, INCLUDING, BUT NOT LIMITED TO, ANY LOST PROFITS AND LOST SAVINGS, LOSS OF USE OR INTERRUPTION OF BUSINESS, HOWEVER CAUSED, WHETHER ARISING IN CONTRACT, TORT (INCLUDING NEGLIGENCE), BREACH OF WARRANTY, STRICT LIABILITY OR OTHERWISE, EVEN IF RA HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT WILL RA BE LIABLE FOR THE COST OF PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES. RA DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED OR OF ANY NATURE, WITH REGARD TO THE SERVICES AND THE REPORT, INCLUDING, WITHOUT LIMITATION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Report - RA will complete the services in accordance with the Proposal. The Report represents a valid opinion of RA's findings and recommendations with respect to the reserve study or Milestone Phase I, as applicable, and is deemed complete. RA will consider any additional information made available to RA within 6 months of issuing the Report and issue a revised Report based on such additional information if a timely request for a revised Report is made by you. 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. RA reserves the right to, and you acknowledge and agree that RA may, use any data provided by you in connection with the services, or gathered as a result of providing such services, including in connection with creating and issuing any Report, in a de-identified and aggregated form for RA's business purposes.

Your Obligations - You agree to provide us access to the subject property for an 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. Additionally, you agree to provide historical replacement schedules, utility bills and historical energy usage files that RA requests and deems necessary to complete the energy benchmarking services, and you agree to provide any utility release(s) reasonably requested by RA permitting RA to obtain any such data and/or information from any utility representative or other third party. 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 the Report is limited to only the purpose stated herein. You acknowledge that RA is the exclusive owner of all intellectual property rights in and relating to the Report. You hereby acknowledge that any use or reliance by you on the Report for any unauthorized purpose is at your own risk and that you will be liable for the consequences of any unauthorized use or distribution of the Report. Use or possession of the Report by any unauthorized third party is prohibited. 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 the Report in its entirety to the following third parties: members of your organization (including your directors, officers, tenants and prospective purchasers), your accountants, attorneys, financial institutions and property managers who need to review the information contained herein, and any other third party who has a right to inspect the Report under applicable law including, but not limited, to any government entity or agency, or any utility companies. Without the written consent of RA, you shall not disclose the Report to any other third party. By engaging our services, you agree that the Report contains intellectual property developed (and owned solely) by RA and agree that you will not reproduce or distribute the Report ***to any party that conducts reserve studies without the written consent of RA***.

RA will include (and you hereby agree that RA may include) your name in our client lists. RA reserves the right to use (and you hereby agree that RA may 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 - The retainer payment for any reserve study, Milestone Phase I inspection, and/or combined services is due upon execution of this agreement and prior to the inspection by RA, and any balance is due net 30 days from the Report shipment date. If only energy benchmarking services are performed by RA, then the retainer payment is due upon execution of this agreement and any balance is due net 30 days from the Report shipment date. In any case, any balance remaining 30 days after delivery of the Report shall accrue an interest charge of 1.5% per month. Unless this agreement is earlier terminated by RA in the event you breach or otherwise fail to comply with your obligations under this agreement, RA's obligations under this agreement shall commence on the date you execute and deliver this agreement and terminate on the date that is 6 months from the date of delivery of the Report by RA. Notwithstanding anything herein to the contrary, each provision that by its context and nature should survive the expiration or early termination of this agreement shall so survive, including, without limitation, any provisions with respect to payment, intellectual property rights, limitations of liability and governing law. We reserve the right to limit or decline refunds in our sole discretion. Refunds vary based on the applicable facts and circumstances.

Miscellaneous – Neither party shall be liable for any failures or delays in performance due to fire, flood, strike or other labor difficulty, act of God, act of any governmental authority, riot, embargo, fuel or energy shortage, pandemic, wrecks or delays in transportation, or due to any other cause beyond such party's reasonable control; provided, however, that you shall not be relieved from your obligations to make any payment(s) to RA as and when due hereunder. In the event of a delay in performance due to any such cause, the time for completion or date of delivery will be extended by a period of time reasonably necessary to overcome the effect of such delay. You may not assign or otherwise transfer this agreement, in whole or in part, without the prior written consent of RA. RA may freely assign or otherwise transfer this agreement, in whole or in part, without your prior consent. This agreement shall be governed by the laws of the State of Wisconsin without regard to any principles of conflicts of law that would apply the laws of another jurisdiction. Any dispute with respect to this agreement shall be exclusively venued in Milwaukee County Circuit Court or in the United States District Court for the Eastern District of Wisconsin. Each party hereto agrees and hereby waives the right to a trial by jury in any action, proceeding or claim brought by or on behalf of the parties hereto with respect to any matter related to this agreement.